



Tuesday, April 2, 2024

Bowman Attacks “Regulation by Application”

FRB Governor Bowman today [expressed](#) concerns about the regulatory agencies’ evolving approach to M&A, stating that pending reforms may exacerbate existing procedural problems such as long delays and regulatory uncertainty that may undermine the viability of banks. Warning against “regulation by application,” Governor Bowman stated that speed and timeliness should be a higher priority, noting that delays can harm both institutions involved and increase operational risk, reputational risk, and expenses. Referring to the FDIC’s proposal, Governor Bowman raised several issues noted also in FedFin’s analysis ([See FSM Report MERGER15](#)), including heightened uncertainty, going beyond CRA requirements, adverse impact on de novo chartering, and threats to long-term bank viability. She was also critical of the complex bank charter process.

OFR Examines Stress-Event LCR

The OFR today [published](#) a brief examining the performance of components of the LCR on U.S. GSIBs in response to the COVID-19 shock. The brief finds that flow volatility sharply increased and remains elevated for unsecured wholesale and retail deposits and was particularly pronounced for brokered deposits. The paper also finds a sharp increase in outflows associated with derivatives contracts during the COVID-19 shock, with weighted derivatives outflows remaining elevated at several banks.

FRB-PHL: Majority of Consumers Receptive to CBDC

The Federal Reserve Bank of Philadelphia today released a [report](#) on CBDCs, finding that a majority of consumers were generally receptive to a U.S. CBDC despite obstacles to widespread CBDC consumer adoption. A widely adopted CBDC would require ease of use without access or use fees, high levels of security and privacy, and wide acceptance in the marketplace. Interestingly, 49 percent of respondents believe they understand CBDCs, despite the fact that no retail-facing CBDC is even close to implementation.

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](#).

- [GSE-032924](#): Following FSOC’s fulminations about [nonbank mortgage companies](#), FHFA in 2023 heightened its supervisory standards mandating GSE prudential governance of eligible seller servicers.
- [MERGER15](#): Following its 2022 request for input, the FDIC has released a formal proposal that would redefine the agency’s bank-merger policy into one that will make it difficult for all but the smallest and simplest transactions within its jurisdiction to have the clear prospects for approval usually necessary in non-emergency transactions, subjecting other M&A applications to protracted review with a high likelihood of denial.
- [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](#).