



FedFin Weekly Alert

Monday, May 16, 2022

❑ MARK-UP MAYHEM

On Tuesday, the House Financial Services Committee will meet in open, hybrid session to have another go at each other. The increasingly nasty mood was in relative abeyance when Secretary Yellen testified last week ([see Client Report FSOC27](#)), but it was on full display later in the day when Republicans launched a full-bore [attack](#) against Acting Comptroller Hsu and earlier in the week when what should have been a staid session on the credit-rating [agencies](#) became a sparring match between Chairwoman Waters (D-CA) and Rep. Huizenga (R-MI) over who controls the Committee's agenda. None of these ill feelings has dissipated and all will be in clear view when the panel meets to report several high-profile, controversial measures. These are:

- H.R. 5912, a Rep. Garcia (D-IL) bill that would subject industrial loan companies and their parent companies to BHC regulation, thereby closing what Mr. Garcia calls a gaping loophole ([see FSM Report ILC13](#)). As we noted ([see Client Report FSOC27](#)), Secretary Yellen told Rep. Garcia on Thursday that she generally supports the measure, which will advance through this mark-up to an uncertain fate in the Senate. Although this bill is very controversial, debate on it will not fall strictly along party lines because the measure enjoys strong banking industry support;
- H.R. 4395, a bill from Rep. Payne (D-NJ) to require retail businesses to accept cash for charges under \$2,000 and prohibit a cash surcharge ([see FSM Report ACCESS3](#));
- H.R. 7734, a bill from Chairwoman Waters establishing a timeframe for the Secretary of the Treasury to produce Bank Secrecy Act Reports to Congress, as well as requiring financial institutions, upon receiving a subpoena, to deliver BSA reports to Congress. Text on this bill is unavailable, making it unclear if the measure addresses concern about FinCEN opacity or if it's involved in the Congressional investigation of January 6; and
- H.R. 7003, another bill from Chairwoman Waters that requires credit unions extending services to underserved areas to submit a business plan laying out how they do so. This is short of Sen. Warren's proposal some years ago to bring credit unions under CRA, but it does recognize longstanding complaints as well as [research](#) finding that low-income credit unions often serve affluent customers in targeted markets.

Headlines From the Past Week's Daily Briefings

May 9

- **U.S. Adopts Powerful Back-Door Campaign vs. Shell Companies, Trusts** - In conjunction with a G-7 statement strongly condemning [Russia](#), [Treasury](#) took an innovative move to address shell companies linked to the Russian Federation even as FinCEN's beneficial-ownership rules remain bogged [down](#).
- **Hsu Promises Deal-By-Deal Review of Large Regional M&A Pending Broad, Forward-Looking Policy** - Citing changes in both U.S. banking and inequality since the last round of merger-policy statements in 1995, [Acting Comptroller Hsu](#) called for a new policy that is neither pro- nor anti-merger but rather determines which larger mergers are "good" transactions so that only risky ones are rejected.
- **SEC Bows to Critics with Longer Comment Periods** - In a significant concession to Congressional Republicans and industry critics, the SEC [extended](#) the comment period for two of its most controversial initiatives.
- **CFPB Takes Administrative Action Expanding ECOA Reach, Lender Risk** - Living up to its promise to address structural racism, the CFPB issued a new [advisory](#) extending its fair-lending enforcement scope under the ECOA to all aspects of a credit transaction, not just loan origination or servicing.

May 10

- **HFSC Looks at NSRO Competition, Insurance Ratings** - The HFSC Investor Protection Subcommittee hearing on bond markets reopens debate about the credit rating agencies that is unlikely to end in substantive action despite continuing Democratic displeasure with these agencies.
- **FinCEN Under Still More Beneficial-Ownership Pressure** - Picking up on a theme at a recent HFSC [hearing](#), Sens. Warren (D-MA), Grassley (R-IA), and over a dozen bipartisan senators sent a [letter](#) to Treasury demanding faster action on stalled beneficial-ownership disclosure rules.
- **IMF Head Calls for New Global Payment-System Infrastructure** - In remarks, IMF Managing Director Kristalina Georgieva identified financial-market fragmentation in the wake of Russian sanctions as the threat to the global order also discussed in a recent Petrou [op-ed](#).

May 11

- **HFSC re FSOC: SIFIs, Climate, Stablecoins, Lots More** - Looking ahead to HFSC hearing with Secretary Yellen, the Democratic staff [memo](#) suggests that this session will track much of what occurred at Senate Banking.

- **Basel Plans Wholesale Review of Post-GFC Regulatory Regime** - The head of the Basel Committee, Pablo Hernández de Cos, [announced](#) a full-scale evaluation of the Basel III construct set for release later this year.
- **FSB Plans Commodity, Climate, Crypto Agenda** - In [remarks](#), FSB head Klaas Knot reiterated ongoing concern about commodity markets and continuing financial-market resilience despite stress absorption since Russia first invaded Ukraine.

May 12

- **Basel Heading Towards Tough New Crypto Standards** - In [remarks](#), Basel Committee Director Pablo Hernández de Cos reiterated that Basel's latest cryptoasset consultation will be out in "coming months," going on to say that while global negotiations have yet to resolve various controversies raised in the consultation.
- **House Codifies Sanctions for Subsidiaries** - The House passed H.R. 7066, legislation sponsored by Rep. Sherman (D-CA) to tighten secondary sanctions against Russia and its allies.
- **GOP Takes on Hsu, Merger Policy** - Republicans made it clear that the blame they directed for what they called the "FDIC coup", so far directed only to CFPB Director Chopra, has now ensnared Acting Comptroller Hsu.

May 13

- **GOP Fuels FDIC Battle With New Letter To Chopra** - Following up on their [scathing letter](#) to Acting Comptroller Hsu, leading House Republicans sent another [letter](#) to CFPB Director Rohit Chopra demanding significantly more transparency around the Bureau's Policy Fellowship Program and accusing the Director of using the Program as a means to circumvent civil service laws.
- **Treasury Reiterates Need for Shell-Company Transparency** - Treasury [announced](#) its 2022 national illicit-finance strategy, now governing the rest of a year in which Russia-related transactions have assumed far greater importance than when risks underlying this strategy were first identified.

This Week

Tuesday, May 17

HFSC Markup. [9:00 am, 2128 Rayburn House Office Building]. Matters to be discussed: TBD

FDIC Sunshine Act Meeting. [10:00 am, webcast]. Matters to be discussed: Memorandum and resolution re: Final Rule on False Advertising, Misrepresentation of Insured Status, and Misuse of the FDIC's Name or Logo.

Thursday, May 19

Senate Banking Nomination Hearing. [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **The Honorable Michael S. Barr**, Member and Vice Chairman For Supervision Designate, Board of Governors of the Federal Reserve System; **Mr. Jaime E. Lizárraga**, Member Designate, Securities and Exchange Commission; **Mr. Mark Toshiro Uyeda**, Member Designate, Securities and Exchange Commission.

FTC Open Meeting. [1:00 pm, webcast]. Matters to be discussed: Request for Public Comment on Amendments to the Guides Concerning the Use of Endorsements and Testimonials in Advertising.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics' website: www.fedfin.com or clients may obtain the reports/analyses by e-mailing info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **[FSOC27](#)**: With stablecoin markets even more distressed than earlier in the week, today's HFSC hearing with Secretary Yellen was even more emphatic than senators two days before on the need for action ([see Client Report FSOC26](#)).
- **[FSOC26](#)**: Today's Senate Banking Committee hearing with Secretary Yellen renewed calls for federal legislation based on recent algo-coin losses and resulting digital-currency market volatility.
- **[SYSTEMIC93](#)**: In this report, we assess the new Federal Reserve financial-stability [report](#).
- **[CRA31](#)**: The FDIC today led the way with release of a long-awaited inter-agency [proposal](#) updating decades-old CRA regulation.
- **[CLIMATE13](#)**: The FSB's report is aimed at establishing global standards that prevent fragmentation along national or regional lines as well as ensuring that regulatory and supervisory actions mitigate climate risk to the greatest extent possible in the face of an array of data and measurement challenges.
- **[INTERCHANGE9](#)**: As anticipated, bankers and card networks squared off with merchants at today's Senate Judiciary hearing addressing credit-card interchange fees.
- **[GSE-042822](#)**: In this note, we expand on our analysis of the CFPB's new campaign against [nonbank financial institutions](#) to look more deeply at its impact on residential-mortgage finance.
- **[CONSUMER42](#)**: Today's HFSC hearing with CFPB Director Chopra plowed much ground broken yesterday before the Senate Banking Committee ([see Client Report CONSUMER40](#)), but several new furrows were also unearthed.
- **[CONSUMER41](#)**: Using what it describes as "dormant" authority, the CFPB is seeking comment on a rule setting the procedures under which it expands its authority to nonbank financial companies it believes pose consumer-protection risk.

- [**CONSUMER40**](#): The Senate Banking Committee's hearing today with CFPB Director Chopra was a sharply partisan session with little immediate impact on what Mr. Chopra plans to do to achieve his sweeping new vision.
- [**GSE-042122**](#): In our last CRT [analysis](#), we looked at transaction viability under the Basel IV rewrite set for rapid release once key Fed nominees are finally confirmed.
- [**GSE-042022**](#): As we noted [yesterday](#), the IMF's financial-stability [report](#) includes a searing assessment of fintech risk.