



Wednesday, April 10, 2024

OCC Merger Deadline Extended, De Facto Policy Remains

Responding to industry requests, the OCC today [extended](#) the comment deadline on its merger proposal ([see FSM Report MERGER14](#)) until June 15 from April 15. While the OCC says the proposal only clarifies bank-merger decision-making, we read it as creating additional hurdles to large and/or complex transactions. Despite the comment-deadline extension, we continue to caution that this proposal expresses agency sentiment guiding any near-term decisions unless or until the final policy statement differs significantly from the proposal. As noted, the FDIC has proposed an even more stringent approach ([see FSM Report MERGER15](#)), while the [FRB](#) is making case-by-case decisions based on current policy, consultations with the Department of Justice, and unspecified factors for larger, more complex transactions.

Gruenberg Defends FDIC GSIB-Resolution Readiness

Rejecting criticism from its own [inspector-general](#) and others including [Karen Petrou](#), FDIC Chair Gruenberg today [stated](#) that the agency is indeed ready to resolve a U.S. GSIB and that any such resolution will exert market discipline on shareholders and BHC counterparties. Describing Credit Suisse's rescue as a failed chance to reduce moral hazard, Mr. Gruenberg noted that U.S. GSIB resolution plans are credible and the FRB's 2016 TLAC rule ([see FSM Report TLAC6](#)) provides a significant buffer that should make the agency's resolutions feasible. The speech does not compare U.S. TLAC – debt only – to the AT1 structure allowed in Switzerland, but we believe this difference underpins the FDIC's views and reinforces plans also to impose LTD standards on regional banks ([see FSM Report TLAC9](#)). Mr. Gruenberg's speech coincides with the FDIC issuing a paper (see forthcoming FedFin analysis) laying out the steps the agency is prepared to take in an SPOE resolution under OLA ([see FSM Report SYSTEMIC30](#)). What would happen in the MPOE resolution for which many super-regionals have planned is not made clear. Much of Mr. Gruenberg's talk describes the process set out under OLA for a bridge entity, noting for example that executives and directors are discharged under documents the FDIC has already prepared for such cases, with the FDIC then taking charge to stabilize the entity. This is easier said than done; FedFin's forthcoming analysis will assess this process in detail to determine its credibility and thus the impact it along with the establishment of a bridge company could have on large-bank near-term franchise value. The speech also describes how the FDIC plans to exit a resolution, noting it would do so as quickly as feasible. Tobias Adrian, the IMF's Director of the Monetary and Capital Markets Department, said that Credit Suisse's rescue secured financial stability but heightened moral hazard; it should be noted that Swiss authorities today [released](#) sweeping proposals to rewrite the nation's regulatory and resolution construct.

Hsu Presses Banks to Expand Account Access for Immigrants

Focusing on increasing banking access for immigrants, Acting Comptroller Hsu today [told](#) banks to consider risk-based adjustments to their account screening processes to accept more forms of identification for account openings such as municipal IDs and consular ID cards. Mr. Hsu also stated that banks should not make broad-based decisions affecting customer categories, noting that no customer type presents a uniform risk account or AML profile. The Acting Comptroller also said that banks can develop compliant special-purpose credit programs to extend credit to meet the needs of "specified classes of persons," praising banks for expanding these offerings in LMI communities across the country.

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-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.
- **[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.