



# FedFin Weekly Alert

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Monday, October 31, 2022

## ❑ BLAMING THE PARTY-POOPER

Last week, we [noted](#) a significant uptick in Democrats turning on a central bank they have treated with the utmost courtesy ever since the Biden Administration tied its political fate to whatever economic outcomes the Fed was aiming to accomplish. We shall see what the midterms say about what Americans think about the combination of acute inflation and interest rates higher than many are able ever to remember, but the President's stout defense of [economic prosperity](#), Secretary Yellen's disavowal of any [recession](#), and the Administration's increasing focus on corporate [culprits](#) make it clear that the Treasury Secretary stands by her Fed and the White House – at least for now – backs her up.

As Karen Petrou's recent memos make clear, political risk for the Fed isn't just about the macroeconomy. It affects the extent to which the Fed can continue to pay interest on [reserves and repos](#) and the political climate in which a raft of new rules and a set of tough QT decisions will soon [issue forth](#).

As a result, we'll be carefully monitoring developments after this week's FOMC meeting not so much for what they mean to the macroeconomy – off our beat – but what they mean to the financial policy that more often than not hinges as much on politics as on more abstruse regulatory considerations. The Fed will circle its formidable wagons to defend its monetary-policy independence at all costs, throwing appealing rules to its critics to stave them off even if conservatives on the Board – Mr. Powell included – have to swallow hard to accept them. If Republicans take over, the Fed's political risk on the left will drop, but the White House's willingness to stand in front of the central bank might wane or even disappear. At the same time, Republicans will renew complaints about Fed governance, monetary-policy criteria, and anything smacking of ESG. Once a pawn in a larger political game, any Fed policy outcome is possible.

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## Headlines From the Past Week's Daily Briefings

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### [October 24](#)

- **Deadline Set for D-SIB Resolution Comment** - The *Federal Register* included the Fed/FDIC D-SIB resolution [ANPR](#), as announced last week ([see Client Report DEPOSITINSURANCE115](#)).
- **FHFA Advances Equitable Finance With New Fees, Credit Score Options** - Building on its 2022 [scorecards](#) and January's up-front fee [price hikes](#), FHFA [announced](#) it will

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eliminate upfront fees – aka, delivery fees or loan-level price adjustments (LLPAs) – for certain borrowers and affordable mortgage products.

### October 25

- **Setting Stage for US Action, UK Regulators Target Bigtech Consumer-Finance Market Power** - Focusing principally on competition, the UK's Financial Conduct Authority (FCA) released a [discussion paper](#) investigating bigtech's entry into payments, deposit, consumer-credit, and insurance.
- **With Yellen Backing, SEC Central-Clearing NPR Advances** - The [Federal Register](#) includes the SEC's proposal requiring that market clearinghouses submit certain secondary-market transactions for clearing along with the small percentage now already centrally-cleared.
- **FDIC Reports Significant Financial Inclusion Progress** - Showing significant improvements in financial inclusion, the FDIC released its biennial under- and unbanked household [survey](#).
- **CFPB to Require Almost-Open Banking** - At long last and as [recently promised](#), the CFPB will start a rulemaking process that would ultimately require financial institutions to share personal data with a consumer upon his or her request.
- **Democrats Get Ready To Blame The Fed** - Continuing progressive [critiques](#) of the FOMC's anti-inflation fight, Senate Banking Chairman Brown (D-OH) has [written](#) to FRB Chairman Powell sharply protesting current Fed policy.

### October 26

- **BIS Announces Successful Multi-CBDC Platform Pilot** - Following their retail crypto [pilot](#), the BIS [announced](#) a successful pilot blockchain ledger – dubbed the mBridge Ledger – connecting twenty commercial banks in China, Hong Kong, Thailand, and the UAE via a multi-CBDC common platform.
- **With President at His Side, Chopra Sanctions Overdraft, Deposit Fees** - President Biden [took aim at junk fees](#), slamming them in general even as he praised the CFPB's initiative sharply to limit “surprise” overdraft and deposit fees.

### October 27

- **CFPB Seeks Comment on Consumer Data Rights, Market Power** - Following remarks from [Director Chopra](#), the CFPB [announced](#) a formal kick-off of its consumer data-rights rulemaking.
- **Gruenberg Reminds Markets of TLGP Backstops at Time of Liquidity Stress** - In [remarks](#), Acting FDIC Chairman Gruenberg stoutly defended the agency's final rule hiking DIF premiums ([see Client Report DEPOSITINSURANCE115](#)).
- **Warren Reignites Anti-Zelle Campaign** - In another appeal to the CFPB to tackle Zelle, Sen. Warren (D-MA) sent a [letter](#) to Director Chopra calling on the Bureau to increase

consumer protections in peer-to-peer lending platforms and curtail what she [again](#) describes as “rampant” fraud.

- **Democratic Pressures Grow Against Fed Rate Hikes** - Adding to [critiques](#) from Sens. Brown (D-OH) and Warren (D-MA), Sen. Hickenlooper (D-CO) [called](#) on the Fed to halt interest-rate increases.
- **Fed Study Details QE Alternatives, Expanded Fed Role** - A new FRB [staff paper](#) explores the past, present, and future as an approach to achieving the Fed’s increasingly-problematic monetary-policy transmission: “funding for lending.”

## October 28

- No news of note

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## This Week

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### Wednesday, November 2

SEC Open Meeting. [10:00 am, webcast]. Matters to be discussed: The Commission will consider whether to adopt form amendments to enhance the information registered management investment companies report about their proxy votes; to adopt a new rule and form amendments to require institutional investment managers subject to section 13(f) of the Securities Exchange Act of 1934 to report proxy votes relating to certain executive compensation matters; to propose amendments to rules and forms for open-end management investment companies related to liquidity risk management programs, swing pricing, and other pricing requirements and; to report and disclose requirements for certain registered investment companies, including open-end funds (other than money market funds), registered closed-end funds, and unit investment trusts.

### Friday, November 4

FSOC Closed Meeting. Matters to be discussed: recent market developments and financial system vulnerabilities; an update on the Council’s 2022 annual report; an update from the Council’s Hedge Fund Working Group; and an update on climate-related financial risk in the insurance sector.

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## Future Events of Note

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### Tuesday, November 8

Treasury’s OFR Financial Research Advisory Committee Open Meeting. [10:00 am, webcast]. Matters to be discussed: inflation, decentralized finance, and the potential financial stability implications from growth in digital asset markets.

**Wednesday, November 9**

FDIC Systemic Resolution Advisory Committee Meeting. [9:00 am, FDIC Board Room].  
Matters to be discussed: a discussion of a range of issues and developments related to the resolution of systemically important financial companies; however, the agenda may be subject to change.

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**Recent Files Available for Downloading**

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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](#).

- **[GSE-102522](#)**: As we noted [yesterday](#), FHFA has decided not only to [unbundle](#) second and high-dollar loans from its flat-fee paradigm, but now to do the same for about one in five conventional conforming purchase loans outside these categories.
- **[DEPOSITINSURANCE116](#)**: The FDIC has finalized its proposal largely unchanged to raise base Deposit Insurance Fund (DIF) assessments by two basis points (bps) to replenish the DIF by the statutory deadline to reflect deposit inflows that the FDIC no longer expects to be temporary.
- **[RESOLVE48](#)**: The FRB and FDIC have moved beyond the resolution-planning requirements mandated in the Dodd-Frank Act then implemented over the years to what could be a new resolution regime for banking organizations considered category II or III companies under the inter-agency tailoring rules.
- **[MERGER11](#)**: [As promised](#), this analysis focuses on the [OCC](#) and [FRB](#) approvals of the acquisition by U.S. Bancorp of MUFG's Union Bank in California.
- **[DEPOSITINSURANCE115](#)**: The FDIC board today voted 3-0 to increase DIF assessment rates by 2bps, finalizing its proposal ([see FSM Report DEPOSITINSURANCE114](#)) and rejecting industry arguments on grounds that a small DIF premium increase now would make a more damaging procyclical assessment increase under adverse economic conditions less likely.
- **[CRYPTO34](#)**: Speaking for global banking, securities, and insurance regulators, the Financial Stability Board has taken its firmest stand to date on cryptoassets and outlined high-level and often principles-based global standards to govern them going forward.
- **[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.
- **[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.