



Monday, December 4, 2023

HFSC GOP to Press Regulatory-Agency Financial Innovation

Tuesday's HFSC Digital Assets Subcommittee hearing will focus on regulatory-agency offices focused on financial innovation, a session sure to give GOP Members an opportunity to closely question the OCC's witnesses about her agency's hiring offer to a person heading this activity who turned out to have a fraudulent [resume](#). The FRB will be represented by its head of supervision, Mike Gibson, also giving the panel an opportunity to stray from the innovation issue to broader questions about Fed supervisory activities germane to the pending capital rules and many other controversial decisions. The majority-staff [memo](#) details each financial agency's activities related to financial innovation, also highlighting the Board's new novel-activity guidance ([see FSM Report FINTECH32](#)), doubtless giving Republicans a chance to reiterate the concerns about the sweeping nature of the policy and the extent to which it complies with administrative procedure. No legislation is on the hearing's docket, but we will provide clients with an in-depth analysis given the breadth of its likely discussions.

HFSC GOP Lays Out "Market-Based" Affordable Housing Approach

The HFSC majority-staff [memo](#) for Wednesday's Housing Subcommittee hearing emphasizes GOP goals with regard to "market-based" solutions addressing affordable housing. In this context, Fannie, Freddie, and FHA come in for criticism with regard to driving out private capital, but the memo makes no specific recommendations about how to address this or, indeed, many of the zoning, supply-chain, and other challenges it identifies. Bills set for consideration are limited to rental and manufactured housing even though witnesses represent many aspects of the housing and finance industry along with a Democratic witness focused on low-income housing.

FSB Toolkit Focuses on Critical Interdependencies

Following its initial [consultation](#), the FSB today published its final [report](#) on enhancing third-party risk management, now laying out a flexible and nonbinding toolkit focused on incident reporting, identification of critical dependencies, interjurisdictional comparability and interoperability, and systemic risk management. In addition to a list of terms and definitions, the report provides tools to help financial institutions and supervisors identify critical third-party services and manage their risks. To mitigate financial stability risks, it recommends better information sharing between services providers and supervisors and emphasizes the need for speedy and actionable reporting of incidents affecting multiple institutions. It also recommends clear regulatory and supervisory expectations for contracts between financial institutions and third parties, provisions included in the U.S. banking agencies' guidance on third-party risk management ([see FSM Report VENDOR10](#)).

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](#).

- [CONSUMER54](#): Today's Senate Banking hearing with Director Chopra was even more cordial than yesterday's HFSC session ([see Client Report CONSUMER53](#)) even though Republicans continued to

criticize the Bureau's recent rulemakings.

- **[GSE-113023](#)**: A new FRB-NY [study](#) confirms that 83% of loans from 2000-2022 went to first-time homebuyers, compared to 56% for the GSEs and 57% for private lenders.
- **[CONSUMER53](#)**: In sharp contrast to most recent HFSC hearings with CFPB Director Chopra, today's session was relatively calm.
- **[GSE-112723](#)**: The most significant thing in FHFA's final capital [rule](#) is not what is to be done, but what FHFA left out: ending the GSEs' advanced-approach requirement.
- **[DEPOSITINSURANCE122](#)**: As the law requires and the FDIC Chairman promised after SVB and Signature Bank were declared systemic, the FDIC has finalized its proposed approach to imposing a systemic assessment to reimburse the Deposit Insurance Fund (DIF) for the resolution costs related to uninsured deposits following a systemic designation.
- **[GSE-111623](#)**: As our reports on the [Senate](#) and [House](#) hearings with bank regulators made clear, [our prediction](#) that the agencies would compromise on mortgage risk-based capital requirements will prove itself in the final standards.
- **[REFORM230](#)**: Following yesterday's Senate Banking hearing ([see Client Report REFORM229](#)), today's HFSC session with top bank regulators again highlighted growing bipartisan consternation over the unintended consequences of the agencies' capital proposal ([see FSM Report CAPITAL230](#)).
- **[PAYMENT27](#)**: Building on its director's longstanding focus on fintech and tech-platform companies, the CFPB has proposed to extend its supervisory reach to nonbank providers of general-use digital payments services.
- **[REFORM229](#)**: Today's Senate Banking hearing with top bank regulators showcased broad bipartisan concern over the interagency capital proposal ([see FSM Report CAPITAL230](#)).
- **[SIFI37](#)**: In concert with finalizing a new systemic-risk methodology, the Financial Stability Oversight Council issued guidance that significantly rewrites the manner in which nonbanks are designated as systemically important financial institutions (SIFIs), largely retaining its initial proposal.
- **[SYSTEMIC98](#)**: Rejecting the Trump Administration's hands-off approach to designating systemically-important nonbank financial institutions or activities and practices, the Biden Administration's FSOC has finalized its bifurcated proposals to designate systemic entities and another laying out an analytical approach to identifying systemic risk that would then guide firm and activity designation as well as Council staff coordination with primary federal regulators.
- **[GSE-110823](#)**: Although FHFA calls its [FHLB report](#) a centenary event ahead of the System's 2032 birthday, the agency clearly plans structural substantive reform well before that milestone.