



Tuesday, January 16, 2024

Waller Raises Stakes for End-Game Finalization

Going beyond his longstanding critique of the end-game [rules](#), FRB Gov. Waller today [reflected](#) industry comments and litigation plans, saying that he now thinks the proposal needs a “major overhaul” or should be withdrawn and reissued. As we noted in our recent 2024 [outlook](#), Gov. Bowman will surely side with this view, but Chair Powell holds the gavel when it comes to the end-game outcome at the Federal Reserve. Mr. Waller also is personally opposed to the pending rewrite of debit-card interchange fees ([see FSM Report INTERCHANGE12](#)) because it forces the Fed to pick winners and losers. However, he noted also that this is how the law reads and thus what the Fed must do based on new transaction-cost data. He also weighed in on the ONRRP, urging the Fed allow it to sink to a zero balance because its safety-net function is no longer required for rate-setting or liquidity in light of the standing repo facility.

Global Regulators Try Transparency as Cure to CCP-Margin Risk

The Basel Committee, CPMI, and IOSCO today [released](#) a long-planned consultation on CCP and clearing-member margining practices. These are designed to limit the volatile and potentially-systemic liquidity stresses due to margining practices evident in 2020 and again after the Ukraine invasion, with the extent to which these further shift cost burdens from CCPs to clearing members their most controversial aspect. Largely focused on transparency, the new approach would require CCPs to provide clearing members with margin-simulation tools that members would then make available to end-users to enhance margin-call preparedness. Documentation laying out how CCPs calculate add-on charges and their counter-cyclical tools would also need to be made available, with numerous other new disclosures also laid out for comment. More substantively, CCPs would need to have analytical and governance frameworks for assessing margin responsiveness and cost that would be used by CCPs and regulators to assess margin-model performance. This new framework would also impose additional requirements where CCPs deploy discretion for model overrides, with public disclosures proposed for scenarios that might generate these overrides and other key decision criteria. Clearing members would be required to ensure that end-users understand their likely margin requirements and to have analytical and governance frameworks for assessing margin responsiveness and counterparty risk. Additional disclosures from clearing members to clients are also proposed along with new ex-ante disclosures to clients when a clearing member alters its clearing-margin add-ons. New clearing-member disclosures back to CCPs are also proposed, with these lags designed to protect clearing-member confidentiality that may prove controversial. Comment is due by April 16.

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](#).

- [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.
- **[NBFI3](#)**: 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.