



# *FedFin Daily Briefing*

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Wednesday, May 18, 2022

## **ILC Restrictions Hit Speedbump**

The House Financial Services Committee today attempted to markup H.R. 5912 (Garcia, D-IL), a bill that would subject ILCs and their parent companies to BHC regulation ([see FSM Report ILC13](#)). Reflecting concerns about the bill's grandfather provisions, Rep. Garcia introduced an amendment to the bill that would subject commercial entities looking to acquire an ILC to prior FSOC review. Reps. Huizenga (R-NC), Sessions (R-TX), and Barr (R-KY) opposed the amendment, saying that ILCs are too small of a fraction of the financial system to be considered a systemic risk and that the amendment turned the FSOC into what they called a super-regulator. Throughout the markup, confusion arose over what ability parent companies had to appeal any adverse FSOC decision, leading Rep. Sessions, as a co-sponsor of the bill, to ask that it be tabled. Rep. Garcia agreed to withdraw it and to work with him to resolve the issue. While this does not doom this legislation, it does set it back, increasing challenges to final enactment in this Congress. It is likely, however, that the FDIC under Acting Chairman Gruenberg will take a considerably more conservative approach to ILC charters than was the case under the Trump Administration.

## **Barr Highlights Crypto Rules, Equity Ahead of Hearing**

Although we will provide clients tomorrow with an in-depth assessment of his confirmation hearing, Michael Barr's [testimony](#) confirms that he will take a different approach to financial regulation than his predecessor, Randy Quarles. His very brief statement emphasizes the need for innovation to come with regulation and for it to advance fairness. Mr. Barr has elsewhere called for a complete overhaul of Trump-era regulation, but we continue to expect him to address priorities such as regulatory capital, climate risk, digital assets, and merger policy rather than rewrite current rules not germane to immediate priorities. Following Sen. Manchin's (D-WV) announcement earlier this [week](#) that he will support Mr. Barr, relatively speedy confirmation seems assured.

## **Bill Requiring Cash Acceptance Reported to House**

The House Financial Services Committee today reported H.R. 4395 (Payne, D-NJ), a bill that requires all businesses to accept cash payments for transactions under \$2000, by a vote of 32-17. The panel added an amendment from Rep. Garcia (D-TX) to clarify that only businesses with a physical location are covered. Republicans split, with Reps. Davidson (R-OH) and Rose (R-TN) supporting the measure to defend the dollar and Reps. Mooney (R-WV), Kustoff (R-TN), and Gooden (R-TX) also crossing party lines in the vote.

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### **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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **CRA32**: Following much talk about the need to update Community Reinvestment Act (CRA) rules since this was last done in 1995, federal banking agencies have finally agreed on a proposed redesign of standards essential to banks that wish to expand or acquire as well as those seeking strong community ties and the policy and political benefit these afford.
- **GSE-051622**: As we [noted](#) last week, the federal banking agencies sighed a mighty sigh and heaved up a massive inter-agency [proposal](#) rewriting decades-old standards detailing which activities earn the Community Reinvestment Act (CRA) points essential for any bank's strategic objectives and national reputation.
- **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.