



FedFin Weekly Alert

Monday, October 3, 2022

❑ FSOC DOES WHAT AGAIN?

Later on Monday, we'll advise clients of the FSOC meeting's outcome. Open sessions of this august council are so infrequent that we view them with great anticipation – or we would if the agendas made known to the public addressed critical systemic-risk concerns. These there are a'plenty as interest rates rise, geopolitical risk grows, and much more might well go amiss, but FSOC is planning to tell the public little more than where its various reports and internal deliberations stand. These are on matters of note such as climate risk and cloud computing, but what's to come of them beyond telling the public not to worry much is hard to discern. More may come in the wake of Treasury's various, ground-breaking cryptoasset-policy reports ([see Client Report CBDC14](#), [Client Report CRYPTO32](#), [GSE Activity Report Can you see CBDC](#), and [FSM Report AML136](#)). So, as always, we'll be monitoring, analyzing, and alerting you ASAP. Still, we wish we had more to say about some of the most important issues of these days in this market.

Headlines From the Past Week's Daily Briefings

September 26

- **EU Banks Placate Investors vs. Protecting Capital** - As pressure mounts on bank capital requirements ([see Client Report REFORM213](#)), the IMF has released a [study](#) finding that European banks could not have reduced capital distributions during the first year of the pandemic but for supervisory restrictions.
- **FRB Dallas Paper Finds CBDCs Enhance Financial Inclusion** - The Federal Reserve Bank of Dallas published a [working paper](#) finding that both a low fixed-cost/rate and a high fixed-cost/rate CBDC facilitate inclusion without harming intermediation, although the lower fixed-cost/rate option results in greater inclusion by encouraging households now relying on cash to participate in the financial system.

September 27

- **BIS Research Finds in Favor of Fintech Small-Business Finance** - In sharp contrast to much earlier U.S. [research](#), a new [BIS study](#) strongly supports alternative small business-lending fintech credit-scoring processes and market depth, concluding that fintechs expanded credit access to underserved small business owners.

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

© 2022. Federal Financial Analytics, Inc. All rights reserved.

September 28

- **CFPB Targets Repeat Offenders, Overdraft Fees** - Continuing his campaign against repeat [offenders](#), CFPB Director Chopra announced sweeping penalties against Regions Bank for “illegal, surprise overdraft” fees.
- **Fed’s Bowman strongly disputes assertion of undo banking-market concentration** - In [remarks](#) FRB governor Bowman made it clear that she will dissent for any new merger policy, concluding that regulated banking is currently over-concentrated.

September 29

- **Beneficial Ownership Standards Released at Long Last** - After a long delay and Congressional [demands](#), FinCEN finalized its beneficial ownership [rule](#), mandating both domestic and foreign firms doing business in the US to report any individuals with substantial control or ownership interests.
- **Climate Scenario Analyses Begin** - As initially promised by Chairman Powell ([see Client Report FEDERALRESERVE67](#) and Michael [Barr](#), the FRB announced that it will pilot climate scenario analysis exercises involving Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo.
- **FSB Continues to Review Climate Financial Stability Risks** - In a [speech](#), FSB Chair Klaas Knot reiterated key needs in addressing climate-related financial stability risks.

September 30

- **Brainard Acknowledges Risk But Sticks to Policy Guns** - Responding to acute concerns that Fed policy will shatter global financial stability, Fed Vice Chair Brainard [emphasized](#) her longstanding and once-isolated view that monetary policy must consider financial stability.
- **Global Standard-Setters Turn to Clearing Margin, Liquidity** - The Basel Committee, IOSCO, and CPMI issued the first substantive [response](#) to the FSB’s decision to target margining practices following its review of the 2020 financial crisis and the need to address nonbank financial intermediation ([see Client Report NBF1](#)).
- **HFSC Republicans Denounce Beneficial Ownership Rule** - HFSC Ranking Member McHenry (R-NC) and Rep. Luetkemeyer (R-MO) released a [statement](#) sharply criticizing FinCEN’s beneficial ownership final [rule](#) as overly broad and complex.
- **Basel Concludes High Capital Compatible with Sustained Profitability** - The Basel Committee released its latest [report](#) on bank capitalization, finding that profitability remains robust despite capital ratios increasing to the highest level since the beginning of the exercise in 2012.
- **Bowman Comes Out Swinging on New, Costly Big-Bank Rules** - Following a speech earlier this week largely siding with banks on [merger policy](#), FRB Gov. Bowman [agreed](#) with assertions from bank CEOs ([see Client Report REFORM213](#)) and others that the

largest U.S. banks are now well capitalized as judged by ratios and effective stress testing.

- **FRB/FDIC Turn to Regional Resolvability** - The Fed and FDIC [announced](#) that they will shortly propose resolution guidance for most regional banks.

This Week

Monday, October 3

Financial Stability Oversight Council Open Session. [3:15 pm, webcast]. Matters to be discussed: vote on the Council's report in response to the Executive Order on Ensuring Responsible Development of Digital Assets; votes on the establishment and initial membership of the Council's Climate-related Financial Risk Advisory Committee; and an update on the upcoming Treasury report on cloud services adoption in the financial sector.

Tuesday, October 4

FHFA Listening Session entitled: "FHLBank System at 100: Focusing on the Future." [12:30 pm, FHFA Constitution Center Auditorium]. Matters to be discussed: FHLBanks' general mission and purpose in a changing marketplace; FHLBank organization, operational efficiency, and effectiveness; FHLBanks' role in promoting affordable, sustainable, equitable, and resilient housing and community investment; addressing the unique needs of rural and financially vulnerable communities; member products, services, and collateral requirements; and membership eligibility and requirements.

Future Events of Note

No events of note

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](#).

- [MORTGAGE121](#): The CFPB has asked for views on the extent to which it can facilitate certain refinancing (refi) products it believes enhance economic justice.
- [GSE-092622](#): As will be evident in our forthcoming in-depth analysis, the CFPB's fusillade [last week](#) on mortgage-finance could have far-reaching implications for the entire market based on how far it takes its new campaign for equitable housing finance and whether the market is willing to come along on at least some of the agency's new ideas.
- [AML136](#): Treasury is seeking comments on issues raised by the President's executive order (EO)

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

© 2022. Federal Financial Analytics, Inc. All rights reserved.

on digital assets to guide further work curbing illicit-finance and national-security risks in this sector.

- **[REFORM213](#)**: Senate Banking's hearing with big-bank CEOs proved much more combative than HFSC's session yesterday ([see Client Report REFORM212](#)).
- **[GSE-092222](#)**: In this report, we follow our earlier analysis of Treasury's CBDC recommendations and [housing finance](#) with an analysis of another Treasury report in response to the President's [executive order](#) focused on the overall construct of cryptoassets in the U.S.
- **[REFORM212](#)**: At today's big-bank oversight HFSC hearing, Committee Democrats focused on each bank's progress on social issues, such as internal diversity, unionization, and historic roles in financing slavery.
- **[GSE-092122](#)**: In this analysis, we drill down in Treasury's high-impact reports to the President on the future of digital assets to identify key considerations and strategic implications for housing finance.
- **[CRYPTO32](#)**: We follow our prior in-depth analysis of Treasury's CBDC and payments report ([see Client Report CBDC14](#)) with a detailed assessment of the Department's [assessment](#) of overall cryptoasset policy.
- **[SANCTION19](#)**: Today's Senate Banking hearing on Russian sanctions showcased bipartisan concern that anti-Russian sanctions have yet to have meaningful impact and doubts about the extent to which oil-price caps will reverse this.
- **[CBDC14](#)**: In this in-depth report, we follow through as promised on our initial analysis of key sections in last Friday's Treasury report on CBDC and changes to the payment system.
- **[INVESTOR20](#)**: The Senate Banking hearing with Chairman Gensler today went as [expected](#): Democrats generally praised his work while Republicans strongly opposed it on both substantive and procedural grounds.
- **[INSURANCE61](#)**: Chairman Brown (D-OH) convened a hearing today focused on the insurance industry largely focusing on the extent to which private-equity takeovers endanger insurance solvency and threaten pensioners following risk transfers.
- **[GSE-090722](#)**: Reinforcing the sharp turn-around in housing markets evident since the Fed surprised markets with its first 75 bps hike, a new working paper from the [San Francisco Fed](#) provides the first hard evidence of how monetary-policy shocks in the U.S. hit listing prices hard and fast.