



Monday, February 5, 2024

## Bowman Opposes Tech Self-Regulation, Highlights Emerging Risks

In remarks Friday 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. The speech picks up on Karen Petrou's memo [last week](#), pointing to the way in which regulators now appear focused principally on new rules, not emerging risks including those from fraud-renewed threats and third-party vendors. Ms. Bowman thus urges greater accountability for banks based on third-party actions not only to enhance risk management, but also to reduce migration risk.

Ms. Bowman also said that bank leadership has increasingly adopted the technology industry's culture of adopting technologies such as AI without first addressing risk management, saying that there is now a widespread practice of seeking "forgiveness," not "permission." Thus, despite her longstanding opposition to burdensome regulation, Ms. Bowman does not appear to support calls for a more flexible supervisory and regulatory approach to innovations such as DLT. The Fed governor also noted the pressures new rules will place on banks around \$100 billion in assets, urging careful consideration of consolidation in this sector to ensure ongoing banking-service availability.

## 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](#) today 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). The Republicans request formal records of all relevant written agreements between the regional banks and the Federal Reserve Board as well as interactions with international entities on climate risk, CBDC, and payment-system integration, with responses due by February 16.

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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](#).

- [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 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.
- [GSE-012224](#): A new Fed [staff study](#) uses models to conclude that government-backed mortgage securitization exacerbates financial crises, contradicting conventional wisdom that – GSE blow-ups notwithstanding – properly-regulated GSEs create a liquid, diversified asset pool for an otherwise illiquid, risky asset class.
- [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.