



FedFin Weekly Alert

Monday, October 16, 2023

❑ A TROUBLING TIME

Although federal officials – at least those outside the House of Representatives – are going about their daily business, the awful casualties and looming threat of the Israel-Hamas war hang over a cite that has grown used to other geopolitical risks in Ukraine, Taiwan, and the world's many other hot spots. The political situation in Washington is fluid not only because the House can do nothing consequential, but also because conditions on the ground change hourly and the prospects for broader conflict loom large. In the near term, we expect hard supervisory questions of large banks with Middle East exposures, bipartisan demands for the Administration to do what it's already one with the \$6 billion Iran-fund freeze, more pressure on Senate Banking Chairman Brown (D-OH) to move the Warren/Marshall [crypto-crime bill](#) and HFSC action on numerous [sanctions bills](#) if Speaker Pro Tem McHenry (R-NC) is able to trade one gavel for another.

When any of the sanctions bills advance, they will then be added to an appropriation for Israeli arms if House Republicans – once back in action – agree to pair this measure with the Ukraine appropriation struck from the continuing resolution. However, this bill could prove a vehicle for much more if warfare spreads to Lebanon, the Strait of Hormuz, or other critical theaters. Watch the war, watch our alerts, and watch your back.

Headlines From the Past Week's Daily Briefings

October 9

- No news of note.

[October 10](#)

- **Barr Stands Firm on Capital Rewrite** - In [remarks](#), Vice Chair Barr made it clear that, no matter all the industry and Republican pressure, the Fed believes the pending capital rewrite has no material problematic consequences and is necessitated by recent events.
- **FSB Calls for Continued Improvements in Cross-Border Payments** - Following its cross-border payments [roadmap](#), the FSB released two [progress reports](#) finding that further work is needed in ensuring payment system interoperability, establishing common data standards for payments messages, developing tools needed for APIs, and providing a vehicle for the investigation of legal, regulatory and supervisory frameworks.
- **FSB Presses for Better Smaller-Bank, GSIB Resolvability** - Following Basel's review on the 2023 crash ([see Client Report REFORM228](#)), the FSB [released](#) its assessment of implications for GSIB resolution.

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- **Fed Finalizes DIHC Insurance-Capital Construct** - As promised in the bank-capital proposals ([see FSM Report CAPITAL230](#)), the [FRB](#) voted 6-0 to finalize long-pending standards for insurance-focused depository institution holding companies.
- **GOP Hikes Pressure on Iran Payment, Sanctions** - Presaging likely HFSC hearings and delays in regular committee action, Ranking Member Scott (R-SC) [called](#) for Secretary Yellen to testify in front of Senate Banking to explain why \$6 billion is being released to Iran and to identify any sanctions gaps.
- **Bowman Pursues Barr, Array of Recent Fed Actions** - Continuing her opposition to much of what Vice Chair Barr is doing, [remarks](#) from FRB Governor Bowman stressed that efficiency and minimizing cost and administrative burdens should be central to policymaking.
- **IMF Fears Bank Vulnerability, Presses Tougher Supervision/Standards** - The IMF's new financial-stability [report](#) conclusions related to banking find that many banks – including some GSIBs – have significant exposure to capital losses due to HTM mark-to-market valuations and growing loan-loss reserves.

October 11

- **Bowman Targets U.S. Leverage Ratio, NBFIs** - In remarks during the Morocco IMF/Bank meeting, FRB Gov. Bowman [contrasted](#) U.S. bank resilience with the IMF's [findings](#) on potential vulnerabilities as rates rise and macroeconomic conditions soften.
- **FSB Reiterates Stability Concerns** - The FSB's latest [work plan](#) reiterates all it most recently said to the [G20](#).
- **CFPB Barrels Down on “Basic” Banking Fees** - In conjunction with a new White-House junk-fee [initiative](#), the CFPB [issued](#) “guidance” – i.e., essentially a final rule – banning large banks and credit unions from collecting “unreasonable” fees for what the Bureau considers reasonable and “basic” account information.
- **SEC Throws Wrench into TLAC Standards** - As we [noted](#), the FSB's assessment of the global resolution framework's effectiveness found significant glitches it urges national regulators quickly to address via standards such as those now pending in the U.S. to bring smaller banking organizations into the resolution-planning regime ([see FSM Report LIVINGWILL23](#)).
- **OFR Study: Short-Selling Does Not Harm Financial Stability** - OFR released a model-based [study](#) that finds no evidence that short-selling adversely affects financial stability.

October 12

- **FSB Calls for More Private Climate Disclosures** - Expressing considerable satisfaction with climate-risk disclosure progress, the FSB released a [report](#) finding that all member jurisdictions either have or plan climate disclosure regimes, but there still needs to be greater private-sector self-reporting.
- **Pressure Builds for Heightened Iran, China Sanctions** - Ahead of the hearing we [anticipated](#), HFSC Republicans have introduced several bills designed to increase financial pressures on Iran to punish it for the Hamas attack.

- **EU Regulators Add ESG Considerations to Regulatory, Supervisory Standards** - In a bit of gold plating for what it believes to be the public good, the European Banking Authority [issued](#) a report pressing for Pillar 1 capital charges for activities posing ESG risks with particular attention to climate.
- **OMB Redesigns Federal Rulemaking to Consider, Increase Competition** - Acting under the President's competition executive order ([see Client Report MERGER6](#)), OMB's Office of Information and Regulatory Affairs [issued](#) new guidance governing federal rulemaking stipulating express assessment of the impact of new or prospective rules to enhance market competition.
- **CFPB, DoJ Issue Immigration Discrimination Warning** - Taking action that may in some cases put lenders in conflict with state law, the CFPB and DoJ [stated](#) today that "unnecessary or overbroad reliance" on immigration status in a credit decision may violate the ECOA.

October 13

- **GOP Bill Heightens Iran Sanctions Campaign** - [As noted](#), HFSC Republicans are readying a major assault on Iran directly and the Administration politically in light of the Hamas attack and hearings next week if the speakership battle concludes.

This Week

Tuesday, October 17

Senate Banking Subcommittee on Housing, Transportation, and Community Development Hearing entitled: "How Community Development Financial Institutions Promote Housing and Economic Opportunity," [2:30 pm, Dirksen Senate Office Building 538]. Witnesses: **Ms. Julia Nelmark**, President and Chief Executive Officer, Midwest Minnesota Community Development Corporation; and **Ms. Renay Dossman**, President and Chief Executive Officer, Neighborhood Development Center.

Wednesday, October 18

SEC Open Meeting. [10:00 am, 100 F Street, NE]. Matters to be discussed: Volume-Based Exchange Transaction Pricing for NMS Stocks.

Thursday, October 19

Senate Banking Nomination Hearing. [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **Ms. Tanya Otsuka**, of Virginia, to be a Member of the National Credit Union Administration; **The Honorable Mark Uyeda**, of California, to be a Member of the Securities and Exchange Commission; **The Honorable Spencer Bachus III**, of Alabama, to be a Member of the Board of Directors of the Export-Import Bank; **The Honorable Jennifer Fain**, of Virginia, to be Inspector General, Federal Deposit Insurance Corporation; **The Honorable Claudia Slacik**, of New York, to be a Director of the Securities Investor Protection Corporation; and **The Honorable William Brodsky**, of Illinois, to be a Director of the Securities Investor Protection Corporation.

[Tentative] HFSC Hearing on Iran Sanctions.

Future Events of Note

Wednesday, December 6

Senate Banking Hearing on the Oversight of the Nation's Largest Banks. [TBD]. Witnesses: **Mr. Jamie Dimon**, Chairman and CEO of JPMorgan Chase & Co.; **Mr. Brian Thomas Moynihan**, Chairman and CEO of Bank of America; **Ms. Jane Fraser**, CEO of Citigroup; **David Solomon**, Chairman and CEO of Goldman Sachs; **Robin Vince**, President and CEO of Bank of New York Mellon; **James P. Gorman**, Chairman and CEO of Morgan Stanley; **Ronald P. O'Hanley**, Chairman and Chief Executive Officer, State Street; and **Mr. Charles W. Scharf**, CEO and President of Wells Fargo & Company.

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-101323a](#): With smaller lenders [today](#) joining MBA, NAR, and HomeBuilders' [campaign](#) to squeeze the 30-10 spread, we take a look at the odds the White House, Fed, or Treasury will do as hoped.
- [GSE-101323](#): As we noted yesterday, OMB's Office of Information and Regulatory Affairs (OIRA) has pronounced a new pro-competition standard for all existing and prospective federal regulations.
- [CONSUMER52](#): Using its advisory process to issue guidance that may lead to enforcement actions, the Bureau has for the first time set standards for the obligations of large banks and credit unions to respond to certain consumer inquiries.
- [REFORM228](#): As we [noted](#) yesterday, the Basel Committee's October meeting concluded not only with plans for new disclosure consultations, but also a [report](#) on lessons learned from the 2023 crisis.
- [GSE-100223](#): As we noted earlier today, the FRB has issued a seemingly technical [FAQ](#) liberalizing the treatment of certain credit-linked notes.
- [GSE-092523](#): In her Congressional [testimony](#) last week, FedFin managing partner Karen Petrou focused on the unintended consequences wrought by new banking proposal based on their cumulative impact.
- [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.