



Waters Advances Post-SVB Proposals

HFSC Ranking Member Waters (D-CA) today [released](#) ten Democratic bills in response to recent bank failures, noting -- [as is indeed the case](#) for at least some of these measures - that Republicans expressed interest in them at the last committee mark-up. That said, today's hearing with Chairman Powell (see forthcoming FedFin analysis) indicates that Republicans will launch a full-bore attack on higher bank-capital requirements. Rep. Waters has herself introduced a new executive-clawback bill, one we expect to advance in somewhat different form in light of Senate Banking's almost-unanimous approval of a bill earlier today (see forthcoming FedFin analysis). Democratic bills would also limit stock compensation (Waters), mandate large-bank holding companies (Waters), set additional stress-test standards (Sherman), mandate capital recognition of AOCI (Sherman), limit systemic exceptions for failing-bank acquisitions (Lynch), mandate post-failure reports and least-cost calculation transparency (Green), exempt banks with less than \$5 billion from the special assessment (Green), mandate large-bank CROs (Casten), mandate deferred compensation for large-bank executives (Talib), and stop certain large-bank bonuses (Pettersen).

Unusual Bipartisanship Advances Senate Clawback Bill

We will await text to determine the full impact of the bill approved today by Senate Banking, but the 21-2 vote makes it clear that it will have no trouble navigating the Senate floor unless more controversial riders are attached. We doubt this will be the case given the clear intention on both sides of the aisle to agree on a viable approach to executive clawbacks, moving away from the Warren-Vance bill ([see FSM Report COMPENSATION36](#)) to give the FDIC discretion to preserve "white-knight" compensation and slightly limit the bill's scope. Sen. Sinema (I-AZ) along with Sen. Tillis (R-NC) successfully added an amendment mandating regular Fed reports on improvements to its supervisory culture and amendments were also accepted from Chairman Brown (D-OH), Ranking Member Scott (R-SC) and Sens. Lummis (R-WY), Smith (D-MN), Vance (R-OH), Kennedy (R-LA), Reed (D-RI), and Tillis. Other GOP amendments, such as one from Sen. Vance to restructure federal bank regulation, were offered and immediately withdrawn. The two dissenting senators were Sens. Tillis and Hagerty (R-TN), with Sen. Tillis arguing that the bill did not clearly define the line between malpractice and bad management. We will provide clients with an in-depth analysis of the measure when text is released; as noted earlier today, HFSC is likely to take up a similar bill as soon as next month.

Schumer Lays Out Senate's AI Approach

Kicking off a high-priority Senate action plan, Senate Majority Leader Schumer (D-NY) today laid out his AI [framework](#) dubbed the Safe Innovation Framework. Acknowledging that Congress knows very little about AI and what regulation is needed, he did not indicate any specifics or timing on upcoming legislation beyond outlining the framework's priorities. These include ensuring that AI does not compromise national or household-economic security, is accountable, protects democracy, and promotes transparency. Mr. Schumer noted that explainability is likely Congress' biggest AI challenge, citing the "black box" problem, also a CFPB focus ([see FSM Report FAIRLEND11](#)) regarding algorithmic underwriting. Sen. Schumer also announced that he will invite AI experts and industry participants to the Senate for AI insight forums to explore a new legislative approach, alongside a bipartisan group including himself and Sens. Heinrich (D-NM), Young (R-IN), and Rounds (R-SD) to set the Senate's course.

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](#).

- **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.
- **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.
- **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](#).

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