



Wednesday, March 6, 2024

## Bowman Renews Tailoring Defense

In [dinner remarks](#) last night, 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. She also notes the unintended impact on certain foreign banks once the capital and long-term debt proposals are considered together, pointing to the importance also of cumulative-impact analysis. Failure to tailor also contributes to consolidation and shadow-bank migration incentives, she said, noting also that SVB did not fail because tailoring was over-generous.

## GAO Reviews Fed, FDIC Supervisory Practices

The GAO today [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. The report recommends that the Federal Reserve revise its procedures on when to escalate supervisory concerns to informal or formal enforcement actions and to include measurable criteria, and the Board agreed with the recommendation. The GAO also recommends requiring the adoption of noncapital triggers to address unsafe banking practices and lessen losses to the DIF, such as by incorporating these triggers into the prompt corrective action framework. The FDIC’s updated supervisory procedures will be considered in future reports.

## Scope 3 Removed From Final SEC Climate Disclosure Rule

The SEC today [voted](#) 3-2 to finalize its 2022 climate-risk disclosure [proposal](#), opting to remove its controversial Scope 3 provisions. Although the rule scaled back requirements, Commissioners Uyeda and Peirce argued that it would “set a precedent” for using the disclosure regime to address “political and social issues,” with Ms. Peirce arguing that the rule should be re-proposed. Both express concerns about going beyond the Commission’s statutory authority to which Commissioner Crenshaw disagreed, calling it the “bare minimum” and stating that the rule lacked several important disclosures. The final rule has already drawn criticism from Republicans, including Senate Banking Ranking Member Scott (R-SC) who [stated](#) that he intends to use the Congressional Review Act to fight it, and HFSC Chair McHenry (R-NC) who today [announced](#) multiple hearings on the rule’s impact. The rule will become effective 60 days after *Register* publication, and compliance dates will have phase-in periods dependent on registrant type.

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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](#).
- **[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.