



Monday, March 25, 2024

House GOP Resolution Challenges FSOC Designation Guidance

HFSC Vice-Chairman Hill (R-AR) [introduced](#) H.J. Res 120 on Friday to disapprove of FSOC's guidance on nonbank financial company systemic designations ([see FSM Report SIFI36](#)). The CRA resolution follows GOP criticism of the guidance at recent hearings ([see Client Report FSOC30](#)) and [S.3601](#) from Sens. Rounds (R-SD) and Sinema (I-AZ), which would require FSOC to consider "alternative approaches" prior to systemic designation. The resolution, like the Senate bill, is unlikely to advance; although FSOC suggested it would move quickly on new designations following release of this new [approach](#), there is as yet no sign of any designation on either a firm or activity/practice basis. Should there be none this year, prospects for future systemic designations depend on the election's outcome.

Hsu, Cook Warn Banks re AI Fair-Lending Risk

Acting Comptroller Hsu today [stressed](#) the importance that banks understand their use cases for AI and utilize it in a controlled manner, reiterating longstanding agency concerns about bad learning models leading to credit discrimination ([see FSM Report AI](#)). FRB Gov. Cook today also [noted](#) that, while the FRB cannot address inequality within its mandate, it can and is looking to ensure that AI use does not lead to unfair lending. Mr. Hsu also reiterated fears about growing AI-related fraud. Mr. Hsu's speech also urged banks to incorporate a sense of fairness into their consumer-compliance programs, noting that legal adherence does not ensure adequate compliance.

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](#).

- [REFORM231](#): Today's HFSC hearing on global governance featured [expected](#) Republican attacks on what they called the opaque nature of U.S. interactions with international organizations, with Chairman McHenry (R-NC) promoting a draft bill requiring regulators to report dealings with global standard-setting groups to Congress.
- [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.

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