



FedFin Daily Briefing

Friday, November 18, 2022

GAO Study Hikes Pressure on SEC Process

Adding to the Chairman Gensler's woes, the GAO today released a [report](#) finding that the SEC Division of Enforcement did not document its work reviewing staff procedure assessments, hindering future internal reviews. Republicans have been harshly [critical](#) of SEC procedures and processes, as well as of the Commission's enforcement-focused approach to cryptoassets. The GAO's finding adds fuel to a campaign sure to gain force next year, recommending as it does that the Division Director ensure that information is collected and reported in its memorandum as required by Dodd-Frank. The GAO also recommends that the Divisions produce written assessment plans for future reviews. In response, the SEC agreed with the report's findings and pledged to implement its recommendations.

Fed Study Endorses Bank Supervision

A new Fed staff [study](#) uses their unique access to bank examination reports from banks with less than \$10 billion in assets to evaluate the extent to which supervisory reports and associated CAMELS ratings predict bank outcomes. Looking at reports from 2004 through 2016 and thus capturing the great financial crisis, the study concludes that ratings for capital, assets, management, and earnings are effective even after controlling for factors including the ratings themselves. Ratings are also associated with bank improvement in areas censured in earlier supervisory reports. The analytical method is textual – i.e., based on a reading of supervisory reports then run through various models to determine impact. Its policy conclusion is that bank supervision is effective, but it does not discuss problems apparently discerned with the liquidity and sensitivity aspects of CAMELS nor whether additional transparency of supervisory acumen would enhance regulatory accountability and market discipline.

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](#).

- **[REFORM215](#)**: HFSC today largely focused bank regulators on the same range of questions posed at yesterday's Senate Banking session ([see Client Report REFORM214](#)).
- **[REFORM214](#)**: 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.