



FedFin Daily Briefing

Tuesday, March 14, 2023

JEC Chairman Heaps SVB Blame on Trump-Era Rollbacks

Echoing Democratic [statements](#) made earlier in the day, JEC Chairman-Designate Heinrich (D-NM) released a [statement](#) late yesterday blaming the Trump Administration's 2018 regulatory "rollbacks" for SVB's failure, noting that the committee [warned](#) in 2018 that the rollbacks would result in SVB being subject to "nearly none" of Dodd-Frank's enhanced regulations. He also praised the response from the Biden Administration and financial regulators as critical to preventing further bank runs and to protect small businesses and depositors, but stated that this is not a substitute for proactive regulation and formal deposit insurance requirements.

Warren Lambasts Powell on SVB Inquiry

Expanding her attack against FRB Chairman Powell, Sen. Warren (D-MA) [today](#) demanded that he recuse himself from the SVB investigation announced just [yesterday](#). She states that Mr. Powell's actions allowed "big banks" like SVB to "load up" on risky assets, saying that Vice Chairman Barr needs complete independence. Some Fed [critics](#) have argued that even this would not suffice because the Fed is at such fault, calling instead for an independent or even Justice Department investigation. It remains to be seen if these demands are intended to bolster efforts to repeal the 2018 tailoring statute ([see FSM Report SIFI30](#)), but any bills of this sort will not advance in the House. The point thus seems not only to heighten Sen. Warren's overall attack on Fed policy, but also to press the agencies to roll back the 2019 rules implementing this law ([see FSM Report SIFI34](#)).

Treasury Official Announces Coming DeFi Risk Report

In [remarks](#) yesterday, Assistant Secretary for Treasury's Office of Terrorist Financing and Financial Crimes Elizabeth Rosenberg announced that her team will shortly be releasing a risk assessment on DeFi. She notes interest in any legitimate DeFi use cases, also saying that DeFi may nonetheless facilitate illicit finance. Ms. Rosenberg also emphasized that, while the government should not seek to stifle innovation, it must protect against criminals and fraud across all digital assets.

FDIC Warns Bridge-Bank Counterparties

Reflecting the unusual nature of the two bridge banks the FDIC has established for SVB and Signature, the agency was compelled today to issue a [warning](#) that financial institutions are required to comply with their obligations to these FDIC-owned institutions to the extent previously required of the failed banks. This doubtless reflects the fact that some of the prior banks' vendors and counterparties are failing to provide goods and services, honor interbank funding commitments, meet line draws, purchase assets, or

close derivatives transactions. Failure to do so weakens the bridge bank and increases the cost of FDIC resolution regardless of whether it is able to sell some or all of the company to other parties whose rights then are determined by contractual provisions related to legal successors.

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.