



Friday, June 30, 2023

## Warren Blasts Goldman Over SVB Dual Role

Raising an issue that could lead to broad demands for internal firewalls, Sen. Warren (D-MA) today 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. The senator raises concerns that this caused conflicts of interest and accuses the bank of using "accounting tricks" that were very costly to the DIF. She asks Goldman for detailed information regarding the original value and amount paid for SVB's portfolio, the amount Goldman was paid for its role as underwriter in SVB's attempted capital raise, and actions the bank took to avoid conflicts of interest. Responses are requested by July 13.

## 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) today 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. Firing what may be a first shot into the broader battle of how global banks manage their relations with China, the letter highlights instructions to the fund's trustee institutions – which include HSBC – from the Hong Kong Mandatory Provident Fund Authority to disregard BN(O) passports. The issue is particularly grave because Rep. Gallagher states that the U.S. may impose sanctions on foreign financial institutions that conduct business with entities facilitating PRC violations of international law. The letter thus requests detailed information on the bank's decision to block fund access to BN(O) passport holders, the extent to which the bank's board was involved, and communications between the bank and its Hong Kong subsidiaries overseeing the fund. Responses are requested by July 21.

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## Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto: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.
- **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.