



FedFin Daily Briefing

Wednesday, May 11, 2022

HFSC re FSOC: SIFIs, Climate, Stablecoins, Lots More

Looking ahead to tomorrow's HFSC hearing with Secretary Yellen, the Democratic staff [memo](#) suggests that this session will track much of what occurred yesterday at Senate Banking ([see Client Report FSOC26](#)): i.e., discussion of the need for stablecoin legislation, the role of SIFI designation, and the overall risks presented by higher inflation, Russia, China, and climate change. Legislation noted as germane to this hearing includes a measure to rewrite bank M&A policy ([see FSM Report MERGER8](#)), new legislation from Rep. Garcia (D-IL) to redesign SIFI designation, de-designation, and regulation, draft Quigley (D-IL) legislation increasing Treasury-market transparency, and a measure without a noted sponsor to give the FHFA express authority over nonbank mortgage servicers.

Basel Plans Wholesale Review of Post-GFC Regulatory Regime

The head of the Basel Committee, Pablo Hernández de Cos, today [announced](#) a full-scale evaluation of the Basel III construct set for release later this year. The report will evaluate complexity, regulatory interactions and systemic-risk dynamics, focusing on capital, liquidity, leverage, and macroprudential elements of the Basel III reforms. The report will also evaluate resilience and financial-activity behavioral incentives. Even as this report is drafted, Basel will also continue its work on buffer usability, with Mr. Hernández de Cos noting that this is proving the most pressing concern among those Basel recently surveyed. The Committee will look in particular at the intersection between buffers and the new expected-loss construct, but Mr. Hernández de Cos's comments also suggest that the outcome of this inquiry may be to press nations still harder to use counter-cyclical capital buffers. As noted yesterday ([see Client Report SYSTEMIC93](#)), the FRB has been reluctant to do so in part because it does not trust the credit-growth/GDP Basel CCyB trigger.

FSB Plans Commodity, Climate, Crypto Agenda

In remarks [today](#), FSB head Klaas Knot reiterated ongoing concern about commodity markets and continuing financial-market resilience despite stress absorption since Russia first invaded Ukraine. Mr. Knot is also concerned that some banks are generally over-leveraged and those with prime brokers may be at particular risk. The FSB is thus focused on identifying critical risk notes across the system as well as determining how best to strengthen commodity-market liquidity. The FSB is also moving forward on climate risk, with Mr. Knot noting its latest consultative report ([see FSM Report CLIMATE13](#)) as part of the urgent effort to tackle transition risk even in the absence of complete risk-data metrics. The FSB also plans to take forward work by IOSCO on decentralized finance ([see Client Report DEFI](#)) and prior stablecoins evaluations ([see FSM Report CRYPTO20](#)) to set holistic global standards. No timeline is provided for these efforts, but we expect them to be accelerated by recent market turmoil.

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](#).

- **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.
- **[CBDC11](#)**: As [promised](#), we turn here to an in-depth analysis of a [paper](#) from global regulators on whether CBDC contributes to financial inclusion – one of the most vital arguments from those advocating CBDC in the U.S. and in many other nations.
- **[GSE-041522](#)**: Cementing her very different vision of Fannie and Freddie, Acting Director Thompson has now finalized a new strategic plan for the FHFA emphasizing the importance of both equitable and sustainable housing finance.