



Wednesday, March 20, 2024

Gottheimer Confirms Bipartisan Basel Worries

Rep. Josh Gottheimer (D-NJ) today 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.” Rep. Gottheimer, the co-chair of the influential Problem Solvers Caucus and an HFSC Member, also stated that, in contrast to Vice Chair Barr’s comments on the proposal ([see Client Report REFORM230](#)), Chair Powell’s recent comments ([see Client Report FEDERALRESERVE75](#)) provide optimism that changes will be made. Echoing comments yesterday by Majority Whip [Emmer](#) (R-MN) and Chair [McHenry](#) (R-NC), he also said that digital-asset legislation is closest to completion, calling a deal “pretty much there.” Rep. Gottheimer also highlighted capital markets and consumer protections as policy areas the committee has been working on. Stablecoin legislation is also moving forward.

FHFA Advancing FHLB Troubled-Bank Funding Limits

Speaking today 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. It seems likely that, regardless of the outcome of these discussions, pending banking-agency standards on discount-window [preparedness](#) will do so. FHFA’s work on redefining the Banks’ affordable-housing mission is proceeding carefully, but taking a broad view of this mission, he said.

Tester Slams Fed Interchange Proposal, Durbin-Marshall Bill

Sen. Tester (D-MT) today 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. Sen. Tester also took issue with the Durbin-Marshall credit-card bill ([see FSM Report INTERCHANGE10](#)), calling S.1838 “the wrong thing to do.” The Senator emphasized that credit-card companies bear the risk and credit-card interchange fees help cover it, stressing that the bill could cause risk to migrate to cardholders. The Senator also stressed the need to provide capital to small and rural communities and emphasized the need for greater private sector involvement to address the [housing](#) shortage.

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 today said the Fed is a long way from making any decision about offering a retail CBDC. Were it to reach this conclusion, then the central bank would seek express authorization from Congress and the President in the form of new authorizing law. The central bank is, however, exploring other forms of digital currency with applications particular to wholesale finance and the payment system, work necessary to ensure the U.S. at least keeps abreast of global developments.

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](#).

- **[GSIB24](#)**: Reflecting concerns expressed about banks that window-dress key regulatory data as the post-crisis framework took shape, the Basel Committee has now issued a request for views on how to prevent this when it comes to GSIB calculations related to their surcharge or possible designation.
- **[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.