



FedFin Daily Briefing

Tuesday, May 31, 2022

Basel Finalizes Climate Standards, Advances Those for Crypto

The Basel Committee today [announced](#) progress on two key policy concerns: climate risk and cryptoassets. Although it did not release its final action, the Committee has finalized proposed high-level principles for climate-risk management and scenario analysis ([see FSM Report CLIMATE12](#)). As we noted in our initial analysis, Basel tried here to give banks and regulators considerable time to ramp up climate-risk analytics and yet make clear that doing so is urgent. We will review the final standards as soon as they are released to assess the extent to which the Committee heeded calls from climate-risk advocates to go harder on actions such as express risk-based capital standards and near-term stress testing; the final release is expected to be published in coming weeks.

Basel is similarly opaque about timing for its next crypto consultation. Its release today suggests that the panel has not backed down as far as some had hoped from proposed minimums prudential standards ([see FSM Report CRYPTO19](#)). Whether these will continue to include mandatory capital requirements for higher-risk exposures is yet to be known, but seems likely given recent developments in this sector.

The panel also agreed to treat the EU as a single nation for purposes of calculating GSIB capital surcharges. This will make this charge less onerous for EU banks because in-zone exposures will be given the more favorable treatment accorded under the [Basel construct](#). This will have the most immediate and adverse competitive impact on UK-domiciled GSIBs, but will also be problematic for the U.S. and other nations.

Brown Portrays Wells Fargo as Repeat Offender

Senate Banking Chairman Brown (D-OH) today sent a blistering [letter](#) to Wells Fargo CEO Charles Scharf accusing the bank of failing to combat racial and gender discrimination in light of allegations that Wells Fargo conducted fake job interviews for minority and female candidates. The Senator also contends that the bank's commitment of \$150 million to its new refinancing program in response to the chairman's [letter](#) is inadequate. The letter does not, however, seek a specific response or remediation, only pushing Mr. Scharf to explain his plan to reform bank governance and report on this when he appears at the annual hearing with GSIB CEOs. Although there is not much the Senate can do to Wells Fargo and likely little more its bank regulators wish to do, the letter may be an effort by Sen. Brown to strengthen CFPB Director Chopra's [campaign](#) against "repeat offenders" and any action the Bureau may contemplate against this bank.

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](#).

- **GSE-052722:** FHFA has [finalized](#) its October [proposal](#) to create a new qualitative capital and governance disclosure regime, going well beyond the disclosures initially mandated in the final

capital [rule](#) to instill market discipline long associated with private companies, not conservatorships.

- **CBDC13**: Newly in place as Fed Vice Chair, Lael Brainard today made it clear at an HFSC full committee hearing that her prior statements laying out CBDC benefits are still her thinking despite the considerably more ambivalent approach outlined in the Fed's discussion draft ([see FSM Report CBDC10](#)).
- **DEPOSITINSURANCE113**: Using a new approach to issuing enforcement edicts – a circular – the CFPB has made use of its controversial decision to bring nonbanks under its ambit to bolster the FDIC's efforts to enhance consumer understanding of which funds are entrusted to FDIC-insured depositories and which may be at greater risk in other hands.
- **CRYPTO27**: Sharp disruptions in cryptoasset markets, and especially those for stablecoins, have energized calls for rapid U.S. statutory and regulatory action along lines initially laid out by the President's Working Group on Financial Markets (PWG).
- **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.