



FedFin Weekly Alert

Monday, October 17, 2022

❑ OUCH?

Later this week, the FDIC board will decide whether to hike DIF premiums as proposed earlier this year ([see FSM Report DEPOSITINSURANCE114](#)). The banking industry is arrayed against this not only because it's costly, but also – as our analysis addressed – procyclical. We will provide clients with an in-depth analysis of the final rule along with the meeting, which now also includes a certain vote in favor of FDIC agreement to the ANPR released [late last week](#) by the Fed asking an array of questions on large-bank resolvability. We will also provide clients with an in-depth analysis of this ANPR along with the accompanying orders setting new merger policy by way of the Fed and OCC decisions on the USB/MSFG transaction. These actions make it clear that mergers will be approved even in the absence of the formal Fed policy promised by [Vice Chairman Barr](#), but the terms and conditions will be considerably stricter than was the case just a year ago for other super-regional transactions.

Karen Petrou's talk [last week](#) on merger policy puts these actions in the broader context not only of antitrust policy, but also deposit pricing. Much research fails to reflect factors such as the higher cost of FDIC insurance to larger banks along with the wider choice these institutions have when it comes to funding. We expect the FDIC's final premium decision to be based solely on whether or not the agency has decided that deposits will continue to grow as the FDIC initially maintained or if, as banks have made clear, deposit growth is slowing due to higher interest rates that encourage alternative cash-equivalent holdings. How this all plays out then in terms of deposit pricing and continuing assertions that big banks use their market power to slow deposit-account rate increases remain to be seen, but we're betting on CFPB Director Chopra to renew his concerns on this sore point when the FDIC takes up both deposit premiums and merger policy.

Headlines From the Past Week's Daily Briefings

October 10

No news of note.

[October 11](#)

- **FSB Slow-Walks Global Crypto Action** - As promised, the FSB [released](#) preliminary recommendations for global cryptoasset regulation and questions for consultation.

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- **FSB Demurs on Crypto Systemic Risk** - In its latest [letter](#) to the G20, the FSB leaves its prior global-risk [assessment](#) largely unchanged, but refines its action plan.
- **Hsu Hunts for Reasons to Tolerate Crypto** - In two speeches, Acting Comptroller Hsu has [again reiterated](#) his concerns that cryptoassets pose an array of risks, a view of course echoing the FSOC's findings ([see Client Report CRYPTO33](#)) and those in recent Treasury reports ([see Client Report CBDC14](#) and [Client Report CRYPTO32](#)).
- **FRB KC: Better Data, Research Needed to Guide Payment Inclusion** - A new [research briefing](#) from the Federal Reserve Bank of Kansas City calls for more research and data collection on underserved populations excluded from the payment system as well as more systematic research into public and private payment inclusion initiatives.
- **HFSC Republicans Press Hsu on Bank-Fintech Partnerships** - HFSC Ranking Member McHenry (R-NC) and four other House Republicans sent a [letter](#) to Acting Comptroller Hsu demanding clarification on the OCC's treatment of bank-fintech partnerships.

October 12

- **ECB Staff: Retail CBDC Success May Hang on Interest-Rate Inducements** - A new [paper](#) from European Central Bank staff looks not so much at CBDC policy objectives, but at whether central banks can achieve them and still satisfy the needs of retail depositors and businesses.
- **Barr Accepts Crypto Activities In Banks But Demands New Safety Rules, Consumer Standards** - Although he did not adopt Acting Comptroller Hsu's attack on [cryptoassets](#), Fed Vice Chair [Barr](#) made it clear that the Fed believes, as it and global regulators repeatedly say, that the same risks should be covered by the same rules.
- **IOSCO Releases Global Online Marketing, Enforcement Standards** - IOSCO [increased its focus](#) on digitalization, moving away from longstanding edicts regarding monitoring to a set of specific standards for supervision and enforcement.

October 13

- **Final FSB Climate Standards Push Scenario Analysis, Stress Testing to Macropru Bucket** - Building on its interim report ([see FSM Report CLIMATE13](#)), the FSB published its [final report](#) on Supervisory and Regulatory Approaches to Climate-related Risks.

October 14

- **Along with a Squeaker Merger Approval, Fed/FDIC Begin Work on Large-Bank Resolvability** - As anticipated in Karen Petrou's [speech](#), the Fed unanimously approved and the FDIC will shortly do the same on an advance notice of [proposed rulemaking](#) re-enforcing large-bank resolvability.
- **Covid Comm Presses CFPB for Still More Credit-Reporting Reform** - The Chairman of the Select Subcommittee on the Coronavirus Crisis, Rep. James Clyburn (D-NC) sent

a [letter](#) to CFPB Director Chopra requesting that the Bureau investigate the three nationwide consumer reporting agencies (NCRAs) for failing to properly address credit reporting errors.

- **Waller Dismisses Threat To Reserve Dollar Without A CBDC** - In [remarks](#), FRB Governor Waller reiterated his skepticism of foreign-issued CBDCs and stablecoins, arguing that the underlying reasons for dollar dominance are non-technological and CBDCs will not affect them.

This Week

Tuesday, October 18

FDIC Open Meeting. [10:00 am, webcast]. Matters to be discussed: A summary agenda vote on a memorandum and resolution re: Final Rule on Assessments – Amendments to Incorporate Troubled Debt Restructuring Accounting Standards Update; a discussion agenda memorandum and resolution re: Final Rule on Assessments, Revised Deposit Insurance Assessment Rates; and a memorandum and resolution re: Advanced Notice of Proposed Rulemaking entitled "Resolution–Related Resource Requirements for Large Banking Organizations."

Thursday, October 20

FTC Open Meeting. [1:00 pm, webcast]. Matters to be discussed: The Commission will vote on whether to issue an ANPR seeking comment on the prevalence of junk fees and the consumer harms arising from junk fee practices, among other questions; and vote on whether to issue an ANPR seeking comment on the prevalence of fake and deceptive reviews and the consumer harms arising from them, among other questions.

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](#).

- **[INTERCHANGE11](#)**: Leaving its interchange-fee restrictions intact – at least for now – the Federal Reserve has finalized its proposal expanding on its existing requirement that all debit- card transactions must be enabled for processing on at least two unaffiliated payment-card networks for card-not-present transactions.
- **[GSE-100622](#)**: FHA's [request for input](#) on small-dollar loans could mean much for this equality-essential product or little beyond a lot more public debate.

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- **[CRYPTO33](#)**: In this report, we build on our [initial assessment](#) of FSOC's conclusion that cryptoassets now pose systemic risk and the Council's recommendations about what should be done to curtail it.
- **[GSE-100422](#)**: Although one witness at the FHFA listening session on the Home Loan Banks took strong issue with their mission and meaning, another who called them the "most successful program of the last hundred years" pretty much summed up today's testimony.
- **[GSE-100322](#)**: Our take on the first two days of FHFA's FHLB "listening session" last week is that battle lines are shaping up much as we expected with the exception of a couple of powerful groups with new ideas about how the System could be put to better use for themselves and/or the public interest.
- **[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) 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 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.