



# *FedFin Daily Briefing*

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Wednesday, March 29, 2023

## **Barr Keeps CRA Hope Alive**

Ahead of what is certainly going to be a trying HFSC hearing later today, FRB Vice Chairman Barr told an [audience](#) that pending CRA rules ([see FSM Report CRA32](#)) are still in the works, declining to provide any completion timeline. Mr. Barr did, though, reiterate that the new rules will modernize standards under which performance measured is utilized for branch and M&A decisions, with standards tailored to be most demanding of the largest banks.

## **Chopra Expands Post-SVB Policy Action Items**

In [remarks](#) posted after a panel discussion yesterday, CFPB director and FDIC board member Rohit Chopra reaffirmed Chairman Gruenberg's [comments](#) that changes are likely to capital and liquidity rules, but added action related to interest-rate risk management, resolution planning and stress-testing to the to-do list. [Press reports](#) also indicate that Mr. Chopra wants to re-evaluate systemic thresholds and the run-risk of P2P payment systems and payment-service providers, stating also that knowing these risks is easier than determining what to do about them. The director does not seem to have commented on FDIC-insurance thresholds, but did say that protections for large VC depositors raises "fairness" issues. Mr. Chopra also indicated that the CFPB is prioritizing non-bank enforcement and may soon issue a rule building on prior policy statements ([see FSM Report CONSUMER44](#)).

## **Senate Finance Dems Demand Tougher Penalties, Enforcement to Prevent Swiss Tax-Evasion Activities**

Senate Finance Democrats today [released a damning investigative report](#) accusing Credit Suisse of persistently and often criminally enabling U.S. tax evasion despite a 2014 plea agreement with the U.S. Chairman Wyden (D-OR) presses for additional civil and criminal actions, noting that the UBS acquisition does not "wipe the slate clean." The investigative report also calls for significant financial penalties as well as more actions by what Sen. Wyden calls "cat-napping regulators," here targeting DOJ and the IRS. The report urges these agencies to send updated guidance to Swiss banks and increase enforcement actions against high net-worth citizens using Swiss banks via undeclared accounts or other techniques. Notably, neither the senator nor report calls for new law on an issue that is a perennial source of tension between U.S. and Swiss authorities.

## **Bipartisan Senate Clawback Bill Reaches to BHC Investors, Creditors**

Preempting Chairman Brown's plans to introduce clawback legislation ([see Client Report REFORM217](#)), Sens. Warren (D-MA), Cortez Masto (D-NV), Hawley (R-MO), and Braun (R-IN) today introduced their own [bill](#) to do so. As we [anticipated](#), this is an issue on which there is considerable bipartisan agreement despite the call to do so [directly](#) from President Biden. The bill would require clawbacks of as much as all of the compensation failed-bank executives received over the prior five years. Importantly, the measure also includes a provision requiring investors and creditors in a resolved IDI's holding company to offset resolution costs. This provision is a sweeping revision to the Bankruptcy Code with significant policy and market implications but is included via only a few sketchy lines in legislative text.

## CFPB Sets Comment Deadline For Controversial Credit Card Proposal

The *Federal Register* [today](#) includes the CFPB's proposed rule on Credit Card Penalty Fees. As noted ([see FSM Report CREDITCARD36](#)), this is a highly-controversial proposal subject not only to strong objections from credit-card lenders, but also across the retail-finance sector due to fears that the CFPB could expand price-setting requirements. The comment deadline is now set for May 3.

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### Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [REFORM218](#): Today's HFSC hearing on recent bank failures was more partisan than yesterday's Senate Banking session ([see Client Report REFORM217](#)).
- [REFORM217](#): Today's Senate Banking hearing was extremely well-attended by Senators on both sides of the aisle clearly looking first to understand what precipitated recent bank failures, who is to blame, and what should be done next.
- [RESOLVE50](#): As [noted yesterday](#), the FDIC's recent rescues have had several unusual features with implications not only for future policy, but also for pending special assessments to replenish the DIF for the \$22.5 billion estimated costs to the Deposit Insurance Fund.
- [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 led 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.