



Bills Advanced re Emergency M&A, FDIC Ceiling

The Congressional Record today [includes](#) two Democratic bills with possible prospects despite House GOP control. First is H.R. 3914 from Rep. Stephen Lynch (D-MA) to bar exceptions from concentration limits for certain bank M&A. Text is not available, but we expect the bill to delete the “failing-bank” exception used to approve JPMorgan’s acquisition of [First Republic](#), perhaps replacing it with only a systemic out from the ten percent deposit ceiling. The second bill is H.R. 3928 from Rep. Adam Schiff (D-CA). It allows IDIs to elect a higher deposit insurance-ceiling for business accounts if they choose to pay premiums to reflect additional coverage. How this would work in practice is unclear given that risk-based premiums are now based on assets, not deposits, nor does any aspect of the premiums schedule otherwise differentiate between insured and uninsured deposits. That said, some form of added fee might be viable and, if adopted, appeal to Republicans such as Rep. Luetkemeyer (R-MO) and Sen. Hagerty (R-TN) who previously introduced legislation to raise or even eliminate the FDIC ceiling.

CFPB Extends Data Broker RFI Deadline

The CFPB today [extended](#) the comment deadline on its RFI inquiring about the business models and practices of data brokers. [As noted](#), the Bureau seeks input on consumer harm propagated by brokers’ business practices, consumers’ ability to avoid data collection, and their experiences attempting to remove, correct, or regain control of personal data. The new comment deadline is July 15.

Treasury Fairness/Compliance Initiative Targets Government Payments

Treasury today issued a new policy on promoting fair and effective compliance via a [memorandum](#) from Deputy Secretary Adeyemo. It covers the full range of Treasury activities, including those related to handling government-benefit payments. These include processing Social Security, VA benefits, and tax refunds and collecting payments. As a result, banks active in these arenas could face new compliance demands from Treasury in addition to those evident in recent CFPB [enforcement actions](#) related to unemployment benefits. However, the actual memo has few details on what Treasury might actually do, only establishing four core principles focused on strengthening information and service delivery to promote self-correction, prioritizing enforcement in areas of the greatest risk, investing in compliance efficiency, and promoting fairness.

Gensler Doubles Down On SEC Crypto Policy

In [remarks](#) today implicitly rebutting GOP assertions that the SEC has gone too far and new law expanding CFTC authority is needed, SEC Chairman Gensler strongly reasserted that most cryptoassets are securities subject to SEC oversight. Saying that the SEC has given participants fair notice that their conduct could be illegal, Mr. Gensler suggested that many of them likely accepted enforcement action risk as a business cost. The chairman also rebutted those who say the SEC’s approach breeds uncertainty because it relies on enforcement actions, not rules, detailing recent regulatory actions including pending custody standards ([see FSM Report CUSTODY5](#)). Going through details of recent enforcement actions, he also emphasized the necessity of asset segregation and conflict-of-interest constraints akin to those at traditional broker/dealers and exchanges, reinforcing why securities law applies and the importance of recent enforcement actions.

Bank Regulators, CFPB Encourage Appraisal Revaluation

Reflecting ongoing efforts to address appraisal bias, the banking agencies and the CFPB today proposed new interagency [guidance](#) on reconsiderations of value (ROV) for residential real estate, outlining the risks of deficient valuations and highlighting policies addressing them. The agencies state that poor valuations may lead to loan losses, legal violations, fines, penalties, payment of damages, or civil litigation. The guidance thus would recommend that banks consider ROVs as a way to address consumer complaints, establish a process to identify and resolve complaints, and ensure consumers are informed on how to raise concerns about valuations. Following the finalization of their third-party [guidance](#), the agencies also remind financial institutions that the use of third parties in reviewing valuations does not absolve them of their compliance obligations. The agencies request comment on whether the proposal sufficiently describes what financial institutions should consider when assessing their ROV policies, what ROV models – if any – the agencies should recommend, and whether additional guidance is needed. Comment is due sixty days after publication in the *Federal Register*.

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-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.
- [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.

Federal Financial Analytics, Inc.

2101 LStreet, N.W. – Suite 300, Washington, D.C. 20037

Phone (202) 589-0880

E-mail: info@fedfin.com www.fedfin.com

© 2023. Federal Financial Analytics, Inc. All rights reserved.

- **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.