



HFSC Looks To Next Debt-Ceiling Fight

Following the near-death experience of a Treasury default, the HFSC Financial Institutions Subcommittee on Wednesday will hold a hearing on U.S. fiscal management. The memo [lists](#) the draft legislation to be considered, with the panel advancing substantive measures with at least some chances of bipartisan agreement. These include bills to require Treasury via the FSOC to make official contingency plans for Treasury-bond default. The Administration may fear that any such plans would create a presumption of possible default, opposing this bill and thus dooming it, but a bill requiring public reporting on extraordinary measures ahead of a debt-ceiling increase might pass since Treasury generally does so anyway. A bill mandating Treasury Secretary testimony as the ceiling nears might also advance, but one also on the agenda to subject all but Fed monetary-policy operations to the appropriations process will be opposed by the White House and many Democrats, who will also block a bill allowing banks to pay FDIC assessments via Treasury securities to authorize a plan some banks have [advanced](#) to handle the pending special assessment ([see FSM Report DEPOSITINSURANCE120](#)).

GOP Crypto-Jurisdiction Bill Slams SEC

Ahead of a hearing next week, House Financial Services and Agriculture Republicans today [released](#) a draft bill allocating digital-asset jurisdiction largely to the CFTC. This was previewed at the joint panel's last hearing ([see Client Report CRYPTO43](#)), where Democrats strongly objected to this approach. Press [indicate](#) that the draft has not been shared with Democrats and our read of the measure makes it clear that little has been done to mollify them. The bill would give the SEC jurisdiction over certain securities-related crypto activities and entities, but in several cases expressly prohibits it from preventing trading-platform operation or contesting CFTC jurisdiction. For good measure, the bill also adds advancing "innovation" to the SEC's statutory mission, although the bill does give the SEC jurisdiction over payment stablecoins with sole regard to the Commission's anti-fraud rules when the transaction involves an SEC-registered entity. The bill also includes new disclosure standards to enhance investor understanding, stipulating capital and fitness standards for FCMs engaged in digital-asset activities. As anticipated, the bill also rolls back aspects of the SEC's controversial custody rule ([see FSM Report CUSTODY5](#)), mandating that broker-dealers be allowed to offer custodial services. Notably, the bill would declare that operating entities are fully compliant with the new standards even as the agencies are crafting them.

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-060223](#): As we detailed earlier this [week](#), the OCC's new enforcement [policy](#) is a paradigm shift in terms of the legal and reputational risk run by national banks and federal thrifts – that is, by the depository institutions that matter the most to mortgage finance.
- [CHINA17](#): While largely focused on countering fentanyl, today's Senate Banking hearing on China, saw Committee Democrats try to ascertain the details of a potential outbound investment [executive order](#) and Republicans addressing what they believe to be shortcomings in data privacy, AML regulation, and sanctions policy.

- **[SUPERVISION2](#)**: Following a speech earlier this year by the Acting Comptroller arguing that some banks are “too big to manage” and the furor caused by recent failures, the OCC has significantly revised its enforcement policy.
- **[GSE-052323](#)**: Today’s HFSC hearing with Sandra Thompson was the anti-LLPA event we [anticipated](#) when it came to Republicans that also saw the stout defense Democrats were sure to provide combined with FHFA’s resolute stand on doing nothing to change the LLPAs or guarantee-fees beyond what might come of the pending [RFI](#).
- **[REFORM226](#)**: Describing the CEOs’ statements at his last hearing as “the dog-ate-my-homework” excuses for grievous failings, Senate Banking Committee Chairman Brown (D-OH) also attacked Republicans for placing blame on monetary policy, not the culture of supervisory laxity he details with various quotes from Trump Administration officials.
- **[CRYPTO44](#)**: Although there were still considerable party-line differences of opinion on stablecoin legislation, today’s HFSC Digital-Assets Subcommittee hearing suggests that remaining divides are narrowing, increasing the odds of a new federal-regulatory framework.
- **[GSE-051723](#)**: With Republicans on the anti-LLPA warpath, FHFA is hoping to preserve as much of the current fee structure as possible without paying too high a political price, issuing a [request for information](#) (RFI) in hopes that letter-writing will keep everyone busy until Congress moves on to other matters.
- **[REFORM225](#)**: A joint hearing today of HFSC’s Financial Institutions and Oversight Subcommittees expanded on themes at yesterday’s full Committee session with bank regulators ([see Client Report REFORM224](#)) and Senate Banking’s session with SVB’s and SBNY’s [CEOs](#), with First Republic’s CEO now added to the Congressional firing line.
- **[REFORM224](#)**: In their first appearance following the reports on recent failures, FRB Vice Chairman Barr and FDIC Chairman Gruenberg were harshly criticized by Republicans for both the bank failures and recommended remedies.
- **[DEPOSITINSURANCE120](#)**: As the law requires and the FDIC Chairman promised after SVB and Signature Bank were declared systemic, the FDIC has now proposed a special assessment to compensate the Deposit Insurance Fund (DIF) for the cost of backing the two banks’ uninsured deposits.
- **[CRYPTO43](#)**: Today’s joint HFSC-House Ag hearing on assessing crypto’s regulatory gaps saw bipartisan calls for Congressional action, but none on what that should be done.
- **[GSE-050923](#)**: As [our in-depth report](#) earlier today details, the Fed’s latest financial-stability [report](#) pulls a lot of punches because, as always, it’s afraid to frighten the children with frank discussion of what might actually threaten financial stability in the near term.
- **[SYSTEMIC96](#)**: Perhaps because its last financial-stability report ([see Client Report SYSTEMIC94](#)) was contradicted just five months later by a systemic-risk designation, the Federal Reserve’s latest [report](#) eschews a conclusion about prospective risk in favor of a review of current concerns.
- **[SIFI35](#)**: In concert with proposing a new systemic-risk methodology, the Financial Stability Oversight Council sought comment on guidance that significantly rewrites the manner in which nonbanks are designated as systemically important financial institutions (SIFIs).