



HFSC Set for Marathon Markup

According to the majority-staff [memo](#) released yesterday for HFSC's mark-up on Thursday, the mark-up will focus on eleven bills including H.R. 8337, a new bill introduced by Rep. Barr (R-KY) which includes six previous bills. These include measures for a more certain and generous merger approval process, SCB transparency, and discount window improvement. In addition, the committee will vote on H.R. 8338 from Rep. Kim (R-CA), another bill subsuming previously introduced measures, such as a bill to reduce small-dollar lending regulation, retract CFPB "abusive" enforcement powers, and rewrite the small business reporting requirements. The panel will doubtless take considerable time on a compilation bill from Rep. Wagner (R-MO) restricting and in some cases eliminating SEC Authority. The committee will also consider several housing-related bills.

BIS Advances Tokenized Cross-Border Payments

Advancing its general manager's [campaign](#) to encourage tokenization, the BIS today [invited](#) private-sector financial institutions to apply to participate in Project Agorá, testing whether tokenized deposits could enhance cross-border payment functionality via tokenized commercial bank deposits and tokenized wholesale central bank money in a public-private platform. The project is led by the BIS, IIF, and seven central banks including the Federal Reserve Bank of New York. Applying institutions are expected to have significant roles in wholesale cross-border payments in the jurisdictions of the participating central banks, contribute technical expertise and test use cases, and have experience with "digital innovation initiatives." Applications will be open until May 31, with selected participants announced in early August.

Barr to Say Liquidity Regs Coming, Capital Standards in the Works

In the testimony he will present starting [tomorrow](#), FRB Vice Chair Barr makes it clear that, despite the banking system's current sound condition, banks and supervisors must remain vigilant due to emerging challenges such as CRE and consumer-debt risk. Mr. Barr also describes pending rules, noting work on "targeted" changes to liquidity rules addressing HTM monetization and discount-window preparedness. No timeline is provided. The FRB is also surveying banks to identify ways to improve discount-window operations. Mr. Barr's comments suggest that the capital rewrite will be advanced with material changes based on recent data without making clear if this will be done via a final rule or in a new proposal. Again, there is no timeline.

Gruenberg's Promised Workplace Reforms Set for Buzzsaw

Events late today surrounding FDIC Chair Gruenberg's [testimony](#) indicate his going may be even stormier than we [anticipated](#). The testimony promises change including near-term issuance of an RFP for an independent monitor. However, Director McKernan, who headed the independent inquiry leading to the damning [report](#), said [today](#) that this was not discussed with the board and, if decisions are made only by the Chair, then none of these changes is appropriately independent. We had expected Republicans to downplay any reforms Mr. Gruenberg promised in an effort to push him out and weaken Democratic support, already frail as Treasury Secretary Yellen's comments [yesterday](#) suggested. That proposed reforms were not brought to the board and approved by Republican members will surely exacerbate matters at an even more contentious hearing. Mr. Gruenberg's statement also includes an inventory of pending rules with little news other than the inference that the next step for the end-game standards is a final rule, not a re-proposal.

Hsu Focuses on Operational Resilience, Check Fraud

Acting Comptroller Hsu's [testimony](#) says the banking system is sound, but also at risk of increasing disruptions with heightened impact due to natural disasters, geopolitical risk, and internal operational failings or poor risk management. As a result, he reiterated that the banking agencies are looking at ways to bolster operational resilience. The statement also reiterates longstanding agency concerns with cryptoassets, pointing to OCC work to encourage tokenization as an alternative. The OCC is also working with other agencies to evaluate whether supervisory guidance is needed to enhance the ability of smaller banks to receive counterparty reimbursement when there is check fraud, noting that the systems essential for operational resilience in these and other arenas require systems possible only when a bank is large enough to achieve economies of scope and scale. He does not say how this concern fits in the context of the agency's stringent proposal regarding all but the smallest and simplest bank mergers ([see FSM Report MERGER14](#)). All said on the end-game rules is that the OCC has an "open mind" to rules critical to safety and soundness.

Fed, OCC Open CapOne/Discover to Public Hearing

The FRB and OCC today [extended](#) the public-comment period on the CapOne/Discover merger until July 24. They also announced that – as Democrats requested – the transaction will be the subject of a single, virtual public hearing on July 19. This will surely air considerable opposition, creating an additional impediment to agency approval.

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](#).

- [COMPENSATION38](#): The OCC, FDIC, FHFA, and NCUA have revived what was in 2016 a proposal issued also by the FRB and SEC to revise incentive compensation at financial institutions in hopes of better alignment between compensation and safety and soundness.
- [GSE-051324](#): When FSOC released its systemic-designation [methodology](#) last year, the Council made it clear that nonbank mortgage companies faced top-down federal regulation.
- [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.
- [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.