FedFin Daily Briefing

Tuesday, March 21, 2023

US Races to Calm Depositors, Bankers

In a concerted effort to quell depositor fear, the White House has told Bloomberg that it will not allow community banks to experience a panic and Secretary Yellen is said shortly to assure bankers that smaller banks will not be allowed to experience a concerted run. These comments also seem designed to counter ICBA and other objections to Ms. Yellen's comments last week that the systemic-risk exception used to back SVB and SBNY deposits was and will remain exceptional due to the banks' size. As noted in our report yesterday re viral runs (see *Client Report* **LIQUIDITY33**), bank regulators are also looking at ways quickly to use current regulatory tools to buffer banks of all sizes and Bloomberg also reports that Treasury is studying additional ways to expand deposit-insurance coverage under current law. Another recent FedFin report (see *Client Report* **DEPOSITINSURANCE118**) addresses possible options there. We'll advise you shortly re the Secretary's actual remarks, set for delivery at 10 AM.

Treasury Stands Behind Small Banks In Systemic Situations

In her formal remarks today, Treasury Secretary Yellen confirmed press reports that the U.S. would contemplate interventions similar to those for SVB and SBNY should a smaller bank suffer a deposit run posing contagion risk. Indeed, during her speech and thereafter, the Secretary laid out a systemic rationale for protecting community banks, noting their importance to businesses, farms, and consumers across the country. Her remarks and subsequent comments also emphasized that, while the agencies and Treasury are now focused on restoring banking confidence, there may soon be a need to turn to supervisory and regulatory changes. She would not speculate as to what the changes might be, saying only that the agencies need first to complete investigations such as the one underway by Vice Chair Barr.

CFPB Adds to Credit-Card Competition Interventions

Continuing its campaign against large credit-card companies (see FSM Report **CREDITCARD36**), the CFPB today launched an expanded credit card issuer survey to post new information on smaller companies the agency thinks beneficial to increase competition in this sector. In the release accompanying the survey, CFPB Director Chopra noted that the survey may help smaller banks that offer better terms or service compete with "dominant" credit card companies. All card issuers will now report additional details regarding the interest rates, minimum and maximum APRs, median APR for certain credit score ranges, and other data for their most popular cards. The survey will also now require the top 25 issuers to report on all their products and allow for companies outside of the sample of 125 issuers to voluntarily submit product information.

Adeyemo Reiterates US Backstop

In addition to Secretary Yellen's comments today, Deputy Secretary Wally Adeyemo not only praised his agency's response, but also reaffirmed that the government is prepared to back smaller banks. He was also at pains to deny that the March 12 actions constitute any form of bailout.

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.

- **LIQUIDITY33:** Among the most vexing issues in the wake of SVB's failure is the extent to which social media may have led to the first "viral run," a run akin to the meme-stock volatility that lead the SEC and others to fear a new form of "flash-crash" risk.
- **GSE-032023:** In this report, we build on FedFin's in-depth reports about recent bank failures to detail new risks for all of the innocent bystanders in the U.S. mortgage market along with a not so-innocent bystander: the Federal Home Loan Banks.
- **REFORM216:** In this report, we continue our policy postmortem of SVB/SBNY and, now, so much more.
- **DEPOSITINSURANCE118:** As promised in our first post-SVB impact assessment (see *Client Report* **RESOLVE49**), this report begins a series of analyses of specific policy issues.
- **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.

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- **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.

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