



FedFin Weekly Alert

Monday, February 12, 2024

❑ ARE WE WASTING YOUR TIME?

We most assuredly hope not, but watching Congress last week was deeply dispiriting not only when it comes to the most critical issues of the day, but also to essential financial-policy decisions. Our in-depth reports on Tuesday's HFSC hearing with Secretary Yellen ([see Client Report FSOC30](#)) and Thursday's Senate follow-up ([see Client Report FSOC31](#)) laid out key topics discussed and what was said as we always do. But what we said about what was said was largely inconsequential because almost nothing of real note was said. The exception came on Thursday when the Secretary intimated that near-term action may begin to deal with the systemic risk FSOC fears from nonbank mortgage companies. But even here she was elliptical and no senator made any effort to pin her down. Instead, they – like their House counterparts and the secretary – reiterated partisan talking points about the economy, inflation, and the debt. But, reading between the lines in our reports and our other analyses illuminates a remarkable number of likely, meaningful Congressional actions on issues of immediate financial policy import assuming NYCB doesn't fail and absorb the little bandwidth Congress seems to have for financial policy. What else is up:

- continuing pressure on the capital rules sure to force more change than the agencies would otherwise care to [make](#);
- progress on stablecoin legislation following recent, optimistic [comments](#) from HFSC Ranking Member Waters (D-CA);
- a chance for the executive-comp legislation ([see FSM Report COMPENSATION37](#)) if Chairman Brown (D-OH) decides to take it to the floor;
- a lot more pressure on FDIC Chair Gruenberg that could force agency change;
- anti-AML crypto standards if a vehicle for them comes to Sen. Brown's hand; and
- bipartisan legislation pressing FSOC to do more than all the talk Ms. Yellen provided about AI ([see FSM Report AI4](#)).

Headlines From the Past Week's Daily Briefings

[February 5](#)

- **Bowman Opposes Tech Self-Regulation, Highlights Emerging Risks** - In remarks on the future of [banking](#), FRB Gov. Bowman joined Acting Comptroller Hsu in expressing concern over supervisory and governance complacency, especially when it comes to interest-rate and liquidity risk.

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- **House GOP Expands Attack on Fed Work With Global Bodies** - Continuing previous [attacks](#) on Federal Reserve [Banks](#) and federal banking [agencies'](#) work with global entities, HFSC Chair McHenry (R-NC) and Financial Institutions Subcommittee Chair Barr (R-KY) sent [letters](#) to the San Francisco and New York Reserve Banks disputing what they describe as undue cooperation with the Network for Greening the Financial System (NGFS) and Bank for International Settlements (BIS).

[February 6](#)

- **Agencies Begin Pro Forma Reg Review Likely to Take on New Urgency** - The FRB, FDIC, and OCC [released](#) the first of the requisite ten-year request for comment on the extent to which existing rules are outdated or unduly burdensome.
- **Senate GOP Turns to FHFA, FHLB on “Woke” Standards** - Criticizing what they call the FHFA’s and FHLBs “politically contentious social agendas,” Senate Banking Republicans Hagerty (R-TN), Tillis (R-NC), Britt (R-AL), and Vance (R-OH) [sent](#) a letter to FHFA Director Thompson arguing that several FHLB pilot programs are “racially discriminatory” and defy congressional intent.
- **SEC Finalizes Contentious Treasury-Market Registration Standards** - The SEC [voted](#) 3-2 to approve a revised version of an earlier proposal subjecting certain hedge funds and other Treasury-market participants to registration and SRO regulation, thus reducing their competitive advantages vis-à-vis banks in the secondary-dealer arena.

[February 7](#)

- **Fed Study: 96 CRA Reforms Had No Impact on Bank LMI Lending, Subprime Crisis** - As banks take on the new CRA rule in the courts ([see FSM Report CRA32](#)), a new Fed [study](#) suggests that prior CRA changes had no meaningful impact on LMI mortgage lending in assessment areas and did not cause the subprime crisis as a prior study asserted.
- **NYCB’s Prospects, Policy and Political Consequences** - After the markets closed, NYCB was up a bit from its lows, but it remains to be seen if this is a “dead-cat bounce” or stabilization.

February 8

- No news of note.

[February 9](#)

- **Source-of-Strength Regs Remain in Limbo** - As is usually the case, the Federal Reserve’s semi-annual agenda in the *Federal Register* is wholly unilluminating as to the anticipated deadlines on the pending capital, LTD, and resolution proposals nor does it indicate if it plans to do anything regarding liquidity as suggested by Acting Comptroller [Hsu](#).

This Week

Wednesday, February 14

HFSC Hearing entitled: "Oversight of the Financial Crimes Enforcement Network (FinCEN) and the Office of Terrorism and Financial Intelligence (TFI)" [10:00 am, 2128 RHOB]. Witnesses: TBD.

Thursday, February 15

HFSC Subcommittee on Financial Institutions and Monetary Policy Hearing entitled: "Lender of Last Resort: Issues with the Fed Discount Window and Emergency Lending." [10:00 am, 2128 RHOB]. Witnesses: TBD.

HFSC Subcommittee on Digital Assets, Financial Technology and Inclusion Hearing entitled: "Crypto Crime in Context Part II: Examining Approaches to Combat Illicit Activity." [2:00 pm, 2128 RHOB]. Witnesses: TBD.

Future Events of Note

No meetings of note.

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](#).

- **[FSOC31](#)**: Treasury Secretary Yellen's hearing today before Senate Banking followed the path set in Tuesday's HFSC session ([see Client Report FSOC30](#)), with Ms. Yellen refusing to take a stand on matters such as the capital rules and banking-agency supervisory effectiveness.
- **[FSOC30](#)**: As [anticipated](#), today's HFSC hearing with Treasury Secretary and FSOC Chair Yellen showcased sharp Republican criticism of the Council's nonbank designation authority ([see FSM Report SIFI36](#)), with Chairman McHenry (R-NC) and Financial Institutions Subcommittee Chairman Barr (R-KY) citing the guidance as yet another example of regulatory politicization, calling FSOC a "rogue" and "roving" regulator.
- **[MERGER14](#)**: Although all of the banking agencies have for years promised a new bank-merger policy, none has proposed one until this OCC rulemaking.
- **[PAYMENT28](#)**: Today's Senate Banking Committee hearing on scams and fraud in the banking system focused on the rise of P2P payment app scams, the growing popularity of traditional methods of fraud executed via wire transfer and check fraud, and emerging crypto and AI risks.
- **[AI5](#)**: Although FSOC's latest annual report highlights AI risk, it does not request any express

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agency action, a hands-off approach that led to bipartisan legislation demanding a more forceful approach.

- [GSE-013124a](#): Common-stock investors clearly [think so](#), but they're a notably speculative lot and more than likely wrong.
- [GSE-013124](#): We have reviewed the 2024 scorecards FHFA [released](#) for Fannie and Freddie.
- [CONSUMER55](#): The CFPB has followed up a controversial proposal to set prices for larger-bank overdrafts exempt from certain consumer standards with a proposal to simply ban certain non-sufficient fund (NSF) fees when banks decide in real time to decline a consumer-payment request.
- [GSE-012424](#): In this report, we build on our previous analyses of the [mortgage implications of the pending capital rules](#), forecasting what's next for mortgage assets as the FRB, FDIC, and OCC wrestle with the mess Karen Petrou has elsewhere [argued](#) they brought upon themselves by careless analytics and political misjudgment.
- [OVERDRAFT12](#): Building on a bulletin and circular from late 2022 warning banks about certain overdraft practices, the CFPB has now proposed a rule that would sharply and expressly limit fees for extensions of credit related to overdrawn transaction accounts unless the account comes under an array of consumer-protection requirements.