



FedFin Daily Briefing

Tuesday, November 15, 2022

Recognizing Early Stage, FSB Still Slams Climate Stress Scenario Analytics

In collaboration with the Network for Greening the Financial System (NGFS), the FSB today [concluded](#) that risk exposures and vulnerabilities may be underestimated under current climate-stress scenarios because metrics fail to capture second-round effects, potential climate non-linearities, risk-management costs and externalities, and asset-price corrections triggered by transition shocks. Further, while orderly scenarios do not yield severe impacts, disorderly scenarios and scenarios involving no financial system transition accompanied by high medium- to long-term physical risks correlate with significant GDP and financial losses. As a result, the FSB determines that, although the impact of climate risk is concentrated in certain sectors and currently contained from a domestic financial perspective, tail risks may pose notable resilience threats. As with other FSB climate-risk commentary, [data gaps](#) and comparability as well as methodological limitations are highlighted as key challenges to robust climate risk assessment. As a result, no straightforward conclusions can be drawn and no micro- or macro-prudential policies should be based on this stress-test conclusions.

FRBNY Launches CBDC Feasibility Project

Advancing more of the U.S. CBDC infrastructure, the Federal Reserve Bank of New York today [announced](#) that its Innovation Center (NYIC) will engage in a proof-of concept project testing the technical, legal, and business feasibility of distributed ledger technology to settle financial institution liabilities through transfer of central bank liabilities. Work includes collaboration between NYIC and private sector organizations and will harness simulated data to explore the feasibility of central bank wholesale and commercial digital money interoperating on a shared multi-entity distributed ledger, but will not advance policy outcomes or signal imminent Federal Reserve CBDC adoption or design specifications.

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](#).

- <https://fedfin.com/wp-content/uploads/2022/11/REFORM214.pdf>: At today's Senate Banking oversight hearing with the banking agencies, Chairman Brown (D-OH) generally applauded the work of regulators, emphasizing the need for tough standards, like-kind rules for bigtech companies, and an inquiry into why depositor interest rates lag Fed rate hikes along lines [posed](#) earlier by Sen. Reed (D-RI); FDIC Acting Chairman Gruenberg concurred, criticizing banks for sluggish rates.
- **TMARKET3**: Building on our [initial assessment](#), this report goes in-depth into the Treasury assessment of the market for its obligations and reforms necessary to avert another dash for cash.
- **NBF12**: As [promised](#), this FedFin report provides an in-depth analysis of the FSB's latest policy on [nonbank financial intermediation](#).

- **PAYMENT26:** Although the Fed characterized its final payment-system access guidelines as “transparent,” FedFin’s analysis and other assessments concluded that the Federal Reserve Banks retained considerable discretion to pick and choose those granted master accounts and there would be no ready way to identify which institutions had or lost this essential status for any provider of retail or wholesale deposit-taking services or their equivalent.
- **GSE-110822:** In its latest blast on racial equity, the Treasury Department’s Office of Economic Policy has issued a [blog post](#) cataloguing racial disparities in residential-mortgage finance.
- **SYSTEMIC94:** As we noted [Friday afternoon](#), the Federal Reserve then released its semi-annual [financial-stability report](#) in an effort not only to comply with its protocols, but likely also to attract as little attention as possible, with the release and even the report saying only as much about growing risk as the Fed thinks is essential to preserve its credibility.
- **GSE-110722:** In its latest financial-stability [report](#), the Fed is at pains to provide dozens of pages of helpful data with the few systemic-risk conclusions the Board ventures couched in careful prose designed to assure critics that the Fed knows well what’s going on without expressing any views that might suggest serious trouble looms or hint that any of what it surveys will alter the Fed’s course in terms of monetary policy, regulatory actions, or systemic considerations.
- **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.
- **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.