



FedFin Weekly Alert

Monday, March 25, 2024

❑ ONE DOWN, NOT OUT

As we [noted](#), Vice Chair Barr has bowed to the institutional might of the central bank he helps govern, agreeing Friday that the consensus which Chair Powell committed ([see Client Report FEDERALRESERVE75](#)) on the capital rules will lead to significant, material changes. This is a major victory for banks who mustered what Mr. Powell and others said is the most omnipresent, potent regulatory-advocacy campaign they've ever seen. Still, it leaves open what will change, how Acting Comptroller, and – more problematic – FDIC Chair Gruenberg and Director Chopra will join in. We anticipated this outcome in our January [forecast](#) on the future of the capital rule, also laying out just what the concession might look like and what could happen if only the Fed or just the Fed and OCC are able to agree. We will shortly provide clients with an updated forecast of what's to come along with a look at a question of almost equal importance: when changes will come and if that's enough time to ensure finalization before the political landscape could take a decided change all its own this November.

Headlines From the Past Week's Daily Briefings

[March 18](#)

- **IMF: More Work Needed to End Too-Big-to-Fail Banks** - In a blog [post](#), the IMF stated that progress is required to put an end to too-big-to-fail banks following last year's bank failures.
- **SEC Sets AI-Use Standards via New Enforcement Action** - Although actual fines are small, the SEC's enforcement action [countering](#) "AI washing" is not just aimed at investment advisers touting AI as their [guide](#) to investment choice either for their own actions or those of their customers.

[March 19](#)

- **Progressive Dems Keep Pressure on Powell** - Ahead of FOMC's meeting, progressive Democrats [again](#) sent a [letter](#) to Chair Powell calling for an interest-rate reduction timeline on grounds that higher-for-longer adversely affects the public good.
- **HFSC GOP Takes on GSE Title-Insurance Pilot** - Laying pipe before HFSC's housing hearing, Subcommittee Chairs Davidson (R-OH) and Huizenga (R-MI) along with Rep. Garbarino (R-NY) [sent](#) a letter to FHFA Director Thompson sharply criticizing her for undue politicization given the President's recent call for title-insurance [reform](#).

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- **HFSC GOP Takes on GSE Title-Insurance Pilot** - Joining [attacks](#) against the Basel end-game rules, Republican CFTC Commissioner Mersinger [criticized](#) the proposal for its impact on derivatives markets.
- **KC Fed Study: Vulnerable Crypto Users at Financial Risk** - Buttressing calls for cryptoasset standards, the Kansas City Fed published an [article](#) finding that crypto transactors are less financially literate and more risk tolerant compared to nonowners, stressing the importance of improved education regarding cryptoasset risks.
- **HFSC GOP Goes after Climate-Risk Standards** - HFSC's majority [staff memo](#) on the hearing indicates that the panel of top federal bank supervisors will face [renewed grilling](#).

March 20

- **Gottheimer Confirms Bipartisan Basel Worries** - Rep. Josh Gottheimer (D-NJ) told the ABA summit that there is bipartisan concern over the impact the Basel III endgame proposal could have on American competitiveness, calling the requirements "overly-burdensome."
- **FHFA Advancing FHLB Troubled-Bank Funding Limits** - Speaking at the ABA summit, the Deputy Director of the FHFA's Division of Banking Regulation Joshua Stallings indicated that the agency is following up on the [FHLB100 report](#) by working with the FRB to set cut-off points between acceptable FHLB funding and the discount window.
- **Tester Slams Fed Interchange Proposal, Durbin-Marshall Bill** - Sen. Tester (D-MT) told the ABA Summit that the Fed's debit interchange fee proposal ([see FSM Report INTERCHANGE12](#)) is a "mistake," creating uncertainty and adversely affecting community banks and rural America.
- **Powell: Retail CBDC A Long Way from Anywhere** - Reiterating [comments](#) made to Sens. Cramer (R-ND) and Lummis (R-WY) in his last appearance on Capitol Hill, Chair Powell said the Fed is a long way from making any decision about offering a retail CBDC.

March 21

- **FDIC Plans Merger Squelch** - Both the policy and politics of the FDIC's proposed [merger policy](#) follow that of its 2022 RFI ([see FSM Report MERGER9](#)), a very stringent approach to bank-merger review that split the FDIC 3-2 on party lines.
- **Chopra Wants Far Tougher Bank-Merger Policy** - CFPB Director Chopra [elaborated](#) on his comments at the FDIC meeting, saying that he thinks the proposal is fine as far as it goes but that federal policy should go considerably further to curtail bank consolidation.

March 22

- **Banking Agencies Push Back Key CRA Deadline** - Easing a bit of burden and doubtless with litigation in mind, the banking agencies [issued](#) an interim final rule

extending the applicability date of facility-based assessment areas and public file provisions of the [CRA rule](#) from April 1, 2024 to January 1, 2026.

- **HFSC GOP Calls for GAO Interchange Fee Study** - Following introduction of HFSC Subcommittee Chair Luetkemeyer's (R-MO) [bill](#) (H.R. 7531) to require the Fed to conduct a qualitative impact study of the interchange fee proposal, he and Subcommittee Chair Barr (R-KY) [sent](#) a letter to the GAO requesting a study of the potential impacts of the proposal ([see FSM Report INTERCHANGE12](#)).
- **Barr Concedes Capital Rules Will Change** - Ending speculation that Vice Chair Barr will not accede to Chair Powell's end-game capital concerns ([see Client Report FEDERALRESERVE75](#)), Mr. Barr reiterated that there will be "broad and material changes" to the proposal leading to consensus on the Board and with other agencies.

This Week

No meetings of note.

Future Events of Note

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].

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](#).

- **[CREDITCARD37](#)**: Following a very controversial proposal, the CFPB has finalized credit-card late-fee restrictions in a final rule that does not differ significantly from the proposal on its key point: elimination of the manner in which inflation adjustments are now made by credit-card lenders when it comes to late fees.
- **[GSE-031224](#)**: The President's [FY25 budget](#) picks up FHFA's [recommendations](#), calling for statutory change to double the System's affordable-housing commitment.

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