FedFin Daily Briefing

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Curtain Falls on Fintech-Charter Hopeful

In a blow to the waning chartering prospects for fintech and crypto banks, the OCC today announced that Figure – a fintech platform that applied in 2020 for a strikingly-novel national bank charter (see *Client Report* **CHARTER28**) – has officially withdrawn its application. As noted, Figure's application followed OCC revisions to federal-charter activities making any activity authorized for national banks possible via electronic, not just traditional, means (see FSM Report **CHARTER27**). Reflecting the willingness of former Acting Comptroller Brooks to consider precedent-breaking charters, Figure's application initially did not clearly specify whether the bank would accept insured deposits and as an uninsured depository it would have been exempt from the CRA. Further, the bank would have operated without physical branches. Although Figure later amended its application to offer insured deposit accounts and its parent company was set to apply for holdco status with the Fed, these measures apparently failed to assuage the OCC under Acting Comptroller Hsu, who has repeatedly maintained that fintechs seeking national-bank charters will be held to like-kind prudential standards.

Discount-Window Stigma Persists

The Fed today released the results of its May 2023 Senior Financial Officer Survey, with most banks continuing to fear public disclosure of discount window advances. As noted, the banking agencies last week told banks not only to improve contingency-funding planning, but also to look more favorably on the discount window. This seems unlikely absent a change in current market perception or repeal of the disclosure requirements. The Fed also found that three-quarters of banks have either arranged program documentation, pledged collateral, or borrowed from the bank term funding program. Banks most commonly listed collateral valuation as the factor that strongly encouraged BTFP use and public disclosure as strongly discouraging it.

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.

- **CAPITAL230:** In this in-depth report, we begin our analysis of the 1089-page capital proposal released by the U.S. banking agencies not only to make U.S. standards more consistent with Basel's 2017 "end-game" rules, but also to correct failings in the current capital framework the agencies believed were laid bare by recent bank failures.

- **GSE-072823:** We've much more to do to determine the strategic and policy impact of the new credit-, market-, and operational-risk capital rules singly and collectively – a complex task given the 1,087-page rulemaking made harder by some extremely-arcane language that may either mask what the agencies mean or differ from what they meant to mean.

- **CAPITAL229:** As promised, we plan in-depth coverage of the Fed and FDIC meetings tomorrow as well as of the capital rewrites they are set to propose no matter all the warning shots from Congressional Republicans.

- **MERGER12:** Building on a request for comment, the Department of Justice (DOJ) and Federal Trade

Commission (FTC) have now proposed specific revisions to U.S. merger policy that significantly redirect the manner in which M&A transactions – even if only for minority positions – will be considered.

- **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.

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