



FedFin Weekly Alert

Monday, April 29, 2024

❑ GRATIFYING THE URGE TO MERGE

Next week's Financial Institutions Subcommittee meeting at HFSC on bank mergers will surely give GOP Members a chance to lay out the reasons many banks think current anti-merger policy is more than misguided. Republicans and their witnesses will surely argue that President Biden's competition order ([see Client Report MERGER6](#)) quashes growth, that the FTC and DOJ guidelines prevent fair competition ([see FSM Report MERGER13](#)), that the OCC's merger proposal is bad ([see FSM Report MERGER14](#)), and the FDIC's is even worse ([see FSM Report MERGER15](#)). Progressive Democrats will side with Sen. Warren (D-MA), saying that the OCC hasn't gone [far enough](#) and wanting still more from the FDIC's policy along lines advocated by [CFPB Director Chopra](#). Where do moderate Democrats come out and will this give bigger banks comfort that regional deals are doable? We'll be listening, analyzing, advising.

Headlines From the Past Week's Daily Briefings

[April 22](#)

- **FHFA Sets Comment Deadline for Freddie Closed-End Loan Product** - The *Federal Register* [includes](#) the FHFA's comment request on a new Freddie Mac product that would give borrowers access to their locked-up equity without a new first lien at a higher rate or a traditional homeequity second riding piggyback atop the first lien.

[April 23](#)

- **New Fed Study: Economic Inequality Key to Growing NBF Role, Systemic Risk** - A new Fed staff [note](#) builds on prior research to show not just the link between economic inequality and financial instability, but also how heightened systemic risk due to factors such as NBF growth is driven by economic inequality.
- **Asset-Manager Passivity Standards Set for Thursday Rewrite** - As [anticipated](#), the FDIC has set [the date](#) at which it will address concerns that index-fund and other asset managers are no longer passive investors in banking organizations and thus may warrant BHC designation.

[April 24](#)

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

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- **CapOne/Discover Deal Open for More Comment** - The [FRB](#) and [OCC](#) today took the unusual step of extending the public comment period on the Capital One/Discover merger until May 31.

April 25

- **FSB Tackles CCP Resolvability** - Continuing its NBF [work](#), the FSB released final CCP-resolution [standards](#).
- **FDIC Considers, Tables Passivity Proposals** - As [anticipated](#), the FDIC [took up](#) proposals to address concerns regarding index-fund managers' compliance with passivity commitments.
- **BIS Head Suggests NBFs Get a Targeted Global Standard-Setter** - BIS General Manager Carstens [said](#) that there is insufficient global momentum to address the risks posed by NBFs, asking international bank supervisors to consider the need for a committee akin to Basel for NBFs.

April 26

- **Treasury Slams PR Banking AML, Sanction Compliance** - Providing an unusually blunt warning, Treasury Undersecretary Brian Nelson [stated](#) that further action is necessary in Puerto Rico to combat illicit finance, tighten supervision, and increase transparency.
- **BCBS Moves Forward With New Counterparty Risk Guidelines** - As [anticipated](#), the Basel Committee announced that it [approved](#) a consultation on proposed guidelines to strengthen bank counterparty credit risk management, replacing the Committee's 1999 global guidance that failed to address the now-significant role of NBFs and their heightened leverage.
- **HFSC Merger Hearing to Test Agency Proposals** - The memo for the merger [hearing](#) before HFSC's Financial Institution Subcommittee indicates that witnesses are senior attorneys from the OCC and FDIC sure to be grilled by Republicans on their agencies' proposed merger-policy rewrites.

This Week

Tuesday, April 30

Senate Banking: Hearing entitled: "Higher Prices: How Shrinkflation and Technology Impact Consumers' Finances." [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **Mr. Bilal Baydoun**, Director of Policy & Research at Groundwork Collaborative; and **Dr. Allison Schrager**, Senior Fellow, Manhattan Institute.

CFPB Community Bank Advisory Council Meeting. [1:00 pm, webcast]. Matters to be discussed: the Unified Regulatory Agenda.

Wednesday, May 1

HFSC Subcommittee on Financial Institutions and Monetary Policy Hearing entitled: "Merger Policies of the Federal Banking Agencies." [10:00 am, 2128 RHOB]. Witnesses: **James L. Anderson**, Deputy General Counsel, Federal Deposit Insurance Corporation; and **Ted Dowd**, Acting Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency.

Future Events of Note

Thursday, May 9

CFPB and DOT Joint Hearing on Airline and Credit Card Rewards Programs. [10:00 am, webcast] Witnesses: **Scott DeAngelo**, Executive Vice President and Chief Marketing Officer, Allegiant Air; **Morgan Harper**, Director of Policy and Advocacy, American Economic Liberties Project; **Andrew Grimm**, President and CEO, Apple Federal Credit Union; **Sara Nelson**, International President, Association of Flight Attendants; **Lukas Johnson**, Chief Commercial Officer, Breeze Airways; **Erin Witte**, Director of Consumer Protection, Consumer Federation of America; and **Robert Patrick Cooper**, Senior Vice President and General Counsel, OneUnited Bank.

Wednesday, May 15

CFPB Consumer Advisory Board Meeting. [10:30 am, webcast]. Matters to be discussed: TBA.

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](#).

- **[SYSTEMIC99](#)**: The latest Federal Reserve financial-stability [assessment](#) continues the Fed's practice of detailing vulnerabilities without drawing bottom-line conclusions; the Board once did so, but ceased this practice after opining that the financial system's risk was "moderate" shortly before the 2020 crash.
- **[MORTGAGE122](#)**: Although there was no need for further evidence that campaign season has begun, today's Senate Banking housing hearing surely confirmed it.
- **[GSE-041724](#)**: Just as the CFPB readies its assault on [cashout-refi discount fees](#) comes [FHFA's request](#) for views on a new Freddie Mac product that would give borrowers access to their locked-up equity without a new first lien at a higher rate or a traditional home-equity second riding

piggyback atop the first lien.

- **RESOLVE51**: In its first public statement since 2013 about how it would execute an SPOE resolution (see [FSM Report RESOLVE23](#)), the FDIC yesterday released a [report](#) Chair Gruenberg [described](#) as demonstrating the FDIC's readiness to resolve a U.S. GSIB and the process it has developed for doing so under the orderly liquidation authority (OLA) provided in the Dodd-Frank Act (see [FSM Report SYSTEMIC30](#)).
- **GSE-041024**: *Bloomberg today* reports that the CFPB may simply ban consumer payment for lender title insurance.
- **AML137**: Senate Banking Committee's Hearing with Deputy Secretary Adeyemo reviewed the Administration's request for additional digital asset AML/CFT authority.
- **GSE-040824**: It wasn't hard for us to forecast that, after NEC Director Brainard [endorsed](#) CFPB Director Chopra's jihad against mortgage "junk fees," that the discount points that received particular opprobrium would be moved up the priority ladder for federal restriction.