



Tuesday, February 6, 2024

Agencies Begin Pro Forma Reg Review Likely to Take on New Urgency

The FRB, FDIC, and OCC today [released](#) the first of the requisite ten-year request for comment on the extent to which existing rules are outdated or unduly burdensome. We will shortly provide clients with an in-depth analysis of the request if it goes beyond the nominal inquiries in the past that led to little meaningful regulatory reform. Gov. Bowman [today](#) issued a statement urging comments with a particular focus on community- and small regional-bank burden, with the request focusing on the rules governing applications and reporting, powers and activities, and international operations. Outreach meetings gathering comment are planned in conjunction with the formal comments due by May 6.

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 late yesterday arguing that several FHLB pilot programs are “racially discriminatory” and defy congressional intent. They also argue that the pilot programs highlight a potential gap in FHFA oversight because the final rule governing Fannie and Freddie [pilot programs](#) does not also apply to the FHLBs. While the FHFA [issued](#) an advisory bulletin instructing the FHLBs to establish prudential and operational frameworks for their pilot programs, the senators question the efficacy of its oversight since the bulletin states a “FHLBank need not await FHFA approval” before offering a pilot. The Senators request all records that reference “racial identity” for several pilot programs as well as answers to questions regarding FHFA oversight, statutory requirements, and material risks, with answers due by February 23.

SEC Finalizes Contentious Treasury-Market Registration Standards

The SEC today [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. The new approach uses a qualitative test based on the extent to which a covered entity acts as a market-maker as well as Treasury investor. The final rule tightens the qualitative test to focus expressly on funds that are market liquidity providers, deleting quantitative standards retained from the original draft. GOP commissioners nonetheless opposed the final rule on grounds that it threatens Treasury-market liquidity and heightens issuance cost to taxpayers, with Commissioner Mark T. Uyeda calling it part of the SEC’s “war on private funds.”

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](#).

- **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 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.