



FedFin Daily Briefing

Wednesday, November 23, 2022

OFAC Updates Guidance For Price-Cap Sanction Compliance

Reflecting ongoing negotiations about the level of the oil-price cap, OFAC last night provided updated [guidance](#) to banks and insurers about when transactions may violate this latest sanction. The new guidance identifies “covered services” for financing; this means a commitment for the provision or disbursement of debt, equity, or economic resources related to the maritime transport of Russian oil. However, and as before, U.S. persons are authorized to provide covered services if the Russian oil is purchased at or below the price cap. As with [September’s guidance](#), service providers are stratified into three tiers of actors based on price and information access, with varying documentation requirements. Financial institutions fall under Tier 2, requiring them to request and retain documents showing that Russian oil was purchased at or below the relevant price cap “to the extent practicable.” Reflecting former guidance protecting banks from strict liability for certain price-cap violations, safe harbor access for financial institutions is further stratified in the new guidance into transaction-specific financing and general financing. Financial institutions providing trade-finance must obtain signed attestations from downstream customers when transaction information demonstrating price cap compliance is not available; institutions providing non-transaction-specific financing are required to implement reasonable, risk-based policies showing price cap compliance and must also retain signed attestations.

FDIC Signals Tougher GSIB Resolution Reviews

With the FDIC signaling a tough new approach to resolution plan approval, the FRB and FDIC today announced the [results](#) of the resolution plans filed by U.S. GSIBs in July, 2021. All the banking organizations saw their plans approved except for Citigroup, which had noted shortcomings due to data quality and management concerns; the bank now has until January 31, 2023 to submit a revised plan. FDIC Acting Chairman Gruenberg [noted](#) that, going forward, the agencies will conduct more detailed reviews of internal testing results and independent capability assessments. He also stressed the urgency of Citi’s shortcomings and emphasized the importance of confirming a bank’s capability to execute its resolution plan. CFPB Director Chopra [excoriated](#) the plans and resolution process even though he voted to approve this round. He takes strong issue with the extent to which big-bank boards would be willing to file for bankruptcy when it becomes necessary, as well as challenging the extent to which private financing would be available at that point due in part to the magnitude of their short-term needs and the unlikely success of self-financing. He also believes that GSIB weakness short of failure would have severe macroeconomic impact, concluding that this round of resolutions facilitates OLA interventions but that the law requires bankruptcy-readiness. Acting Comptroller Hsu [supported](#) the findings, adding that he will focus on assessing legal entity rationales and separability capabilities, with the latter issue also his top concern when it comes to large regional banks ([see FSM Report RESOLVE48](#)).

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](#).

- **GSE-112122:** As came out into the open [last week](#), FSOC will finally turn to rewriting the Trump era [rewrite](#) of the Obama Administration's FSOC protocols regarding systemic financial institutions and activities.
- **FINTECH31:** As [promised](#), this report provides an in-depth analysis of [Treasury's report and resulting recommendations](#) to the President's Competition Council on the impact of new nonbank consumer-finance entrants from a competition, consumer-protection, and financial-stability perspective.
- **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.