



Wednesday, August 9, 2023

## **Brown, Other Senate Dems Demand Fast Action on Fed Merger Policy Rewrite**

Building on Sen. Warren's (D-MA) longstanding Fed [criticism](#), Chairman Brown (D-OH) along with Sens. Warren, Reed (D-RI), and Fetterman (D-PA) today directly [demanded](#) a substantive and speedy rewrite of Fed merger policy to ensure that statutory requirements related to financial-stability impact are met. The letter not only criticizes past mergers Sen. Warren has long said are "rubber-stamped" and JPMorgan's acquisition of First [Republic](#), but also cites the Fed's decision to allow UBS to acquire Credit Suisse. Acknowledging that this was an emergency situation, the senators nonetheless point not only to the resulting size of UBS's overall footprint, but also to the adverse impact of primary-dealer concentration. The letter also cites one from Sen. [Brown](#) over a year ago to the Fed and OCC demanding an overall rewrite of bank-merger policy, noting that the FTC and Department of Justice have outlined important new policies that should be quickly adopted for bank mergers ([see FSM Report MERGER12](#)) along with express attention to financial stability following public notice and comment. No deadline is set for a response, but so strong a letter from such vital Fed allies at a time when other key Fed programs are under attack may spark release of this long-awaited policy.

## **Waters Doubles Down On Opposition To GOP Stablecoin Bill**

In stark contrast to HFSC Chairman McHenry's (R-NC) [comments](#) praising PayPal's new payment stablecoin, Ranking Member Waters (D-CA) today sharply [criticized](#) the product and the risks it poses given that the HFSC GOP has advanced a bill she thinks both highly problematic and unlikely to be enacted. Reiterating that the Fed should have prudential authority over stablecoins to address systemic and run risks, the Ranking Member takes particular issue with what she considers the bill's state-centric approach, which she says would undermine the Fed's dual mandate and threaten consumers.

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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](#).

- [FINTECH32](#): FRB Vice Chairman Barr's assessment of SVB's failure included a commitment to pay additional supervisory attention to "novel" activities.
- [GSE-080823](#): Our most recent analysis of the inter-agency capital [proposal](#) focuses on significant changes to the rules for securitization and credit-risk transfer [positions](#).
- [CAPITAL232](#): Based on our analysis of the inter-agency capital proposal's framework and its credit-risk provisions, FedFin turns now to the proposed approach to equities as well as to that for securitization exposures (i.e., those that are tranching rather than simple secondary-market issuances of packages of loans or other assets backed as needed by a single credit enhancement).
- [CAPITAL231](#): In this report, we proceed from our assessment of the proposed regulatory capital framework to an analysis of the rules governing credit risk.
- [GSE-080323](#): As we plow on with our in-depth analysis of the new capital proposal, we will continue to

advise of key provisions in the massive rewrite with important implications for residential-mortgage finance.

- **[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.