



FedFin Daily Briefing

Friday, March 24, 2023

GOP Expands Attack On Fed Supervisory Actions

In yet another letter ahead of next week's hearings, Senate Banking Ranking Member Scott (R-SC) and all Republican Members of the committee [asked](#) Fed Chairman Powell and FRB-SF President Daly a series of questions asserting that SVB's failure reflects significant supervisory lapses. These are detailed in the letter, which goes on to demand supervisory reports and, building on a *New York Times* [story](#) asserting that the Fed failed to insist on rapid remediation, also what happened after any such warnings. As with [prior letters](#) from Sen. Scott and HFSC Chairman McHenry (R-NC), the letter also demands details on Fed official activities, including calendars for the Board as a whole as well as supervisory officials and all communications related to SVB, including any to the *New York Times*. Answers are due by April 6, with the thrust of this and other GOP letters clearly aimed at strengthening arguments that recent events are the result of grievous supervisory failings, not the regulatory changes targeted by progressive Democrats.

FSOC Breaks The Glass

Although there is no formal announcement, FSOC will hold what is clearly an emergency, closed meeting later today per a new [media advisory](#). No time other than this morning is noted nor is there an agenda, but the scope of issues FSOC may well discuss is all too obvious. We will monitor carefully and advise if the readout is anything other than an effort to calm market and political nerves.

Top HFSC Republicans Join SVB-Supervisory Inquest

Following a similar letter from Senate Banking Republicans earlier today, HFSC Subcommittee Chairmans Barr (R-KY) and Huizenga (R-MI) along with Rep. Kim (R-CA) sent yet another [letter](#) to Vice Chair Barr and FRB-SF President Daly also demanding detailed supervisory-related information on SVB. The letter reiterates several demands from the senators, but also calls for answers pertaining to Goldman Sachs' capital assistance, the extent of SVB's reliance on FHLB loans, and how many examiners and analysts were assigned to SVB. As with the Senate letter, responses are requested by April 6.

Reserve Banks Promise to Bear Some Sometime Soon

Under ever-growing pressure, all of the Federal Reserve Banks today under the New York Fed's aegis [announced](#) a common transparency policy. However, the policy itself was not released and it is unclear when it will become public since each Reserve Bank will release it on whatever schedule best suits each Bank as long as this is done by year end. We doubt that this will satisfy Congress which, as in 2010, will likely mandate additional disclosures should legislation governing Fed policy advance later this year.

HFSC GOP Targets State Bank Supervisors

Top House Republicans today brought state banking commissions into the SVB and SBNY fray, asking each for extensive details on recent actions and setting the April 6 deadline now evident in all recent GOP requests in this arena. Subcommittee Chairs Barr (R-KY) and Huizenga (R-MI), along with Rep. Kim (R-CA) today sent a [letter](#) to Commissioner Hewlett of the California Department of Financial Services and Innovation (CDFPI) about the state's regulation of SVB and its acquisition of Boston Private bank. It also asks how CDFPI assesses risk management during rapid growth and if it knew about SVB's reliance on FHLB SF loans. Reps. Barr, Huizenga, Lawler (R-NY), and Garbarino (R-NY) also sent a [letter](#) today to Superintendent Harris of the New York Department of Financial Services (NYDFS) regarding its regulation of SBNY and its resolution. They ask if attending the March 12 FSOC meeting affected her decision to close SBNY and whether she was involved in evaluating Flagstar Bank's bid.

GOP Leaders Also Demand FSOC Answers

HFSC Subcommittee Chairman Barr (R-KY) and Huizenga (R-MI) today also sent letters to FSOC Chair [Yellen](#) and Council of Inspectors General on Financial Oversight Chair [Delmar](#) requesting detailed information on meetings surrounding the banking agencies' March 12 decision to invoke a systemic risk exception for SVB and SBNY. The letter to Chair Yellen concerns FSOC's March 12 meeting as well as meetings convened with other banking regulators that day and on March 10 in her capacity as Treasury Secretary. In addition to requesting unredacted meeting minutes, a vote tally, knowledge of and use of OFR data before and during the meetings, and unredacted minutes of the agencies' special March 10 meeting, the letter asks Chair Yellen to indicate whether she was aware if NYDFS had closed Signature Bank and appointed the FDIC as receiver before or after the March 12 FSOC meeting. The letter to Chair Delmar, which only concerns FSOC's March 12 meeting, also requests meeting minutes as well as a start and finish time. Responses are requested by April 6.

FSOC Keeps Mostly Mum

As anticipated earlier today, FSOC's [readout](#) of its meeting today was singularly uninformative, noting only that it evaluated market conditions and deems the banking system resilient. Member agencies also described monitoring efforts, settling any doubt as to whether they had any. To be sure, FSOC did not feel the need to announce a new systemic facility (see forthcoming FedFin report) today, but the peace remains uneasy.

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](#).

- **[RESCUE79](#)**: Recent editorials and other media have often said that the FRB and/or FDIC have powers or taken actions that is not the factual case as we understand it.
- **[GSIB21](#)**: In this report, we assess the implications of recent events on two assumptions underlying current U.S. and global policy affecting GSIBs and those considered domestic SIBs: first, all are likely to be well insulated from illiquidity and/or insolvency and, when this is not the case, then orderly resolution without taxpayer bailout can be readily deployed.
- **[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.

- **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](#).