



# FedFin Weekly Alert

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Monday, March 11, 2024

## ❑ STRIKE-FORCE ATTACK

As noted last [week](#), the White House has announced a new “strike force” aimed at the price-gouging and “junk” fees it sees far and wide across the U.S. economy, including when it comes to financial services. Expect to hear more of this not only on the campaign trail (where Donald Trump may side more or less with the White House) as well as in the near term from the CFPB, DOJ, FTC, and even the OCC and FDIC despite their status as independent agencies. We are watching:

- The impact on pending mergers, including the CapOne/Discover [deal](#). We expect DOJ to be still more vigilant that bank M&A reaching its desk conforms to stringent new merger guidelines ([see FSM Report MERGER13](#)). The OCC – already ill-disposed to mergers per its proposed policy ([see FSM Report MERGER14](#)) may look still more askance at the deal, especially after the Acting Comptroller came under still more political [pressure](#). And, as the below makes clear, CFPB Director and FDIC board member Chopra is on the anti-merger warpath, especially when it comes to credit-card companies. Expect any nonbank mortgage company transactions also to face withering scrutiny, especially if a bank is involved.
- Other targets. Credit cards are Mr. Chopra’s prime target. We last week analyzed the Bureau’s new circular against comparison shopping and lead generation ([see FSM Report CONSUMER56](#)), a standard that covers the full retail-finance sector even though it makes particularly unflattering mention of credit cards. And, as noted last [week](#), the Bureau has also taken a super-tough tack when it comes to credit-card late fees (see our in-depth analysis later this week).
- Overdrafts. The Bureau also plans to finalize its anti-overdraft rule ([see FSM Report OVERDRAFT12](#)) as it plays its part in the White House strike force.
- Interchange Fees. The Fed will surely try to stay out of the strike-force zone, but it does need to finalize its interchange-fee proposal ([see FSM Report INTERCHANGE12](#)) in the near term, or so those advocating it are arguing. A final rule objectionable to banks – and pretty much any final rule will be objectionable to banks – will allow the Fed to cover a bit of its political body parts on controversial fees merchants argue get passed on to consumers. More substantively, we are watching the way the CFPB might try to weigh in on an issue key not only to debit cards, but also to its bugaboo: credit cards ([see FSM Report INTERCHANGE10](#)).

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## Headlines From the Past Week's Daily Briefings

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### March 4

- **BIS Targets Prime-Broker Risk** - The BIS quarterly [review](#) contains an assessment of the risk prime brokers may pose both to GSIBs and financial stability.

### March 5

- **CFPB Fires All Cylinders on Credit Card Fees** - In conjunction with a new White House “price-gouging” [initiative](#) ahead of the President’s address, the CFPB finalized its controversial credit-card late-fee proposal ([see FSM Report CREDITCARD36](#)).
- **Presidential Strike Force Targets Financial-Services Fees, Mergers** - In conjunction with the CFPB’s new credit-card fee standard, the White House announced a “strike force” attacking what it believes to be price-gouging across the U.S. economy.
- **Interchange, Small-Dollar Lending Bills Added to House Docket** - Although the HFSC Financial Institutions’ hearing will be a largely partisan review of the “politicized” nature of bank regulation, bills on the [docket](#) include a draft measure from Rep. Luetkemeyer (R-MO) requiring the FRB to conduct a quantitative study of the implications of its pending interchange rule before finalization ([see FSM Report INTERCHANGE12](#)).
- **McHenry Supports At Least Some Liquidity-Reg Rewrite** - Redoubling his campaign against the capital proposal, HFSC Chairman McHenry (R-NC) made it [clear](#) that he does support at least some revisions to liquidity rules.
- **IMF Looks Under U.S. Bank “Weak Tail”** - Looking at U.S. bank failures one year later, the IMF released a global financial stability [note](#) finding that the “weak tail” of U.S. banks continues to present a possible systemic risk despite ongoing supervisory and regulatory efforts.

### March 6

- **Bowman Renews Tailoring Defense** - In [dinner remarks](#), FRB Gov. Bowman argued that tailoring is a “grounding principle” of bank regulation ignored in the pending capital rules and final climate guidance ([see FSM Report CLIMATE17](#)), standards she also said are intended to allocate capital, not ensure effective supervision.
- **GAO Reviews Fed, FDIC Supervisory Practices** - The GAO [issued](#) a report examining the Fed and FDIC’s communication and escalation of supervisory concerns towards SVB and Signature prior to their collapse, finding that a lack of clarity and specificity in the Fed’s enforcement procedures contributed to delays in escalation towards SVB.
- **Scope 3 Removed From Final SEC Climate Disclosure Rule** - The SEC [voted](#) 3-2 to finalize its 2022 climate-risk disclosure [proposal](#), opting to remove its controversial Scope 3 provisions.

## March 7

- **HFSC GOP Press Discount-Window Reform, Slow-Go on Liquidity Risk** - Building on questioning at a recent HFSC hearing ([see Client Report LIQUIDITY34](#)), Financial Institutions Subcommittee Chair Barr (R-KY) led all Republican members of his subcommittee in a [letter](#) to Chair Powell, Chair Gruenberg, and Acting Comptroller Hsu urging them to address stigma and operational issues associated with the discount window.
- **Powell Reiterates: Capital Rules Will Change** - The Senate Banking hearing with Chair Powell covered much of the same ground as the Chair's appearance before HFSC ([see Client Report FEDERALRESERVE75](#)) with Democrats focusing on housing affordability and Republicans expressing their satisfaction with Mr. Powell's statement that the Basel III proposal may have to be withdrawn and re-proposed.
- **House Judiciary Now Says 12 Large Banks Colluded with FinCEN** - Prior to the House Judiciary's Select Subcommittee on the Weaponization of the Federal Government hearing on large bank "collusion," the subcommittee [published](#) a report finding that FinCEN and the FBI engaged in backchannel discussions with large financial institutions to gather private financial data.
- **BCBS Proposes GSIB Window-Dressing Revisions** - [As anticipated](#), the Basel Committee on Banking Supervision [released](#) a consultation on revisions to the GSIB assessment framework concerning window dressing.
- **House Republican Targets Interest on Reserves** - Following up on HFSC's hearing ([see Client Report FEDERALRESERVE75](#)), Rep. Davidson (R-OH) has introduced legislation (H.R. 7562) to prevent Federal Reserve Banks from paying interest on excess reserves.

## March 8

- **Biden Continues Junk Fee Campaign** - The President [continued](#) his attack on junk fees in the State of the Union, applauding the CFPB's new credit-card late fee [rule](#).
- **FRB Finalizes FMU OpsRisk Update** - The FRB today unanimously [voted](#) to finalize an update to rules governing operational risk-management for certain systemically-important financial market utilities (FMUs).
- **CFPB Lays Groundwork for Mortgage Closing-Cost Regulation** - Continuing its [campaign](#) against junk fees, the CFPB today released a [blog post](#) focusing on mortgage closing cost fees, stating that the agency will issue rules and guidance "as necessary" to improve competition and affordability in the coming months.

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## This Week

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### Tuesday, March 12

HFSC Hearing entitled: "Mission Critical: Restoring National Security as the Focus of Defense Production Act Reauthorization." [10:00 am, 2128 RHOB]. Witnesses: **Mr. Luke Nicastro**, Analyst in U.S. Defense Policy, Congressional Research Service; **Dr. Jeffrey Nader**, Former Assistant Secretary of Defense for Industrial Policy, Senior Vice President of Government Affairs, Govini; **Mr. Roger Zakheim**, Washington Director, Ronald Reagan Presidential Foundation and Institute; and **Dr. Todd Tucker**, Director for Industrial Policy and Trade, Roosevelt Institute.

Senate Banking Hearing entitled: "Examining Proposals to Address Housing Affordability, Availability, and Other Community Needs." [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **Mr. Matt Josephs**, Senior Vice President of Policy, Local Initiatives Support Corporation; and **Ms. Peggy Bailey**, Vice President of Housing and Income Security, Center on Budget and Policy Priorities.

### Wednesday, March 13

HFSC Subcommittee on Digital Assets, Financial Technology and Inclusion Hearing entitled: "Bureaucratic Overreach or Consumer Protection? Examining the CFPB's Latest Action to Restrict Competition in Payments." [9:00 am, 2128 RHOB]. Witnesses: TBD.

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## Future Events of Note

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### Monday, March 18

HFSC Field Hearing about the SEC's climate-risk disclosure rule. [TBD].

### Wednesday, March 20

Treasury's Federal Advisory Committee on Insurance Open Meeting. [1:30, webcast]. Matters to be discussed: climate-related financial risk and the insurance sector; cyber insurance developments and international insurance issues. The FACI will also receive status updates from each of its subcommittees and from FIO.

### Tuesday, April 9

Senate Judiciary Hearing on credit card fees. [10:00 am, Dirksen Senate Office Building room G50].

### Wednesday, April 10

HFSC Hearing about the SEC's climate disclosure rule. [TBD].

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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](#).

- **[FEDERALRESERVE75](#)**: As [expected](#), Republicans took turns grilling Chair Powell on the Basel III endgame proposal and calling for its withdrawal, and were likely pleased with the results.
- **[CONSUMER56](#)**: The CFPB has issued a circular essentially banning digital and perhaps all other consumer-finance comparison-shopping and lead-generation tools for credit cards and other products not covered by prior orders.
- **[GSE-021624](#)**: In this report, we build on our in-depth analysis yesterday of the Fed's new stress-test scenarios to focus on their mortgage-market impact.
- **[STRESS32](#)**: In this report, we assess the strategic and policy implications of the Fed's new [stress-test regime](#).
- **[LIQUIDITY34](#)**: Today's HFSC Financial Institutions hearing on emergency liquidity featured much discussion of reform, but few indications of any action Congress will take to advance it apart from support for pending agency efforts to enhance discount-window [readiness](#).