FedFin Daily Briefing

Thursday, September 21, 2023

Hill Stands by Opposition to Pending Rules, Presses for Holistic Liquidity Approach

Reflecting his votes on all of the recent proposals, FDIC Vice Chairman Hill today criticized recent rulemakings as an overreaction to March bank failures and urged regulators to carefully consider the proposals' aggregate effects amid uncertain economic conditions. Although he reiterated his general support for the LTD proposal (see FSM Report **TLAC9**), Mr. Hill argued that the FDIC should focus more on regional bank resolvability via a weekend sale. He also pushed for a more holistic approach to liquidity requirements, arguing that they should be more durable for a wider range of stress events and better reflect bank behavior in times of stress. Regarding bank supervision, Mr. Hill argued for greater focus on timely remediation as well as prioritizing core safety and soundness risks, noting that climate risk is not one of them. The Vice Chairman was emphatic that tailoring standards were not responsible for SVB's failure, highlighting that neither the LCR nor capital recognition of AOCI would have made the bank more resilient and that its problems should have been addressed regardless of its size. He also argued that regulators should not seek to prevent all bank failures, noting that doing so would effectively turn banks into utilities and boost nonbank finance.

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.

- **GSE-092023:** Or maybe it is, but not everyone has heard.
- **LIVINGWILL23:** Although a pending FDIC/FRB proposal imposes a raft of new requirements for resolution plans from IDIs with over $100 billion in assets, the FDIC has also issued a freestanding proposal doing the same, also setting information-filing standards for IDIs below $100 billion but above $50 billion.
- **CAPITAL235:** With HFSC Chairman McHenry (R-NC) leading the way, GOP Members of the panel's Financial Institutions Subcommittee today blasted the banking agencies' end-game proposal (see *Client Report* **CAPITAL234**).
- **LIVINGWILL22:** In conjunction with proposing a new long-term debt (LTD) requirement for categories II, III, and IV banks, the Fed and FDIC are pursuing other ways to enhance resolvability.
- **TLAC9:** Building on an advance notice of proposed rulemaking, the banking agencies have issued several proposals to enhance the resolvability of large banking organizations not covered by stringent GSIB standards.
- **GSE-083123:** As we noted yesterday, the global banking, securities, and insurance regulators who comprise the Financial Stability Board (FSB) are heading back to look again at securitization to see if the post-08 framework it crafted still works.
- **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.