FedFin Daily Briefing

Wednesday, August 23, 2023

Waters Blasts ICE/BKI Merger, Rejecting Recent Compromises

Reiterating her concerns about the ICE/Black Knight merger, HFSC Ranking Member Waters (D-CA) last night asked FTC Chair Khan not to approve it or, should it do so in light of recent settlements, add strict conditions. Rep. Waters is concerned by a recent divestment designed to appease the FTC, noting ICE's propensity for raising prices in other markets and the adverse effect doing so would have on mortgage affordability, asking for prohibition on undue integration with the firm acquiring BKI's pricing engine along with price transparency that should be applied not only to the merged firm, but also to other parties. She also wants the FTC to coordinate with FSOC to address the financial-stability threat she anticipates from the merged firm, an issue Fedfin raised in our assessment of this transaction. The Ranking Member also demands CRA-like commitments, requiring ICE/BKI to provide technical advice and other support to small mortgage entities, and establishing a minimum annual investment of conglomerate profits in various housing-related projects enhancing affordability. Living-wage commitments are also requested along with revised executive-compensation provisions ensuring incentive alignment and clawbacks.

Global Regulators Press CCP Resolvability

Reflecting ongoing FSB concerns about CCP resilience, IOSCO and the BIS Committee on Payments and Market Infrastructures today released a joint report on CCP best practices for addressing non default losses (NDLs), stressing that the report does not create new standards or provide new guidance. The report stresses that CCPs should have a variety of tools to address potential NDLs with sufficient planning for liquidity gaps. To achieve operational effectiveness, CCPs have prepared toolkits to address legal risk, used information technology to manage operational risks, and identified the order and likelihood of using tools for each NDL scenario. Global regulators also stress the importance of regular CCP recovery-plan review, urging crisis management drills.

Recent Files Available for Downloading

- **GSIB22:** As anticipated in the wake of recent bank failures, the FRB has proposed a significant revision to the current rules calculating systemic-risk scores that lead to GSIB designation.

- **CAPITAL234:** With this report, we conclude our assessment of the regulatory-capital proposal with analysis of what the sum total of the credit (see FSM Report **CAPITAL231**), operational (see FSM Report **OPSRISK22**), and market (see FSM Report **CAPITAL233**) rules could do in the real world of banks, nonbanks, foreign banks, and complex market interconnections.

- **CAPITAL233:** In this analysis, we turn to one of the costliest aspects of the proposed rewrite of U.S. regulatory-capital standards: the market-risk framework.

- **GSE-081423:** As Karen Petrou's memo today suggests, there are many reasons the new operational-risk framework proposed in the capital rewrite will not only be costly for covered banks, but also counterproductive for financial resilience.

- **CRYPTO45:** In conjunction with issuing a new supervisory policy for "novel" activities, the FRB has instituted a new process requiring non-objection letters before state member banks proceed with stablecoin or dollar-tokenization activities.

- **GSE-081023:** FHFA today released the results of the ninth stress test it's run on Fannie and Freddie since Dodd-Frank demanded this in 2010.

- **OPSRISK22:** Noting that operational risk is present at all banks due to most activities, the U.S. regulatory-capital rewrite would end the current approach to operational risk-based capital (ORBC).

- **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 tranched 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.

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