



# FedFin Weekly Alert

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Monday, May 6, 2024

## ❑ CAN CONGRESS DO ANYTHING?

Seemingly not. Last week, one of the most promising bills so far – a federal stablecoin construct – sputtered and died. Resurrection is possible, especially in the lame-duck, but we find it dispiriting that a bipartisan bill that almost every key policy-maker thinks urgent is nonetheless doomed in regular order, let alone in the hail-Mary attempted last week via a must-pass bill. The legislation cannot advance without compromise between HFSC Chair McHenry (R-NC) and Ranking Member Waters (D-CA) and, even if the tantalizingly-close agreement between them materializes after more than two years of negotiations, it still has to get to the House floor – possible – and then advance in the Senate – even harder.

The hold-up is a perennial financial policy sticking point: the balance between state and federal regulators. Mr. McHenry wants something akin to the latest Lummis-Gillibrand [compromise](#) that puts federal and state regulators on close-to-equal footing. Rep. Waters wants the federal preemption preferred by Treasury ([see Client Report CRYPTO42](#)), as does Banking Chair Brown (D-OH). Will Sen. Warren (D-MA) agree even if all these hurdles are surpassed? Not unless she gets the AML bill she [pressed](#) again last week. And, if Sens. Brown and Warren get happy, does Majority Leader Schumer (D-NY) get cranky? He wants parallel state authority so hopes for a New York City crypto center advances along with economic benefit and political reward. Is there some common ground somewhere? We're watching, waiting, analyzing, and reporting, but it seems likely that banks will remain in the stablecoin wilderness as major, unregulated players grow still more formidable for the foreseeable future.

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## Headlines From the Past Week's Daily Briefings

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### [April 29](#)

- **FSB Adds Non-Financial Leverage to Worry List** - FSB Chair Klaas Knot [discussed](#) financial stability risks, reiterating that the FSB is monitoring potential CRE spillovers and that Switzerland should strengthen its TBTF framework.
- **Warren, Marshall Keep Pressure On for Crypto-AML/Sanction Rewrite** - Working to ensure that their crypto-AML bill is included in the final version of House stablecoin legislation now being drafted, Sens. Warren (D-MA) and Marshall (R-KS) sent a [letter](#) to the White House, Treasury, DoD, and FinCEN reiterating concerns that foreign adversaries are relying on cryptocurrency to evade U.S. sanctions.

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### April 30

- **Changes to Fed Reporting Requirements Augurs Shift in M&A Policy** - The Federal Reserve has proposed two changes to reporting requirements related to merger-and-acquisition transactions.
- **Basel Rewrites Global CCR Standards** - As [anticipated](#), the Basel Committee [issued](#) proposed counterparty credit risk (CCR) standards.
- **CFPB Price Complexity Study May Presage Action on Credit Cards, Mortgages, Savings Accounts** - The CFPB [issued](#) a report finding that increasing price complexity leads to higher transaction and total costs and increased consumer errors, with this not offset by increased competition.
- **House Oversight Subcommittee Considers CRE Risk** - House Oversight's Health Care and Financial Services Subcommittee [hearing](#) on commercial real estate focused on preventing systemic risk.

### May 1

- **Treasury Urged to Consider Green Bonds** - The Treasury Borrowing Advisory Group's latest report to the Treasury [includes](#) a proposal that the U.S. join other sovereigns and issue "green bonds."
- **Powell Says No Decision on Basel 3 Reproposal** - Refuting [coverage](#) that the FRB does not plan to repropose the Basel end-game rules, Chair Powell said that the central bank has made no decisions yet on either policy or process beyond a commitment to final standards faithful to the global rules and comparable to those in other jurisdictions.

### May 2

- **CFPB Hones Credit-Card Reward Complaints** - Expanding its attack directly to credit-card rewards, the CFPB issued a [blog](#) concluding that "excess" fees cause many consumers to pay more in interest and charges than for amortizing principal, compounding the pricing complexity the Bureau [argued](#) deceives consumers and undermines effective comparison-shopping to the lower-cost options it believes smaller-card providers [provide](#).

### May 3

- **Fed Advances Long-Awaited Fedwire Fix** - Finally moving to address a problem identified during the March 2023 bank failures ([see Client Report REFORM222](#)), the Federal Reserve [proposed](#) to make the Fedwire Funds Service and NSS operational every day of the year.

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## This Week

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### Tuesday, May 7

HFSC Subcommittee on Capital Markets Subcommittee Hearing entitled: “SEC Enforcement: Balancing Deterrence with Due Process.” [10:00 am, 2128 RHOB]. Witnesses: **Andrew Vollmer**, Senior Affiliated Scholar at the Mercatus Center and former SEC Deputy General Counsel; **Nick Morgan**, President and Founder, Investor Choice Advocates Network; and **Paul Eckert**, Professor of the Practice of Law, College of William & Mary Law School.

### 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.

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## Future Events of Note

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### Wednesday, May 15

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

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## Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **[MERGER16](#)**: At today’s HFSC Financial Institutions Subcommittee hearing on bank mergers, Democrats said that larger mergers pose numerous risks while Republicans criticized the application-and-approval process as opaque and time-consuming.
- **[GSE-043024](#)**: In conjunction with releasing its new [fair-housing rule](#), FHFA yesterday also [created](#) a new office of “Public Interest Examination.”
- **[ASSETMANAGEMENT8](#)**: As we [noted](#), the FDIC board late last week faced the unusual and perhaps unprecedented situation of a staff resolution supported by its Chair and one Democratic Director that was countered by a different proposal from Republican Directors, with both options finally tabled due to objections from the Acting Comptroller.

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- **[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.