



# FedFin Weekly Alert

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Monday, October 23, 2023

## ❑ RELENTLESS PRESSURE AND RESULTING CONCESSION

On Friday, the Federal Reserve offered an olive branch – small and partial, but still a branch – to Republican critics of pending standards and the big banks powering up all this pain. [As we noted](#), the comment deadlines for the capital and GSIB-surcharge rules have been extended to January 16, a move also designed to thwart litigation based on procedural considerations. The Fed has also announced a new data-gathering exercise in which stakeholders can send in “data” but due to which much more input will also surely flow. This exercise also answers procedural critics and protects the bill, with the deadline here also January 16.

These concessions follow a lot of pressure last week and, as the schedule below makes clear, more now to come. [As we noted](#) last week, [press reports](#) indicate that Chair Powell assured Financial Institutions Chair Barr (R-KY) that Vice Chair Barr’s campaign to finalize stringent capital standards will only proceed if Board consensus comes to back it. This seems unlikely given Gov. Bowman’s relentless [public statements](#) along with Gov. Waller’s [steady concerns](#) about key provisions.

However, even if Govs. Bowman and Waller crack, it’s clear that House Republicans won’t. Last week, Rep. Barr also sent a still testier letter to Michael Barr and, as the schedule below makes clear, he will also convene a hearing focusing on the extent to which the U.S. unduly concedes to global agreements such as the Basel end-game standards.

Republicans will remain adamant that the pending U.S. rules go too far in too many conflicting directions and the U.S. concedes too much, but Democrats seem to be distancing themselves from these efforts. For example, Subcommittee Ranking member Foster (D-IL) signed Barr’s [first letter](#) to the Fed; he is notably absent on this one.

All this comes at a time of furious partisan warfare in which enough Republicans will not work with Democrats even if this is what it takes to bring the House back to business. As a result, Michael Barr is not without friends – as Karen Petrou [recently noted](#) – the more partisan the anti-Basel campaign, the more Mr. Barr will cling to his position with the White House and Treasury backing that will make it hard for Mr. Powell to get more than relatively-modest concessions. In short, this is a continuing battle in which regulatory opponents are doing well, but victory is far from certain.

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## Headlines From the Past Week’s Daily Briefings

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[October 16](#)

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- **CFPB Account-Info Query Standards Now Effective** - The *Federal Register* [includes](#) the CFPB's advisory opinion to banks and large credit unions banning "unreasonable" fees for addressing "basic" account information requests.
- **BIS Analysis: Bigtech Finance Poses Major Risks Hard to Reach via Finance-Focused Standards** - Continuing its bigtech [focus](#), the BIS released a staff "meta" [study](#) concluding that bigtech finance activities enhance efficiency and financial inclusion, but these are often mitigated by numerous market-integrity and stability risks best addressed in the near term by antitrust authorities.

### [October 17](#)

- **Bowman Opposes Global Unified Ledger, Cautious re Cross-Border CBDCs** - FRB Gov. Bowman sharply [differed](#) with BIS managing director Agustín Carstens on the future of central banks in wholesale payments.
- **Basel Proposes Extensive Crypto Disclosure Templates** - [As anticipated](#), Basel released a [consultative document](#) providing a standardized template for crypto exposure disclosures, with a proposed implementation date of January 31, 2025.
- **Bipartisan Pressure Grows on White House for Iran, Other Sanctions** - Led by Rep. Gottheimer (D-NJ), over one-hundred bipartisan lawmakers sent a [letter](#) to President Biden calling for maximum enforcement of all U.S. Iran sanctions as well as immediate implementation of snapback sanctions on Iran at the UN Security Council.
- **Community-Bank Liquidity Shows Significant Stress** - Providing worrisome data on small-bank resilience, a new community banking [bulletin](#) from the Federal Reserve Bank of Kansas City finds that community banks have decreased their holdings of highly-liquid assets over the past year to fund what it calls "outsized" loan growth despite deposit run-off.

### [October 18](#)

- **Treasury Responds to Hamas Sanctions Pressure, More to Come** - Reflecting ongoing and high-impact Congressional pressure, OFAC sanctioned ten Hamas terrorist group members, operatives, and financial facilitators including the virtual currency exchange service known as Buy Cash.
- **CPMI Wants Faster Payments** - The BIS Committee on Payment and Market Infrastructures submitted an interim [report](#) to the G20 with ten initial considerations regarding the structure, design, and oversight of interlinking arrangements for fast payment systems.
- **Treasury Reiterates CBDC Interest** - Treasury International Affairs Under-Secretary Jay Shambaugh [stated](#) that Treasury has a "complementary role" in addressing CBDC's role in the payment system, reinforcing the likelihood that Treasury continues to press the FRB to go farther into CBDC than the Fed seems willing to do ([see Client Report CBDC14](#)).
- **Senate Sides with Industry versus CFPB Small-business Reporting** - Despite a [veto threat](#) from the White House, the Senate voted 53 to 44 to authorize Congressional Review Act withdrawal of the CFPB's small business [reporting rule](#).

### [October 19](#)

- **OIG Blasts FDIC's Crypto-Policy Delay** - The FDIC's Office of Inspector General (OIG) issued a [report](#) critical of the FDIC's supervisory crypto policy.
- **Fed May Signal Possible Compromise as GOP Barr Demands Capital Answers** - Amid [press reports](#) that Chair Powell has implicitly promised capital-rule compromise, HFSC Financial Institutions Chair Barr (R-KY) released a letter [pressing](#) Vice Chair Barr still harder on the cost-benefit analytical (CBA) and cumulative-impact issues raised at the hearing at which Karen Petrou [testified](#).
- **Fed Data Show Increases in Household Financial Resilience, Profound Home-Affordability Gap** - The Federal Reserve [released](#) its triennial Survey of Consumer Finances (SCF).
- **BIS Head Calls for Review of Large Bank Supervision** - BIS General Manager Agustin Carstens [said](#) that the mid-March failures show the need for nations to review how they supervise larger banks, specifically highlighting liquidity risk and setting frameworks for emergency liquidity assistance.
- **OCC Analysis Shows Broad IRR Resilience With Startling Risk Pockets** - Showing some pockets of severe risk but overall resilience, the OCC released a statistical analysis of interest rate risk based on projected changes in twelve-month net interest income as well as the economic value of equity in parallel interest rate shock scenarios ranging from -200 basis points to +400 bps.
- **CFPB Thinks Big on Open Banking** - [As anticipated](#), the CFPB advanced from a review of consumer data rights ([see FSM Report DATA3](#)) to a specific "open banking" [proposal](#).
- **Barr Lays Out New Stress-Test Construct** - Building on his prior comments about stress-test challenges at a hearing in May ([see Client Report REFORM224](#)), FRB Vice Chair Barr [outlined](#) the Fed's plans for incorporating multiple stress tests in supervision and capital regulation.

## October 20

- **Senate AI Measure Tackles Financial Services** - The text of the key Senate AI bill, S. 3050, has now become [available](#).
- **Banking Agencies Offer Olive Branch** - Reflecting strong pressure and recent FRB Chair Powell [statements](#), the FRB [announced](#) the launch of an open data collection assessing the rule's effects – an issue on which many bank comment letters and Congressional Republicans have been scathing.
- **GOP Renew Funding Campaign vs. CFPB via Fed Losses** - HFSC Vice Chairman Hill (R-AR) [reintroduced](#) legislation pressuring both the Fed and CFPB by prohibiting the Fed from transferring its earnings to the Bureau if the Fed incurs an operating loss.
- **FinCEN Highlights Hamas Sanction Red Flags** - Reflecting ongoing Congressional [pressure](#) and recent Treasury [sanctions](#), FinCEN today issued an [alert](#) reminding financial institutions to remain vigilant for suspicious activity related to Hamas funding sources.
- **Fed Stays Stoic on Financial-Stability Outlook** - The FRB released its semiannual financial-stability [report](#) differing little from the relatively-sanguine outlook in its May report ([see Client Report SYSTEMIC94](#)).

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## This Week

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### Tuesday, October 24

Federal Reserve Board Open Meeting. [9:30 am, Martin Federal Reserve Board Building]. Matters to be discussed: Final rule to revise the regulation implementing the Community Reinvestment Act.

HFSC Subcommittee on Capital Market Hearing entitled: "Examining the SEC's Agenda: Unintended Consequences for U.S. Capital Markets and Investors." [10:00 am, 2128 RHOB]. Witnesses: **S.P. Kothari**, Gordon Y Billard Professor of Accounting and Finance, MIT Sloan School of Management; **Dalia Blass**, Partner, Sullivan & Cromwell LLP; **Tom Quadman**, Executive Vice President, Center for Capital Markets Competitiveness, U.S. Chamber of Commerce; and **Ken Bentsen**, President and CEO, SIFMA.

HFSC Subcommittee on Financial Institutions and Monetary Policy Hearing entitled: "The Tangled Web of Global Governance: How the Biden Administration is Ceding Authority Over American Financial Regulation." [10:00 am, 2220 RHOB]. Witnesses: **Thomas Hoenig**, Distinguished Senior Fellow, Mercatus Center, George Mason University; **Christina Parajon Skinner**, Assistant Professor of Legal Studies & Business Ethics, Wharton School, University of Pennsylvania; and **Bryan Bashur**, Director of Financial Policy, Americans for Tax Reform.

HFSC Subcommittee on Housing and Insurance Hearing entitled: "The Factors Influencing the High Cost of Insurance for Consumers." [2:00 pm, 2128 RHOB]. Witnesses: **Mr. Robert Gordon**, Senior Vice President, American Property and Casualty Insurance Association (APCIA); **Mr. Frank Nutter**, President, Reinsurance Association of America (RAA); and **Mr. Joseph Petrelli**, President and Co-Founder, Demotech, Inc.

Senate Judiciary Subcommittee on Competition Policy, Antitrust, and Consumer Rights Hearing entitled: "Examining Competition and Consumer Rights in Housing Markets." [3:00 pm, Dirksen Senate Office Building Room 226]. Witnesses: TBD.

FDIC Open Meeting. [3:00 pm, FDIC Headquarters]. Matters to be discussed: Discussion Agenda: Memorandum and resolution re: Final Rule on Community Reinvestment Act Regulations; and Memorandum and resolution re: Interagency Policy Statement on Principles for Climate-Related Financial Risk Management for Large Financial Institutions. Summary Agenda: Memorandum and Resolution re: Notice of Proposed Rulemaking to Implement Revisions to Section 19 under the Fair Hiring in Banking Act; and Report of actions taken pursuant to authority delegated by the Board of Directors.

### Wednesday, October 25

HFSC Subcommittee on Digital Assets, Financial Technology and Inclusion Hearing entitled: "Modernizing Financial Services Through Innovation and Competition." [10:00 am, 2128 RHOB]. Witnesses: TBD.

Federal Reserve Board Open Meeting. [1:00 pm, Marriner S. Eccles Federal Reserve Board Building]. Matters to be discussed: Proposed revisions to the Board's debit interchange fee cap.

HFSC Subcommittee on National Security, Illicit Finance, and International Financial Institutions Hearing entitled: "How America and Its Allies Can Stop Hamas, Hezbollah, and Iran from Evading Sanctions and Financing Terror." [2:00 pm, 2128 RHOB]. Witnesses: TBD.

#### Thursday, October 26

HFSC Subcommittee on Oversight and Investigations Subcommittee Hearing entitled: "Moving the Money: Understanding the Iranian Regime's Access to Money Around the World and How They Use It to Support Terrorism." [9:00 am, 2128 RHOB]. Witnesses: TBD.

Senate Banking Hearing entitled: "Combating the Networks of Illicit Finance and Terrorism." [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **Dr. Matthew Levitt**, Director, Reinhard Program on Counterterrorism & Intelligence, Fromer-Wexler Senior Fellow, The Washington Institute for Near East Policy; and **Ms. Danielle Pletka**, Distinguished Senior Fellow, American Enterprise Institute.

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### Future Events of Note

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#### 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.

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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](#).

- **[DEPOSITINSURANCE122](#)**: Bipartisan senators have introduced legislation to provide FDIC coverage for certain noninterest-bearing transaction accounts, a move designed to prevent the stress and potential systemic risk evident when Silicon Valley and Signature Banks failed in March.
- **[GSE-101723](#)**: [As we noted](#) earlier this month, the Federal Reserve inserted a significant capital provision for credit-linked notes in an otherwise-obscurer FAQ.
- **[GSE-101623](#)**: The White House today rolled out a [new housing plan](#) that smacks mightily of many old housing plans.
- **[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.