



Gruenberg Turns to Regulatory Rewrites

Turning back to his day job, FDIC Chair Gruenberg today [spoke](#) to European regulators on lessons from last year's U.S. banking crisis. Here, he generally repeats prior regulatory conclusions such as the need to address AOCI capitalization, long-term debt, resolution planning, and deposit-insurance coverage. However, Mr. Gruenberg also announces that the FDIC is considering issuance of supervisory funding guidance on deposit concentrations addressing not only uninsured deposits as has already been done, but also other types of deposits such as those for operations. This guidance would only cover FDIC-supervised banks, but may reflect work also underway at the OCC given Acting Comptroller Hsu's [focus](#) on operational deposits and the uncertain prospects that new liquidity proposals will address them.

Waller Reinforces Fed Dominant Role Across U.S. Payment System

FRB Gov. Chris Waller today [addressed](#) an array of technical payment-system issues, also reiterating the Fed's plan to remain firmly engaged in payment services as well as serving as technology convenor and dominant provider. We will shortly provide clients with an in-depth analysis of the Fed's plans also to expand Fedwire and NSS to 22x7x365, a move the Board intends to coordinate closely with ongoing implementation of new messaging standards. Mr. Waller observes that the payment system is again experiencing a "technology-driven revolution," with advances such as instant payments and digital assets having advantages but also significant fragmentation and even systemic risks. Standards are one way to address these risks, but only do so if widely and consistently adopted. Mr. Waller thus stresses the importance of interoperability even though he does not address the longstanding question of ensuring interoperability between The Clearing House and FedNow.

Freedom Caucus Republicans Resurrect Bill to Abolish the Fed

Leading a group of Freedom Caucus Republicans, Rep. Thomas Massie (R-KY) yesterday [introduced](#) H.R. 8421, a bill to abolish the Federal Reserve Board and Federal Reserve banks, along with repealing the Federal Reserve Act. This bill has surfaced from time to time in the House, but takes on renewed importance in an election season in which inflation, Fed independence, and monetary-policy credibility have taken on heightened importance and the cast of 2025 decision-makers remains to be seen. Mr. Massie accuses the Fed of devaluing the dollar and enabling "free money policies" leading to high inflation and widespread economic pain. Rep. Massie is also the sponsor of another longstanding Fed-reform effort to audit the [central bank](#) (H.R. 24). No action on these bills is likely in this Congress, but political attention to them seems certain.

Fed Denies Petitions to Review CAMELS, Social-Commitment Disclosure

The Federal Reserve Board today voted 7-0 to [reject](#) two petitions on grounds that they do not demonstrate that the FRB erred on statutory or policy grounds. The 2020 petition from BPI sought FRB and FDIC revisions to the Uniform Financial Institutions Rating System (UFIRS) that sets CAMELS ratings following a 2019 request for views ([see FSM Report CAMELS](#)). The Fed denied this on grounds that an RFI is not a necessary precursor to rulemaking and that acting as requested would adversely affect the ratings system in several enumerated ways. The Board also rejected a request that the Fed at least study ratings on grounds that it continuously evaluates its standards. Gov. Bowman [agreed](#) with denying this petition on grounds that it is up to the Board to set its priorities and that aspects of the proposal were inconsistent with

statute, but she noted several strong substantive arguments that showed the need to reconsider the extent to which the CAMELS system remains fit for purpose. The second petition came in 2022 from a firm named Creative Investment Research; it sought Fed rules requiring additional disclosures on the manner in which firms promising assistance to Black Lives Matter met these commitments. Here, the Board said it found no legal authority to issue any such rule, promising as it did so to continue to work on financial inclusion.

Bowman Lumps Fed M&A Reports Into Policy Critique

FRB Gov. Bowman today [reinforced](#) the substantive nature of recent Fed changes to M&A reporting first identified in a FedFin client [alert](#), saying that these could increase up-front costs in a way particularly harmful to small institutions. She also criticized the FDIC and OCC merger proposals ([see FSM Reports MERGER14](#) and [MERGER15](#)) on grounds that the new processes will lead to considerably longer deal-approval timeframes, leading to greater operational risk, increased expenses, reputational risk, and staff attrition in the face of prolonged uncertainty.

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](#).

- [PAYMENT29](#): Reflecting last year's hard-learned lessons of Fedwire closing and bank failure, the Fed is seeking comment on plans to expand Fedwire's operations to twenty-two hours a day, seven days a week, every day of the year (22x7x365).
- [REFORM233](#): Faring somewhat better than he did yesterday ([see Client Report REFORM232](#)), FDIC Chair Gruenberg weathered repeated calls from Democrats to reform the agency's culture without being subjected to direct demands that he resign.
- [REFORM232](#): Democrats today were surprisingly scathing about FDIC Chair Gruenberg's continued service, with Reps. Pressley (D-MA), Velázquez (D-NY), and Foster (D-IL) making clear they had lost confidence in him.
- [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.