



# FedFin Weekly Alert

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Monday, November 7, 2022

## ❑ TILL SOON...

Assuming no sudden financial crises, geopolitical shocks, or any of the other increasingly-plausible ills that could befall the financial system this week, the big news will come following the U.S. mid-term elections on November 8. Or November 9, 10, or whenever given the uncertainties in some key races and thus the prospects not just for recounts, but also furious denunciations of the electoral system. Still, a final tally will come upon us and, when it does, the prospects for both financial legislation and regulation are likely to change in significant ways. As soon as we know enough to know who will control the House and Senate, we'll provide you with an in-depth analysis of how new committee leadership will change the outlook.

As we'll note, anything Congress enacts that runs counter to the Biden Administration's policies is likely to be vetoed, limiting the extent to which Republicans can rewrite the lawbook even if they gain control of both the House and Senate. However, Republicans can pass bipartisan bills if ever there be any. They can also mount a wide variety of inquiries, investigations, and even formal proceedings to smother rules and regulators and much of this will surely occur early and often in the new year. Karen Petrou will also deliver remarks on November 16<sup>th</sup> going into the post-election outlook and we'll get that out to clients well before the event to give you the best we can as fast as we can.

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## Headlines From the Past Week's Daily Briefings

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### October 31

- **CFPB Tackles Payment-System User Fines** - Following Director Chopra's recent focus on Paypal's withdrawn [content penalty](#), the CFPB [announced](#) it will reopen the public comment period on its bigtech payments [order](#), widening its focus beyond Paypal to all bigtech payment-service providers.

### November 1

- **Progressives Target Fed Attack Directly on Powell** - With a [new letter](#) from progressive Democrats ahead of the FOMC release, it is clear that the campaign not just against Fed rate hikes, but now also Chairman Powell, is gaining strength on the left.

### November 2

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

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- **SEC Turns to Swing Pricing, Structural OEF Redesign** - As [anticipated](#), the SEC voted 3-2 to advance swing pricing and other structural changes to open-end funds (OEFs).
- **BIS Announces DeFi Foreign Exchange Pilot for CBDCs** - Continuing its CBDC [pilots](#), the BIS [announced](#) the launch of Project Mariana, a system seeking to use DeFi protocols to automate CBDC foreign-exchange settlements.

### November 3

- **Gruenberg Backs Bank On** - In [remarks](#), FDIC Acting Chairman Gruenberg pointed to the importance of [Bank On](#) accounts to retain previously un- or under-banked households brought into the system following large government payments early in the pandemic.
- **ECB Presses Climate-Risk Capital Regs** - Moving far ahead of the Fed, the ECB has [announced](#) strict plans to ensure that EU banks not only improve governance and express climate-risk stress testing, but also hold sufficient internal-capital allocations for physical and transition risk.
- **Data Standard-Setters to Come Under CFPB Regs** - In [remarks](#) updating the CFPB's open-banking rulemaking [efforts](#), Director Chopra indicated that the new consumer-data rules (see forthcoming in-depth FedFin report) will also address how best to set public and private-sector standards to ensure industry-wide fairness and access to critical infrastructure.
- **IMF Climate-Risk Priorities Include GSIB Buffers** - The IMF's Deputy Managing Director Bo Li [set priorities](#) for central banks and bank regulators addressing financial-system climate resilience.

### November 4

- **Big Banks Pressed on Sluggish, Inequitable Deposit-Rate Hikes** - Advancing an initiative with political "legs," Sen. Jack Reed (D-RI) has demanded answers from the nation's largest banks on why small-deposit rates have barely budged even as the Fed sharply hiked interest rates now reflected in higher loan costs.
- **FRB-NY Official Details Wholesale CBDC Prototype** - [Remarks](#) from a senior FRB-NY official, Michelle Neal, continued the Fed's ambivalent stand on a CBDC ([see FSM Report CBDC10](#)).
- **Fed Fixes Advanced-Approach Glitches** - The FRB is [proposing](#) to implement three changes to Regulation Q data collection/disclosure rules governing advanced-approach capital adequacy at BHCs, SLHCs, and state member banks.
- **Fed to Name Master-Account Names** - Reflecting ongoing concerns on [Capitol Hill](#), the Fed is proposing to make what our analysis suggests were opaque payment-system access guidelines ([see FSM Report PAYMENT24](#)) "a bit more transparent."

- **Toomey Presses for SLR Rewrite** - Ranking Senate Banking Member Toomey (R-PA) released his [letter](#) to Chairman Powell cautioning the central bank not to handle any Treasury-market liquidity events with new backstop facilities.
- **Waters Adds To Fed's Political Woes** - In a [letter](#), HFSC Chairwoman Waters (D-CA) joined Sens. Warren (D-MA), Brown (D-OH), and Hickenlooper (D-CO) in [sharply criticizing](#) the recent Fed "super-sized" rate hike.
- **Fed Worry Level Goes Up** - The Federal Reserve likely hoped for the torpor of a Friday afternoon to quell frightened replies to the latest financial-stability [report](#).

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## This Week

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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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## Future Events of Note

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No events of note.

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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](#).

- **DATA3**: Beginning a long-awaited rulemaking process on the extent to which consumers have rights to their own data and how these rights may be exercised, the CFPB is seeking views on an array of ideas and questions to guide future action.
- **OVERDRAFT11**: In conjunction with a Presidential speech and new White House initiative against "junk fees," the CFPB has accelerated its own efforts in this arena with two new policy directives.
- **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.

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

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- **[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.