



FedFin Daily Briefing

Sunday, March 12, 2023

Systemic Ruling Stems Run Risk, Opens Sweeping Policy Debate

After a frantic weekend, the Treasury, Fed, and FDIC decided on an SVB package protecting not only insured, but also uninsured, depositors at both SVB and Signature Bank, which was closed earlier this evening. Insured depositories will pay for the cost of these FDIC resolutions through special assessments. At the same time, the Federal Reserve announced a new window to provide emergency liquidity to banks that values collateral at par rather than forcing borrowers to liquidate securities now subject to specific mark-to-market loss. The new facility, which appears unlimited, is backed by a \$25 billion commitment from Treasury's exchange Stabilization Fund, the same go-to window the Board used in 2020 to satisfy requirements for innovative emergency-liquidity facilities. The Treasury [announcement](#) in concert with the Fed and FDIC is emphatic that, despite the ESF window, no taxpayer funds will be used for these backstops and that these are not bail-outs, a conclusion we would expect Republicans quickly to attack now that the emergency appears to have subsided. Post mortems will also examine the reasons the banking agencies failed to anticipate these risks, the regulatory vulnerabilities that enabled them, the role of Home Loan Bank funding, and many seemingly-extraneous issues sure to be brought into the debate in order to achieve other financial-policy changes now that bank failures and systemic run-risk have opened the full range of bank regulation and law to review. An in-depth analysis and memo from Karen Petrou will follow.

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-030923](#): As detailed in our reports earlier this week on Powell's appearance before [Senate Banking](#) and [HFSC](#), much was said about the pending rewrite of big-bank capital standards.
- [FEDERALRESERVE73](#): At today's HFSC hearing, Chairman Powell modulated his hawkish stance just a bit, continuing as he long has done to refuse to take a stand on fiscal policy while advocating for rapid debt-limit action.
- [FEDERALRESERVE72](#): Although Chairman Powell's testimony kept exclusively to monetary policy, today's Senate Banking hearing seemed only to go through the motions set at previous hearings with regard to inflation, growth, and the Fed's long-term objectives.
- [GSE-030123](#): A recent FRB-Atlanta [study](#) finds that closing the racial homeownership gap alone would not redress housing market racial disparities because minority homeowners cannot equitably access home equity and thus enjoy comparable access to the economic opportunities afforded by homeownership.
- [SANCTION20](#): In a remarkably bipartisan session, the Senate Banking Committee today made it clear that Congress wants tougher sanctions against Russia, near-term action against hold-out nations to oil-

price caps and other efforts, and perhaps even confiscation of Russian assets to fund U.S. Ukraine aid.

- **[CRYPTO40](#)**: In the wake of revelations by Silvergate and other banks about significant deposit exposures to cryptoasset entities, federal banking agencies have issued a statement about the need to manage liquidity risk associated with cryptoassets.
- **[GSE-022723](#)**: FHFA has proposed a set of refinements to the current GSE [capital construct](#).
- **[CUSTODY5](#)**: Making full use of powers granted in the 2010 Dodd-Frank Act, the SEC is proposing a wholesale rewrite of the rules dictating how investment advisers must place assets in custody and which institutions are considered qualified for this purpose.
- **[GSE-022123](#)**: As we noted, FHFA is venturing onto treacherous political ground with a [request for input](#) on expanding Fannie and Freddie's ESG imprint.
- **[CRYPTO39](#)**: Although Chairman Brown (D-OH) remained non-committal on the need for crypto legislation, he emphatically called for reform to protect consumers and investors.
- **[GSE-021323](#)**: Following our [initial report](#), we turn here to a more detailed analysis of what's in store for the Home Loan Banks following the [Brookings high-impact forum](#) on Home Loan Banks that are also facing far more unflattering public attention than has been their fate for years.