



Monday, August 28, 2023

## HFSC GOP Strongly Protests New Fed Crypto-Supervision Policy

HFSC Chairman McHenry (R-NC) and Reps. Hill (R-AR) and Huizenga (R-MI) sent a [letter](#) to Chairman Powell today alleging that the Fed's recent supervisory letters regarding novel activities ([see FSM Report FINTECH32](#)) and tokenization ([see FSM Report CRYPTO45](#)) undermine the Committee's bipartisan stablecoin bill effort. They also claim that the Fed has effectively barred banks from issuing payment stablecoins or engaging with cryptoassets rather than working with Congress to create a workable regulatory regime. The letter also asserts that the letters are guidance and thus warrant prior notice and comment, an assertion that could well result in an opinion request from the GAO if Republicans are dissatisfied with the Fed's response. Specific questions are posed on matters such as how the Fed will determine which banks will be subject to novel-activity examination, if the Fed will reconsider denied applications, if the Fed intends to consult state regulators, and how the Fed will evaluate a state member bank's proposal to test payment stablecoin activities. The letter also demands all documentation and communication relevant to the two letters, with answers and these documents due by September 29.

### 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](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](#).

- [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 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-arcaic 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.