



FedFin Daily Briefing

Monday, March 13, 2023

Biden Promises Regulatory Revamp

In an effort to restore confidence in the banking system, President Biden announced that he will ask Congress and the banking regulators to strengthen regulations that were rolled back by the Trump administration. In the near term, we expect this means an end to tailored capital and liquidity rules for banks with complex businesses and/or assets above \$100 billion along with renewed effort to increase capital via end-game rules and the holistic review criticized so sharply last week by Congressional Republicans. He also emphasized that all depositors will be able to access their funds today, specifically citing small businesses concerned about making payroll, and that investors in the banks will not be protected. The cost of the takeover, he added, will be fully paid for by DIF fees and will not cost the taxpayer anything, noting that senior management and directors will be held accountable.

Political Battle Lines Take Shape

In the wake of yesterday's [decision](#) to protect all SVB depositors, Members of Congress are now positioning themselves for future action. HFSC Chairman McHenry (R-NC) released a [statement](#) expressing confidence in financial regulators and the tools already available to them, while Senate Banking Chairman Brown (D-OH) and HFSC Ranking Member Waters (D-CA) [called](#) for expanding guardrails for the largest banks. Sen. Warren (D-MA) published an [OpEd](#) in the New York Times blaming the Trump Administration's for what she called the Dodd Frank rollbacks for SVB's failure, echoing the statement made by President Biden earlier this morning. Sen. Sanders (I-VT) [argued](#) not only to repeal the Trump-era regulatory changes, but also to break up "too big to fail" banks. Senate Banking Ranking Member Scott (R-SC) [stressed](#) that a culture of government intervention can only breed moral hazard. We will continue to monitor the situation and will update clients as statements are released, hearings are announced, and other actions occur.

Biden Presses Stability in Wake of SVB, Signature Rescues

Reflecting ongoing uncertainties and political fallout, President Biden later this morning [reiterated](#) comments from [earlier today](#) noted in our prior alert. He again emphasized the need for action, the safety of all deposits, that this isn't a "bailout," and his desire for significant regulatory reversals of Trump Administration rewrites.

Comment Deadline Set for GSE Capital Proposal

The *Federal Register* today [includes](#) the FHFA's proposal to refine Fannie and Freddie's capital construct. As we noted in our in-depth [report](#), the proposal would significantly decrease the RWA for UMBS exposures, bring the GSEs in line regarding certain

derivatives with the SA-CCR for banks, and ease the capital treatment of multifamily guarantees for projects back by certain government subsidies. It would also extend the compliance date for the advanced approach until 2028 based on expectations that the banking agencies will scrap the advanced approach in the end-game rules. Comment on the NPR is due by May 12.

Fed Tries to Get Ahead of SVB Storm

Even as Sen. Hagerty (R-TN) led calls to review Fed [supervision](#), the Fed today [announced](#) that Vice Chair Barr will lead a review of SVB's supervision and regulation. Chairman Powell made it clear that this review will be "transparent" and the Vice Chair stressed that the Fed needs to have "humility" about its actions, perhaps giving Mr. Barr a chance to distance himself from lapses that occurred prior to his time as Vice Chair of Supervision as Republicans surely plan to do in order to curtail tougher rules to the extent possible. Perhaps also in hope of forestalling near-term hearings in the Senate, the review will conclude by May 1.

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](#).

- [RESOLVE49](#): As we [noted last night](#), the President concurred with Treasury, the Fed, and FDIC in [deciding](#) that SVB's Friday failure and [imminent runs on Signature Bank](#) and, most likely, others posed a systemic risk.
- [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.