FedFin Daily Briefing

Friday, March 31, 2023

Senate Presses Fed Transparency, Accountability

Responding in part to testimony earlier this week (see *Client Report* **REFORM217**), Sens. Tillis (R-NC), Warren (D-MA), and seven colleagues have introduced legislation (S. 1160) to bring Federal Reserve Banks under the FOIA and force greater responsiveness to Congress – a response also to last year's battle over master-account data and continuing crypto controversies. The measure would also mandate an independent IG, force the Fed to respond to Congressional ethics inquiries, and allow Senate Banking and HFSC bipartisan leadership to review confidential supervisory data. Sen. Tillis and three other Republicans also introduced S. 1155 to redesign the Fed. No text is yet available nor is there a statement, but we expect the measure to be modelled after a bill introduced by former Sen. Toomey cosponsored by Sen. Tillis and five other Republicans late last year to reduce the number of Federal Reserve Banks, make all Reserve Bank presidents and the Fed's general counsel presidential appointments, and bar Fed lobbying (a move the GOP thinks would forestall "woke" activities). There is Democratic support for aspects of this bill, and both of them are likely to advance in this Congress.

Senate Dems Implicitly Chide Administration Reg-Reform Agenda, Demand Holistic Assessment

Following one of the somewhat surprising lines of inquiry at Senate Banking's SVB hearing, Senate Banking Chairman Brown (D-OH) and all the Committee Democrats today pressed back against the list of rules the White House yesterday prioritized for rewrites. While they did not take issue with that list, they also want FSOC to undertake a holistic review of banking, consumer, and systemic rules, noting the importance in this effort of also protecting small banks from undue harm. The senators expressly want FSOC to go beyond the President's focus on what they call "traditional" prudential standards also to examine non-quantifiable risks such as social media and AI. FSOC is also asked to anticipate emerging risk, the scope of federal liquidity backstops, the "patchwork" of state and federal supervision, and the extent to which executives are held accountable. This is of course a laundry list surprisingly excluding a request from Sen. Van Hollen (D-MD) also for rapid action on new systemic-designation standards. However, a reply is requested in sixty days, suggesting Democrats will press Ms. Yellen and FRB Chairman Powell on the resilience of the entire regulatory framework when these officials next come before Senate Banking.

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.

- **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 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.

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