



# FedFin Weekly Alert

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Monday, January 22, 2024

## ❑ KEEP THOSE CARDS AND LETTERS...

Although the comment deadline on the capital standards ([see FSM Report CAPITAL230](#)) closed last Tuesday, Members of Congress viewed that deadline with the same insouciance they adopt for keeping the federal government open. That is, they got around to it when they felt like it. As a result, letters on the capital rule keep coming in and FedFin analyses keep sending you summaries of each of their key points. As Karen Petrou's Monday memo will lay out, the most surprising aspect of most of the letters from Democrats is how guardedly they express support for the capital proposal. As elected group of Democrats led by Chairman Brown (D-OH) [sent](#) the most emphatically-supportive missive, but many of his colleagues took a dive and even those from many Members of the [Congressional Black Caucus](#) were muted in praise of the rule. Instead, most letters took specific issue with key points such as the LMI mortgage sections and tax-equity bonds. These have long been key Democratic [concerns](#), but that these problems are reiterated without clear support for the rest of the proposal is striking. Karen's memo will go into detail on what this means for final rules; suffice it to say here that the agencies are playing the end-game with a weak hand.

## Headlines From the Past Week's Daily Briefings

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### January 15

- No news of note.

### [January 16](#)

- **Waller Raises Stakes for End-Game Finalization** - Going beyond his longstanding critique of the end-game [rules](#), FRB Gov. Waller [reflected](#) industry comments and litigation plans, saying that he now thinks the proposal needs a "major overhaul" or should be withdrawn and reissued.
- **Global Regulators Try Transparency as Cure to CCP-Margin Risk** - The Basel Committee, CPMI, and IOSCO [released](#) a long-planned consultation on CCP and clearing-member margining practices.

### [January 17](#)

- **CFPB Tries to Bring Overdraft Fees Under New Benchmark** - Arguing that overdraft fees are a big-bank "junk-fee harvesting machine," CFPB Director Chopra [released](#) a long-awaited proposal to cap fees to what the agency considers a reasonable threshold.

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- **Bowman Expands Basel Critique, Key Dem Now Points to Problems** - In [remarks](#), FRB Gov. Bowman did not go quite as far as her [colleague](#) Chris Waller, but she nonetheless urged that the end-game rules be re-proposed after comments are taken into account.
- **Senate Banking GOP Again Urges Capital Proposal Withdrawal** - Senate Banking Ranking Member Scott (R-SC) along with all Committee Republicans sent a [letter](#) to FRB Chair Powell, FDIC Chairman Gruenberg, and Acting Comptroller Hsu [once again](#) calling on the regulators to withdraw the capital proposal ([see FSM Report CAPITAL230](#)).
- **Biden, Brown Praise CFPB Overdraft Proposal** - Following the CFPB's announcement of its proposed rule regarding overdraft fees, President Biden [again](#) denounced "junk fees" as "exploitation," and included the CFPB's proposal in his administration's efforts to lower costs for American consumers.
- **FRB/FDIC Provide Limited-Time Resolution-Plan Filing Flexibility** - Reflecting a problem we identified in our assessment of the resolution-plan proposal ([see FSM Report LIVINGWILL22](#)), the FRB and FDIC [extended](#) the resolution plan submission deadline for categories II and III banks from July 1, 2024 to March 31, 2025.
- **Global Regulators Turn to OTC-Derivative Margin Improvement** - Following the release with the [CPMI](#) focused on CCPs and clearing members, the Basel Committee and IOSCO [turned](#) to OTC derivatives.
- **New Fed Study: Stringent Rules, Certain CBDCs Accelerate Shift to Shadows** - A new Fed [staff paper](#) assesses monetary-policy transmission in a world of CBDCs, stablecoins, nonbanks, and tough new bank rules.

## January 18

- **Basel Head Backs U.S. End-Game** - In an *FT* [interview](#), the Basel Committee's chair, Pablo Hernández de Cos, unsurprisingly endorsed the U.S. end-game proposal, indirectly but firmly rebutting assertions that it is at variance with global norms.
- **The Shape of Liquidity Rules to Come** - Previewing the construct of what may soon be the anticipated inter-agency proposal addressing liquidity-risk lessons-[learned](#), Acting Comptroller Hsu [argued](#) that the liquidity coverage ratio's treatment of retail depositors ([see FSM Report LIQUIDITY17](#)) does not address likely depositor herding as they run for the exit.
- **Rounds, Sinema Press for SIFI-Designation Rollback** - Senate Banking Committee Member Rounds (R-SD) alongside Sen. Sinema (I-AZ) [introduced](#) S.3601, legislation to codify 2019 standards ([see FSM report SIFI35](#)) adding significantly more obstacles to systemic designation compared to FSOC's new approach ([see FSM report SIFI36](#)).
- **Steele's Good-Bye Presses for More Tough Standards** - In his last speech in office, Assistant Secretary for Financial Institutions Graham Steele [called](#) for reassessment of the treatment of unrealized gains or losses not just under the capital rules, but also in the liquidity standards (where they are in fact to some degree now captured).

- **House Democrats Damn Capital Proposal With Faint Praise** - In this report, we begin our assessment of Congressional end-game comment letters.
- **Senate Letters Slam Capital Proposal's Tax-Equity Risk Weight Changes** - Here, we turn to several Senate letters on the end-game proposal.

### January 19

- **Bipartisan House Letter Slams Basel Proposal's Capital Markets Impact** - Following up on our analyses of Congressional pressure on the banking agencies, we here turn to a bipartisan [letter](#) from 15 Members of the House led by Capital Markets Subcommittee Ranking Member Sherman (D-CA) and Subcommittee Chair Wagner (R-MO) warning the agencies of the proposal's adverse capital-markets impact.
- **Brown Leads Campaign for Strong End-Game Standards** - The first unequivocal expressions of support for the capital rules from key Members we have found came [from](#) Banking Committee Chairman Brown (D-OH) and eleven Senate Democrats.
- **Banking Agencies Seek NBFIData from FBOs** - The OCC, FRB, and FDIC requested comment on a [proposal](#) to gather more granular information on call reports filed by FBOs related to loans and lease receivables.
- **GOP Leadership Reignites "Operation Chokepoint" Concerns** - Reigniting GOP concerns about "Operation Chokepoint" political regulation, Senate Banking Ranking Member Scott (R-SC) sent a letter to Treasury Secretary Yellen and FinCEN Director Gacki raising concerns that Treasury urged banks to surveil customers' transaction-level data using what he calls politically-charged search terms such as "Trump" and "MAGA" as well as merchant category codes to detect activity such as legal firearm purchases.

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## This Week

### Thursday, January 25

Senate Banking Hearing entitled: "Reauthorization of the National Flood Insurance Program: Local Perspectives on Challenges and Solutions." [10:00 am, Dirksen Senate Office Building 538]. Witness: **Mr. Michael Hecht**, President & CEO, Greater New Orleans, Inc.

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## Future Events of Note

### Tuesday, February 6

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

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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](#).

- **[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.