



# *FedFin Daily Briefing*

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Wednesday, December 14, 2022

## Basel Blesses Basel III

In its own version of a holistic review, the Basel Committee [today](#) pronounced itself satisfied with the post-GFC regime. Although the new construct increased complexity, Basel finds no redundancy nor any adverse effects. Banks that were forced to raise the most capital and liquidity as a result of these reforms saw the greatest reduction in their cost of capital and, while these banks may have reduced lending, credit availability across the banking system generally increased. Unlike the holistic capital review Fed Vice Chair Barr [envisions](#), Basel's is not limited to capital, also assessing liquidity requirements to reach these affirmative conclusions. Although earlier Basel reports expressed concern about buffer drawdowns under stress, this report finds that these buffers contributed to resilience, noting also that market-based measures show considerable improvements in banking-system resilience.

## FSB Advances Preliminary OEF Reforms

In its latest [policy conclusions](#) on open-end funds (OEFs), the Financial Stability Board praises its [2017 policies](#) as a success but then goes on to describe the sector's liquidity risk as still so high as to warrant new global standards. The FSB and IOSCO now recommend that national regulators quickly review disclosure and stress-testing practices and improve them as briefly described in this release. The agencies will also advance proposals for public comment that would, among other things, require OEFs either to ensure they can meet daily redemption demands or set a longer redemption period. OEFs would also need to prevent first-mover advantage with global regulators planning to lay out specific ways this could be mandated along with the data regulators need to assess OEF resilience. This statement continues the FSB's recent policy of no longer pressing for OEF swing pricing; in contrast, the SEC's pending OEF [reform](#) would mandate them.

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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](#).

- [CONSUMER45](#): Despite early warm goodbyes to outgoing Chairwoman Waters (D-CA), GOP members wasted no time trading blows at a fiery HFSC session today with CFPB Director Chopra.
- [CRYPTO36](#): Senate Banking Committee Chairman Brown (D-OH) today backed away from prior statements about crypto legislation, focusing instead on the prospect of additional investigations into failing crypto firms and ongoing work with Secretary Yellen on a government-wide regulatory framework.
- [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.