



FedFin Weekly Alert

Monday, July 3, 2023

❑ FIREWORKS START AFTER THE FOURTH

We expect July to be particularly full of sound and fury ahead of the August recess. It's a traditional time in which Members of Congress try to position bills for floor action in the crazed race to whatever comes of adjournment after the usual fiscal year-end follies. This year's July will be still more fiery given the underlying political context forged by GOP investigations of the Biden Administration and family, appropriations battles, and geopolitical instability. We'll also be watching for precedent-setting action on [stablecoin legislation](#) and [credit-card network constraints](#), as well as Senate floor consideration of the executive-comp bill ([see FSM Report COMPENSATION37](#)) and parallel HFSC action. And then there's the end-game capital rules due out this month.

So, rest up and we'll be ready ...

Headlines From the Past Week's Daily Briefings

[June 26](#)

- **Waters Forum On Deposit-Insurance Reform Focuses On Flexibility** - HFSC Ranking Member Waters (D-CA) hosted a roundtable on deposit insurance reform with a panel of industry experts and a legal scholar.
- **Bowman Blasts Barr Agenda, Cautiously Open to End Game** - In [remarks](#), FRB Governor Bowman continued her campaign against new capital rules, urging regulators instead to focus on liquidity and supervision.
- **FRB Withdraws Reserve Bank Registry Proposal** - The *Federal Register* published a [notice](#) from the FRB announcing that the Board is withdrawing proposed amendments ([see FSM Report PAYMENT26](#)) to its Account Access Guidelines that would have required Reserve Banks to publish periodic lists of depository institutions with access to Reserve Bank accounts.
- **Waters Recruits Treasury, SEC To Block GOP Crypto Bill** - Ahead of HFSC mark-ups on digital assets legislation ([see Client Report FEDERALRESERVE74](#)), Ranking Member Waters (D-CA) sent [letters](#) to Treasury Secretary Yellen and SEC Chairman Gensler asking for analyses of the draft digital assets market structure [bill](#) strongly opposed by Democrats.

June 27

- **Treasury, FIO Target Insurance, Banking Interconnections** - In conjunction with FIO's new [report](#) on Insurance Supervision and Regulation of Climate-Related Risks, Treasury's Assistant Secretary for Financial Institutions, Graham Steele, emphasized the need for further work to understand the insurance industry's climate-related financial stability risks, especially from housing and banking sector spillovers
- **Warren Gives No Merger Ground** - In a [letter](#) sent to Chair Gruenberg, Acting Comptroller Hsu, Vice Chair Barr, Assistant Attorney General Kanter, and Secretary Yellen, Sen. Warren (D-MA) demands fast action on the rewrite of bank merger guidelines pending since at least the President's executive order in 2021 ([see FSM Report MERGER10](#)) as well as an end to large-bank M&A.

June 28

- **Biden Predicts End to Overdrafts** - In a speech detailing "Bidenomics", President Biden continued his administration's [campaign](#) against "junk fees," specifically targeting overdrafts.
- **Fed Branch Approval Faced Unusual Bowman Protest** - With a cryptic [statement](#), FRB Gov. Bowman has taken the unusual step of protesting a branch application which she and all other governors [approved](#).
- **Fed Finds Big Banks Resilient, Still Wants More Rules** - The Fed's [stress-test release](#) attempts to meld both the Board's finding that banks are not only resilient, but also "well-positioned" for a severe recession with Vice Chairman Barr's plans to rewrite an array of new rules ([see Client Report FEDERALRESERVE72](#)) that stress tests are only one measure of strength the "resilient" evidence itself.

June 29

- **Powell Stands by Big-Bank Reg Rewrite** - In [remarks today](#), Chair Powell echoed Vice Chair Barr's "humble" [comments yesterday](#) about the need to anticipate additional risks despite banking-system resilience, noting that rules and supervision require review.
- **FTC Finalizes Tough New Guidance On Deceptive Reviews And Endorsements** - The FTC [finalized](#) an updated version of its Endorsement Guides, setting new standards for the advertising and endorsement behavior that may constitute unfair or deceptive practices.
- **Banking Agencies Encourage Banks To Go Easy On CRE Borrowers** - The banking agencies and NCUA [finalized](#) changes to troubled-loan standards in a policy statement that is substantially similar to last year's proposal.

June 30

- **Warren Blasts Goldman Over SVB Dual Role** - Raising an issue that could lead to broad demands for internal firewalls, Sen. Warren (D-MA) sent a [letter](#) to the CEO of Goldman Sachs demanding more information about the bank's dual role advising and buying financial instruments from SVB.
- **Key House Member Posits China Sanctions For Hong Kong Banking Activities** - Joined by two U.K. MPs, House Select Committee on the CCP Chairman Mike Gallagher (R-WI) sent a [letter](#) to HSBC's CEO raising concerns with what he says was the bank's decision as well as that of other unnamed banks to block Mandatory Provident Fund withdrawal requests for Hong Kong residents with British National (overseas) passports.

This Week

No meetings of note.

Future Events of Note

No meetings of note.

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](#).

- **[GSE-063023](#)**: In non-public remarks ahead of a presentation by FedFin managing partner Karen Petrou, Sen. Jack Reed (D-RI) laid out what he thinks banking agencies will do next, doubtless based on what they've told him that they'll do next.
- **[COMPENSATION37](#)**: The Senate Banking Committee has overwhelmingly approved bipartisan legislation to reform executive compensation following larger insured-depository institution (IDI) failures, with parent-company executive compensation also at risk in some circumstances.
- **[ESG4](#)**: Late Friday, GOP HFSC Members issued a withering [report](#) criticizing the Biden Administration for using financial regulators to do its political bidding on ESG objectives that it believes "contort" financial regulators into political instrumentalities that put retail investors at risk.
- **[GSE-062223](#)**: A [Bloomberg article](#) tells a fascinating tale of high-flying personal real-estate investment and other alleged acts of self-dealing at the expense of the seemingly-hapless Federal Reserve Bank of San Francisco.
- **[FEDERALRESERVE74](#)**: Chairman Powell's HFSC appearance today led to unusually substantive discussion of pending financial-policy actions.
- **[GSE-061523](#)**: The FHFA's [report to Congress](#) this year was eagerly awaited to see if it shed any insight into what FHFA might do after its listening [sessions](#) and Sandra Thompson's [promise](#) to do something sometime soon about the Home Loan Banks.

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

- **[CONSUMER51](#)**: With Rep. Andy Barr (R-KY) leading the attack with an accusation of CFPB “McCarthyism,” today’s HFSC hearing with Director Chopra tracked much in yesterday’s Senate Banking [session](#).
- **[REFORM227](#)**: Treasury Secretary Yellen was pressed at today’s HFSC hearing to comment on pending bank capital standards, the scope of FDIC coverage, and failed-bank resolutions.
- **[CONSUMER50](#)**: Reflecting Acting Comptroller Hsu’s focus on consumer protection, fairness, and inclusion, the OCC is seeking views on what could become an annual survey of what consumers and especially bank customers think of their bank.
- **[VENDOR10](#)**: After frequently citing third-party relationships and outsourcing as worrisome risk, the banking agencies have now finalized guidance first proposed in 2021 to govern them.
- **[GSE-060823](#)**: As we will detail in a forthcoming in-depth report, the banking agencies’ new “guidance” on third-party vendors essentially brings all nonbank counterparties with whom banking organizations deal under the agencies’ enforcement thumb.
- **[COMPENSATION36](#)**: Sen. Warren (D-MA) has introduced a revised version of legislation to ensure that both the FDIC and other federal banking agencies can demand that executives and others governing failed banks refund direct and indirect compensation to the federal government.