



FedFin Weekly Alert

Monday, October 30, 2023

☐ TAKE A DEEP BREATH

But don't relax too much as newly-minted Speaker Johnson (R-LA) figures out what he's going to do with the gavel now that he's got it. The House has barely three weeks to see if unanimity holds and a shutdown is avoided in favor of yet another can-kicking continuing resolution. Regardless, with HFSC Chairman McHenry (R-NC) happily freed of his Speaker Pro Tem assignment, HFSC will this week (see below) return to the high-impact hearing schedule if was forced to cancel during the speakership battle, move a raft of bills through mark-up, and work hard to put Mr. McHenry's plans to realign [crypto jurisdiction](#) into must-pass legislation if the House agrees (likely) and the Senate doesn't object (far less certain). Among the bills to be marked up and those on the Senate's agenda will surely be measures reviewed at last week's Senate Banking [hearing](#) to ensure Treasury is super-tough when it comes to Iran and Hamas. Secondary sanctions are in the works, putting any financial institution doing business in the U.S. on notice that offshore activities so far out of law-enforcement's reach are about to come in range. And, if that's not enough, then there's all the regulatory action. Last week, FedFin focused on:

- The CFPB's new open-banking proposal. As our in-depth analysis makes clear ([see FSM Report DATA4](#)) and Karen Petrou's memo considers, the complexities of this standard obscure its high-impact potential to redefine retail consumer finance and those firms that win or lose thereby;
- New inter-agency climate-risk principles. These differ from the OCC's 2021 standards ([see FSM Report GREEN12](#)) and the Fed's variation thereon ([see FSM Report CLIMATE15](#)), still applying only to large banks and kicking up much controversial about the extent to which these standards comport with the agencies' financial-risk [mandate](#). An in-depth FedFin analysis is forthcoming;
- Controversial final CRA rules. As we [noted](#) and will shortly address in detail, this 1400-page rule is still more complex than the 679-page [proposal](#), posing an array of unintended consequences on its own and in the broader context of new banking standards; and
- Speaking of which, the Fed's proposed cut in permissible debit-card interchange fees. These are less controversial for the FRB's board, which voted 6-1 to put it out for [comment](#). That doesn't make it any less controversial to banks facing a significant cut in a critical income stream, with this raising both policy and strategic issues we'll address in our forthcoming in-depth analysis.

Headlines From the Past Week's Daily Briefings

[October 23](#)

- **HFSC Plans Fintech-Friendly Legislation** – HFSC's Digital Assets Subcommittee hearing on electronic payments will consider the state of various electronic payments offerings and lay the

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groundwork for several GOP measures to override current standards or give providers greater leeway.

- **HFSC Plans Sanctions Review** - As anticipated, HFSC's National Security hearing on Middle East sanctions will consider an array of bills designed to punish Iran, sanction Hamas, and – at least as far as Republicans plan – criticize the Biden Administration for actions such as agreeing to release \$6 billion to Iran in exchange for several hostages.

October 24

- **McHenry, Barr Blast Basel Adherence in End-Game Regs** - Although the hearing challenging regulatory actions aligned with global regulators was postponed, HFSC Chairman McHenry (R-NC) and Financial Institutions Subcommittee Chairman Barr (R-KY) kept up the pressure, [releasing](#) a letter to the GAO commissioning a study of the end-game rules.
- **New CRA Reg Sets Controversial, Complex Standards** - Leading the way to certain inter-agency approval, the Federal Reserve voted 6-1 to approve a final [version](#) of their 2022 controversial proposal ([see FSM Report CRA32](#)).
- **FDIC OIG: Supervisors Missed So Much, Acted So Slowly re SBNY** - The [FDIC's OIG report](#) on SBNY's failure follows much of the line the [Fed's OIG took](#) when it came on the material-loss review of SVB's collapse.
- **House Republicans Pressure Biden on \$6 Billion Iran Ransom** - Although HFSC continues to cancel all its hearings as the speakership battle continues, its Oversight Subcommittee optimistically released a memo outlining goals for Thursday's Iran-sanctions hearing.
- **Treasury Presses CSPs to Negotiate With Banks** - Treasury Assistant Secretary for Financial Institutions Graham Steele [highlighted](#) Treasury's work with cloud service providers (CSPs) to improve transparency and security.
- **Divided FDIC Advances CRA Rewrite, Climate-Risk Principles** - As anticipated, the FDIC on a 3-2 vote joined the Fed in approving a 1400+ page final CRA rule.

October 25

- **Divided Fed Advances Climate-Risk Principles** - Following the FDIC's 3-2 [vote](#) to approve final inter-agency climate-risk standards, the FRB released its 5-2 decision to [do the same](#).
- **CFPB Report Seeks to Validate Late-Fee Restrictions** - Adding ammunition to the CFPB's pending late-fee restrictions ([see FSM Report CREDITCARD36](#)), the Bureau's biennial consumer credit card market [report](#) finds that credit card companies in 2022 were significantly more profitable compared to pre-pandemic levels and charged consumers \$130 billion in interest and fees.
- **Sharp Interchange-Fee Reduction Out for Comment** - The FRB voted 6-1 to approve a proposal mandating an approximate thirty percent reduction in debit-card interchange fees from the current cap ([see FSM Report INTERCHANGE7](#)).
- **Senate Banking GOP Raises New CCP Finance Concerns** - As the Administration meets with Chinese financial authorities to hammer out ongoing [concerns](#), all Senate Banking Republicans led by Ranking Member Scott (R-SC) [sent](#) a letter to Treasury Secretary Yellen USTR Head Tai

raising concerns that the CCP's expansion into U.S. and global payments markets threatens Americans' consumer data privacy, violates international trade practices, and undermines U.S. foreign policy.

October 26

- **Senate Banking Focuses on Rapid-Fire Administration Action to Sanction Iran, Curb Hamas, Govern Crypto** - Senate Banking's Hearing on Illicit Finance and Terrorism showcased [continued](#) bipartisan support for stronger Iranian sanctions as well as for secondary sanctions on traditional financial institutions and cryptoasset firms facilitating terrorism.
- **Bipartisan Small-Business Leadership Opens New End-Game Front** - Opening a new front of Congressional concern about the capital proposal's credit impacts, House Small Business Economic Growth Subcommittee Chairman Meuser (R-PA) along with Ranking Member Landsman (D-OH) and two others sent a [letter](#) to FRB Chairman Powell and Vice Chair Barr "imploing" them to commission a comprehensive review of the capital proposal's effects on small business lending.

October 27

- **Barr Reiterates CBDC Slow-Go** - FRB Vice Chair Barr [reiterated](#) his [recent comments](#) that the Federal Reserve will only proceed with a CBDC if it gets express support from the executive branch and authorization from Congress.
- **Top BIS Official Questions Need for Higher Deposit-Insurance Coverage, Stronger Bank Regs** - The BIS's top bank supervisor, Fernando Restoy, [indirectly](#) took sharp issue with several pending changes in U.S. deposit-insurance, regulation, and resolution standards.

This Week

Thursday, November 2

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: TBD.

Senate Banking Hearing entitled: "Ensuring Financial Protection for Servicemembers, Veterans, and Their Families." [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **Mr. Cory Titus**, Director of Servicemember Compensation and Veteran Benefits, Military Officers Association of America; and **Ms. Kelly Hruska**, Government Relations Director, National Military Family Association.

HFSC Subcommittee on Housing and Insurance Hearing entitled: "The Factors Influencing the High Cost of Insurance for Consumers." [2:00 pm, 2128 RHOB]. Witnesses: TBD.

Friday, November 3

Financial Stability Oversight Council Meeting. [1:50 pm, webcast]. Matters to be discussed: Executive Session: CRE developments; update on IAWG on Treasury Market Surveillance; the Council's 2023 annual report; the analytic framework for financial stability risk

identification, assessment, and response and interpretive guidance on nonbank financial company determinations. Open Session: framework for financial stability risk identification, assessment, and response and the Council's interpretive guidance on nonbank financial company determinations.

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](#).

- **DATA4**: Following a request for information that was a de facto advance notice of proposed rulemaking, the CFPB has now proposed a preliminary, but binding framework for consumer data rights covering consumer "transaction" accounts offered by banks, credit unions, and – a departure from the initial outline – nonbanks/fintechs.
- **GSE-102323**: As noted in our report [earlier today](#), the Federal Reserve's latest financial-stability [report](#) expresses deep misgivings about complex securitizations.
- **SYSTEMIC97**: As [promised](#), this in-depth report assesses Friday's semiannual financial-stability report from the Federal Reserve.
- **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-obscure 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 Home Builders' [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.