



FedFin Daily Briefing

Monday, December 12, 2022

FTX Hearings Promise to be Explosive but Preliminary

Our review of HFSC's final staff [memo](#) for tomorrow's FTX hearing confirms [our forecast](#) that it will be a lengthy, contentious affair at which Sam Bankman Fried will be raked over the coals after current management that has already excoriated him completes its testimony. We will monitor this hearing as well as Wednesdays before Senate Banking, but we expect that policy and political implications will come clear only after Members of Congress have finished attempting to score points specific to FTX. The staff memo is principally a blow-by-blow of FTX's founding, lifespan, and demise; several other recent crypto debacles are also detailed. The memo's regulatory section focuses on the SEC's enforcement-focused policy approach, defending it ahead of bipartisan criticism tomorrow by reference to Supreme Court opinion and other precedent.

HFSC Previews Chopra Hearings

In addition to high-profile crypto hearings, both HFSC and Senate Banking will also have lively sessions with CFPB Director Chopra later this week as he presents his agency's [semi-annual report](#). The HFSC Democratic staff [memo](#) largely recounts recent CFPB actions in laudatory terms, but Republicans will not take anything like this approach; they are sure to challenge Mr. Chopra on the administrative and policy grounds in many [recent inquiries](#) to him and lay groundwork for the next Congress when Rep. McHenry (R-NC) takes the gavel. Given the GOP's slim control in the House and Democratic control in the Senate and White House, no legislation redesigning or confining the CFPB will be enacted in the [next Congress](#), but future CFPB hearings will be still livelier than these promise to be. There is no time for any legislation to advance after this hearing, but the memo does note bills Democrats are drafting in areas such as mandatory mortgage forbearance and requiring banks to reimburse Zelle users for authorized, but fraudulent transactions.

CFPB Again Targets Repeat Offenders in Nonbank Registry Proposal

Taking another [shot](#) at repeat offenders, the CFPB today [proposed](#) requiring certain nonbank financial firms to report any agency or court orders, which would then be incorporated in a public data registry to create a comprehensive and easily accessible information equivalent to that readily to be found on banking organizations. Larger, supervised nonbanks will also be required to designate a senior executive to provide a written attestation of the firm's compliance with covered orders. We will shortly provide clients with an in-depth analysis of the proposal, which the Bureau says might be extended to banks at some later date. Comment is due 60 days after publication in the *Federal Register*.

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](#).

- **CLIMATE15:** Following the pattern set in 2021 by the OCC, the FRB has now proposed climate risk-management standards as high-level principles to guide banking organizations with assets over \$100 billion.
- **GSE-120522:** Making an important addition to the ongoing debate about Treasury-market liquidity, a new [paper](#) from the Bank for International Settlements provides sobering data on agency MBS liquidity with significant implications not only for secondary-market liquidity, but also primary-market stability.
- **CRYPTO35:** In the first Congressional review of crypto since the collapse of FTX, Senate Agriculture leadership largely defended the bill they produced, S.4760.
- **CONSUMER44:** Reviving what it calls “dormant” authority, the CFPB has finalized a proposed “procedural rule” expressly reiterating its right to govern an array of nonbanks and establishing procedures for making supervisory orders public.
- **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.
- **NBFI2:** As [promised](#), this FedFin report provides an in-depth analysis of the FSB’s latest policy on [nonbank financial intermediation](#).