



## **GOP's Crypto Bills Still Face Significant Partisan Problems**

HFSC is now set for a Wednesday mark-up of two controversial crypto bills, one with [shared jurisdiction](#) with the [Agriculture Committee](#) governing regulatory jurisdiction and [the other](#) setting federal standards for payment stablecoins. The new jurisdictional approach is likely to face strong Democratic opposition despite GOP hopes that a recent court decision curtailing SEC [authority](#) might encourage wavering supporters. Most of the late draft retains earlier provisions sharply curtailing SEC authority as well as allowing many financial instruments or non-fungible tokens for real property to avoid SEC jurisdiction if they are able to sidestep undefined terms such as “notes” or “equity” governing assets that would remain within the SEC. The bill’s asset-segregation and conflict-of-interest provisions also give digital-asset companies considerable leeway to avoid restrictions. The new bill also continues to allow entities filing “letters of intent” to become regulated to operate immediately even as regulators consider their structures, but the measure now revises this broad opening to allow the SEC or CFTC to take action in the event of fraud. As before, the CFTC would gain primary jurisdiction over digital assets. The new text of the stablecoin bill is subject to ongoing changes but at last review did not concede to Democrats on issues such as federal preemption. As always, FedFin will track these mark-ups and provide analyses ASAP.

## **Senior GOP Senator Proposes Sweeping FRB Reform**

Going beyond bipartisan [legislation](#) with Sen. Warren (D-MA) to redesign Fed governance to increase political accountability, Sen. Scott (R-FL) on his own has introduced a legislative [package](#) that would sharply contract the Fed’s monetary-policy and emergency-liquidity authority. [S.2411](#) (the Rein in the Federal Reserve Act) would require the Fed to submit quarterly reports to Congress following the implementation of a quantitative easing, tightening, or emergency facility program. The Fed would also need Congressional approval to continue emergency funding a year after its start. [S. 2409](#) (the Regular Order for Investments of the Federal Reserve Act) would require the Fed to comply with GAAP principles and use mark-to-market valuations. [S. 2410](#) (the Right-Size the Federal Reserve Act) would cap the Fed’s balance sheet at ten percent of GDP and prohibit the Fed from paying interest on excess reserves. At the start of the year, HFSC Chairman Barr (R-KY) [made it clear](#) that he was also strongly interested in reining in the Fed, focusing in particular on IRR. As we noted at the time, efforts to recapture these payments could gather steam as Congress confronts urgent fiscal challenges as Republicans grow still more adamant in the wake of the recent debt-ceiling fight on matching any new spending with offsets. However, any measure tackling IRR or any of Sen. Scott’s other concerns will need first to advance in the House; even with support from Sen. Warren – possible for at least some of these proposals – no measure along any of Sen. Scott’s lines will advance in Senate Banking.

## **Clawback Bill Faces Tuberville Blockade**

Reinforcing his stand against the executive-compensation clawback bill reported 21-2 by Senate Banking ([see FSM Report COMPENSATION37](#)), Sen. Tommy Tuberville (R-AL) today posted an [op-ed](#) laying out his reasoning. Most importantly, he takes issue with the bill’s definitions of “risk,” arguing that it empowers regulators to take over a bank that fails to follow climate-risk or similar “trendy” injunctions. Sen. Brown (D-OH) is reportedly still trying to bring the RECOUP bill to the floor next week but may have difficulty doing so if Sen. Tuberville is as adamant about this question as he is with regard to [military confirmations](#).

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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](#).

- **[DEPOSITINSURANCE121](#)**: In the wake of today's Senate Banking deposit-insurance reform hearing, it seems certain that there will be no legislation in the near term and most likely in this Congress to increase FDIC-insurance thresholds.
- **[CLIMATE16](#)**: As [anticipated](#), Republicans continued their [campaign](#) against ESG at today's HFSC Financial Institution Subcommittee hearing on climate risks, reiterating arguments that a regulatory focus on climate risk signals financial institutions to cease lending to carbon intensive industries.
- **[MMF20](#)**: The SEC has significantly revised its proposed MMF-reform standards, eliminating a controversial swing-pricing approach to reduce first-mover advantage in favor of new redemption fees at institutional prime and tax-exempt funds.
- **[GSE-071823](#)**: Reuters is reporting [today](#) and other sources are echoing three regulatory sources saying that the impending capital rewrite will propose risk weighted assessments (RWAs) between 40 and 90%, up from the minimum 20 and 70% [Basel standards](#).
- **[GSE-071123](#)**: As we detailed [yesterday](#), FRB Vice Chair Barr laid out what he called a holistic view of bank capital standards that encompasses [end-game rules](#), stress testing, post-SVB lessons, GSIB restrictions, and resolvability.
- **[CAPITAL228](#)**: FRB Vice Chairman Barr's speech [today](#) outlines near-term U.S. regulatory-capital policy, confirming our [earlier assessment](#) that a sweeping proposal will soon be released.
- **[GSE-070523](#)**: As an in-depth FedFin analysis today addresses ([see FSM Report REALESTATE25](#)), the banking agencies and NCUA late last week issued far-reaching [guidance](#) encouraging loan accommodations and even forbearance for troubled commercial real estate (CRE) projects, including multifamily obligations.
- **[REALESTATE25](#)**: The banking agencies and NCUA have agreed on a final policy statement providing guidance for how financial institutions are to handle troubled commercial real estate loans, giving banks considerable latitude to forbear when borrowers are unable to meet their obligations but are deemed to be able to pay at least some of it over time.
- **[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.

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Federal Financial Analytics, Inc.

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

Phone (202) 589-0880

E-mail: [info@fedfin.com](mailto:info@fedfin.com) [www.fedfin.com](http://www.fedfin.com)

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