



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, today emphasized the need for further work to understand the insurance industry's climate-related financial stability risks, especially from housing and banking sector spillovers. In a panel discussion, FIO Director Steven Seitz also highlighted the report's recommendations around macroprudential risks, including prioritizing the growth of the residual and surplus lines markets, "hardening" of the reinsurance market, and realizing the effects climate risk may have on state insurance guarantee funds. FIO is also looking at interconnections between the banking, housing, and insurance sectors. Much of the discussion focused on climate-risk readiness and resilience. FIO's report also highlights several recommendations in FSOC's 2021 climate-related financial-stability assessment ([see Client Report GREEN11](#)), including identifying and closing data gaps, enhancing climate-related risk disclosures, and developing scenario analysis.

Warren Gives No Merger Ground

In a [letter](#) sent today 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. Sen. Warren takes particular issue with Secretary Yellen's recent comments suggesting the need for industry consolidation and again confronts Acting Comptroller Hsu's "openness" to at least some transactions. It thus seems clear that her opposition to his nomination as Comptroller remains as firm as ever. She also takes strong issue with Assistant AG Kanter's recent description of DOJ's new [policy](#), seeking answers as to why Justice will no longer demand branch closings or other remediation if the banking agencies fail to do so. Sen. Warren also wants the agencies to describe how they incorporate financial stability considerations into merger decisions and presses them to make public DOJ competitive factor reports as she believes the law requires. Answers are due by July 10, with the most likely immediate impact of the letter to speed up long-overdue action on the formal merger policy from DOJ and the banking agencies.

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](#).

- [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.
- **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.

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.