



FedFin Weekly Alert

Monday, January 15, 2024

❑ THE SHUT-DOWN SHUT-UP

Although the calendar later in this report notes several Congressional hearings set for this week, these will be poorly attended if they are even convened. That's because we're back on the brink, waiting to find out if Speaker Johnson (R-LA) can corral his super-conservative colleagues or if key parts of the U.S. government will close their doors. Even if they don't, the disruption of an imminent shut-down and start-up is significant and much of the government is thus already holding its breath. The banking agencies are funded outside the appropriations process and will soldier on, but other financial regulators face shut-down of all but their emergency functions as soon as the 19th and, if that deadline mercifully passes, then again on February 2nd when the rest of the government is on the brink of losing its funding. A Washington snowstorm always stows chaos and the one likely on Tuesday surely won't make any of this any easier.

And, even if all of the shut-downs are no-shows, there's much else to preoccupy Congress. Funding bills and the supplemental appropriation being debated for Ukraine and Israel are also must-pass bills. As a result, key provisions of concern to all of you are very much in play. We'll be watching in particular for action on executive compensation ([see FSM Report COMPENSATION37](#)) – unlikely, [crypto-AML](#) – probable, and beneficial-ownership slow-downs – possible, but much else is being bandied about and could well find its way to the President's desk.

Headlines From the Past Week's Daily Briefings

January 8

- **OCC Plans to Revamp Trust-in-Banks Analysis** - The OCC [requested comment](#) on a proposal to conduct a series of new focus groups and discussions investigating consumer relationships with banks and nonbanks.

January 9

- **Bowman Now Tackles Supervisory Transparency** - In [remarks](#), FRB Gov. Bowman added a new concern: supervisory transparency.
- **Barr Bows a Bit** - Answering questions, FRB Vice Chair Barr indicated that the BTFFP may well close on March 11, emphasizing the importance of adhering to the Fed's emergency-liquidity mandate.

January 10

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

© 2024. Federal Financial Analytics, Inc. All rights reserved.

- **HFSC's HUD Hearing to Trod Partisan Ground** - HFSC's majority staff [memo](#) on the hearing with HUD Secretary Fudge makes it still clearer that the session will focus on affordable housing, homelessness, and public-housing agencies in cities such as New York and Washington, D.C.
- **HFSC GOP Slams DOL Fiduciary Rule** - At the HFSC Capital Markets Subcommittee hearing on the DOL's Fiduciary Rule, Subcommittee Chairwoman Wagner (R-MO) argued that the proposal should be withdrawn, calling it a partisan effort to eliminate "junk fees."
- **HFSC Takes Partisan Approach to FSOC** - At the HFSC Digital Assets Subcommittee hearing on FSOC's systemic-designation framework ([see FSM Report SYSTEMIC98](#)), Subcommittee Chairman Hill (R-AR) questioned FSOC's approach to addressing systemic risk, claiming that the Council's revised guidance is vulnerable to abuse and unintended consequences.
- **CFPB Small-Business Reg Survives** - Senate Republicans tried to override the President's veto of the Congressional Review Act resolution [approved](#) by both Houses of Congress to repeal the CFPB's small-business reporting [rule](#).

January 11

- **Paul Picks Up GAO Fed-Audit Support** - Sen. Rand Paul (R-KY) has again honored his father's legacy, reintroducing legislation mandating a full GAO audit of the FRB that was the hallmark of Ron Paul's tenure as a long-time Member of the House and occasional libertarian candidate for president.
- **OIG Gives FHFA Passing Grade on Community Support System Improvements** - Saying nothing about FHFA's plans for Home Loan Bank community [support](#), the FHFA OIG issued a [report](#) concluding that the agency has effectively addressed issues with its oversight of FHLB community support requirements by implementing an automated system for Community-Support Statement submission.
- **Partisan HUD Hearing Discusses FHA-Policy Options** - HFSC's hearing with HUD Secretary Fudge was the partisan event we [anticipated](#), with Chairman McHenry (R-NC) criticizing Ms. Fudge for unresponsiveness to committee requests and obstacles in the income verification process for disabled veteran housing in his district.

January 12

- **Emmer, HFSC GOP Reintroduce FSOC Oversight Measure** - Following a hearing earlier this week at which GOP Members reiterated longstanding FSOC criticism, House Majority Whip Emmer (R-MN) has [reintroduced](#) legislation along with ten other HFSC Republicans to bring FSOC under congressional appropriations.
- **HFSC Bipartisan AI Task Force Already Divided on Key Priorities** - Reflecting growing concern about AI's risks ([see Client Report FSOC29](#)), HFSC Chairman McHenry (R-NC) and Ranking Member Waters (D-CA) [announced](#) the creation of a bipartisan AI

Working Group to be led by Digital Assets Subcommittee Chairman Hill (R-AR) and Ranking Member Lynch (D-MA).

- **House Passes Measures to Check Chinese Economic Power** - The House [passed](#) several bills addressing the role of China in IMF and World Bank policy and a renewed attempt to limit what many Members of Congress consider Chinese currency manipulation (H. R. 839).
- **The Fed Becomes a Big Loser** - The Federal Reserve System [released](#) its preliminary FY23 financial results, the first look into the System's operating condition above and beyond its significant mark-to-market losses.

This Week

Wednesday, January 17

HFSC Subcommittee on National Security, Illicit Finance, and International Financial Institutions Hearing entitled: "International Financing of Nuclear Energy." [10:00 am, 2128 RHOB]. Witnesses: TBD.

Thursday, January 18

HFSC Subcommittee on Oversight and Investigations Hearing entitled: "Oversight of the SEC's Proposed Climate Disclosure Rule: A Future of Legal Hurdles." [10:00 am, 2128 RHOB]. Witnesses: TBD.

Senate Banking Hearing entitled: "National Security Challenges: Outpacing China in Emerging Technology." [10:00 am, Dirksen Senate Office Building 538]. Witness: **Ms. Emily Kilcrease**, Senior Fellow and Director of the Energy, Economics, and Security Program, Center for a New American Security.

Future Events of Note

Tuesday, February 6

HFSC Hearing entitled: "The Annual Report of the Financial Stability Oversight Council." [TBD]. Witnesses: **The Honorable Janet L. Yellen**, Secretary, Department of the Treasury.

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](#).

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

© 2024. Federal Financial Analytics, Inc. All rights reserved.

- **[GSE-011224](#)**: A new [staff paper](#) from the Federal Reserve Bank of New York assesses the tender topic of bank mortgage lending to minority borrowers.
- **[GSE-010924](#)**: Based on recent dialogue with institutional investors and regulators, a new FRB-NY Teller Window [article](#) concludes that robust data collection, loan standardization, and higher volume could improve CDFI secondary market sales.
- **[GSE-010824](#)**: It's not news to observe that things that change at the GSEs then change a lot of other things.
- **[INCLUSION3](#)**: As required by law, the U.S. Treasury is working to set policy enhancing financial inclusion. While it seeks recommendations for new policies in areas ranging from predatory lending to technological innovation and new federal programs, it is unclear how actionable its findings will prove and if federal policymakers then implement those possible under current law.
- **[NBF13](#)**: The banking agencies have proposed significant changes to call-reporting data illuminating how banking organizations are inter-connected with nonbank financial intermediaries and to implement pending requirements for long-term debt (LTD) issuance.
- **[DEPOSITINSURANCE123](#)**: In the wake of increasing instances in which customers are confused and even misled about the extent to which fintech and cryptoasset holdings are insured deposits, the FDIC has finalized its proposal setting disclosure standards as well as modernizing IDI representations of their own FDIC-insured offerings in branches and through the fast-changing array of retail banking delivery channels.
- **[GSE-010224](#)**: Shortly before the new year, the banking agencies proposed new call-report [requirements](#) that would force banks with over \$10 billion in assets to report new data on nonbank mortgage intermediaries and structured GSE-guaranteed positions.
- **[AI4](#)**: Bipartisan Senate legislation has been introduced to press FSOC to do more than highlight artificial intelligence (AI) as a potential threat to financial stability.
- **[MERGER13](#)**: Building on a request for comment and a formal draft, the Department of Justice (DOJ) and Federal Trade Commission (FTC) have finalized specific revisions to U.S. merger policy that significantly redesign the manner in which M&A transactions will be considered.
- **[SANCTION21](#)**: [As promised](#), this report provides an in-depth assessment of President Biden's Friday [executive order](#) expanding anti-Russia sanctions via secondary ones on financial institutions that – knowingly or not – facilitate or conduct newly-identified transactions related to sanctioned persons, services, or goods.
- **[ILC17](#)**: Senate Banking Committee Chairman Brown (D-OH) is now leading a renewed bipartisan charge to limit the ability of nonbanks to use industrial loan companies (ILCs) to gain access to bank privileges without the parent-company supervision required of all other domestic IDI parents.
- **[GSE-121923](#)**: The CFPB yesterday released a fascinating research [blog](#) looking at cash-out refis.
- **[FSOC29](#)**: This year's [FSOC report](#) trods much old ground with two exceptions. The first pertains to a new focus on artificial intelligence, machine learning, and new, generative technologies.