



Thursday, May 8, 2025

Senate Votes to Overturn OCC Merger Policy

The Senate late yesterday voted [52-47](#) to pass S.J. Res. 13, a CRA [resolution](#) to repeal the OCC's bank merger policy ([see FSM Report MERGER19](#)). Rep. Barr (R-KY) and a group of HFSC Republicans last month introduced the house companion, H.J. Res. 92, which is also expected to advance. As previously [noted](#), overturning the OCC's merger policy via CRA resolution does not bar the OCC from issuing a new merger policy, but that policy could not be "substantially similar" to the Biden Administration approach. As a result, it could include a streamlined process if the process is substantively different as well as set terms for application approval if they differ in areas such as the asset-size threshold and other criteria to which the industry strongly objected.

Scott Slams Fed, IOR

Moving on from legislation [introduced](#) yesterday with Sen. Warren (D-MA) to create a more independent IG for the Federal Reserve System, Sen. Scott (R-FL) has [introduced](#) additional measures to curtail the FRB. Working with Sen. Lummis (R-WY), Sen. Scott introduced [S. 1646](#), the "Rein in the Federal Reserve Act." This bill would require Congressional authorization for all Fed quantitative easing or tightening programs and for 13(3) liquidity facilities, forcing reauthorization if any of these programs last more than one year. It is surprising that Sen. Warren did not cosponsor this measure given her longstanding opposition to 13(3) programs and antipathy to the Fed, but the newly-partisan nature of this debate may well have stayed her hand. Sen. Scott also introduced two bills on his own. The "Regular Order for Investments (ROI) of the Federal Reserve Act," [S. 1647](#), would bring the Fed under GAAP and force assets marking to market – i.e., forcing loss recognition. S. 1647 would also bar the Fed from future RMBS purchases and limit Treasury holdings to short-term obligations. [S. 1648](#), the "Right-Size the Federal Reserve Act," would limit the Fed's balance sheet to ten percent of GDP (it currently stands at around 28%), laying out demands for Fed plans on how to shrink its holdings to comply with this new ceiling. Bank reserves could not fall lower than those required in March of 2020, with the Fed barred from paying interest on excess reserves. We will shortly provide clients with in-depth analyses of these bills, which face obstacles to action based on other Senate Banking priorities. However, Sen. Scott's bills speak to [concerns](#) held by other Members of Congress and may advance in concert with budget actions or consideration of a new Fed chair.

KC Fed: Fee Income Necessary for Sound Banking

A new Kansas City Fed [study](#) looks at the extent to which non-interest income sources increase bank market power and affect monetary-policy transmission, breaking new ground in two areas typically dominated by talk of deposit-taking and lending. The paper concludes that banks with significant fee-related income are able to hike fees and lower deposit rates as well as reduce lending by lower ratios during periods of interest-rate uncertainty, a finding said to be due to the ability of banks with significant fee income to tie product offerings. However, low fee-revenue banks reduce lending and show higher levels of balance-sheet risk, a finding the study attributes to the absence of market power. The paper thus recommends against policies that seek to reduce fee income, a finding with considerable implications for the continuing debate over [interchange fees](#).

OCC Redesigns Merger Policy

Even as the Senate rejected last year's merger rule ([see FSM Report MERGER19](#)), the OCC today [rescinded](#) it along with the agency's controversial policy statement subjecting mergers to an array of new approval criteria. The OCC [issued](#) an interim final rule (IFR) reinstating prior expedited-review procedure and the streamlined-application form. The IFR also seeks comment on how the OCC should rewrite its policy, with the IFR effective upon publication in the *Federal Register* and comments on the OCC's merger policy due thirty days thereafter. FedFin will provide clients with an in-depth analysis of the IFR if it proves a substantive guide to future OCC action upon further review.

Senate Stablecoin Bill Hits a Snag

Postponing Senate action on stablecoin legislation ([see FSM Report CRYPTO48](#)), the Senate today voted [48-49](#) to defeat the motion to proceed with the consideration of S. 1582. Senate Majority Leader Thune (R-SD) shifted his vote at the end to ensure the bill can return to the floor. Sens. Paul (R-KY) and Hawley (R-MO) voted with Democrats. The vote follows [warnings](#) over the weekend from Democrats formerly supporting the bill at mark-up ([see Client Report CRYPTO50](#)) that they could not support the draft as Sen. Hagerty (R-TN) and Chair Scott (R-SC) revised it for floor considerations. Negotiations continued and drafting changed, but Democrats protested in part that they hadn't had time to review the bill while others still opposed it in general terms and/or because it lacks prohibitions on President Trump's stablecoin activities. Last-minute advocacy from community bankers also pointed to problems with the bill's failure to bar nonbank issuer access to master accounts or to provide financial compensation to stablecoin holders. Compromise on these points may be difficult to reach, but Senate leadership and Democrats supporting the bill (e.g., Mark Warner of Virginia) still hope to move a federal stablecoin construct this session.

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](#).

- [FAIRLEND12](#): President Trump has issued an executive order (EO) ending long-standing practice by federal agencies to judge discrimination not only by whether signs of overt or other forms of express discrimination are found, but also if an entity's actions show disparate impact in who benefits or is harmed by them based on demographic or other "immutable characteristics."
- [LIVINGWILL26](#): The FDIC has used FAQs rather than a formal revision to implement a significant change to the large-IDI solution rules it finalized in 2024.
- [STRESS34](#): Although large banks are already conducting the stress testing mandated earlier this year, the Fed has now proposed several changes that form part of its broader decision late last year to redesign several aspects of this critical process and the manner in which CCAR results factor into the stress capital buffer (SCB), which sets minimum requirements rather than a buffer above them as the term implies.
- [MERGER22](#): As required by an executive order (EO) from President Trump mandating both review and then repeal of any rules that adversely affect competition, the FTC is seeking public

comment on which rules to target and whether these standards could be modified or must be rescinded to meet the President's goals.

- **REFORM238:** Although Ranking Member Warren (D-MA) seemed particularly angry with her at this session, FRB Gov. Bowman nonetheless seems set to advance quickly to confirmation after the Easter recess.
- **TRADE2:** In this report, FedFin provides its first assessment of how the sweeping [tariffs](#) on trade-in-goods set last night by the White House are likely to affect financial-services firms.
- **REFORM237:** In a series of [letters](#) to federal financial regulators, HFSC Chair Hill and varying groups of GOP-only Members today sent a barrage of demands to federal financial regulators jointly and singly.
- **CRYPTO51:** The chair of the House Financial Services Committee, Rep. French Hill (R-AR), the Digital Asset Subcommittee's chair, Rep. Bryan Steil (R-WI), eight other Republicans and three Democrats have introduced House legislation to create a long-awaited federal framework for dollar-denominated payment stablecoins.
- **PAYMENT37:** As [noted](#), the President yesterday issued two executive orders demanding significant change to the federal payment system
- **GSE-032425:** In this report, we do our damndest to make sense of what's been wrought at Fannie, Freddie, and FHFA in the few days since Bill Pulte took charge and Treasury Secretary Bessent [mused](#) about folding the GSEs into the sovereign wealth fund.
- **GSE-031725:** An intriguing op-ed in today's *Financial Times* [posits](#) a solution to the GSE-privatization problem: including them in the sovereign wealth fund (SWF) already being established by the White House.
- **CRYPTO50:** Working off a revised version of the Hagerty GENIUS Act ([see FSM Report CRYPTO48](#)) and a managers' amendment reducing partisan differences, the Senate Banking Committee today reported S.919 by a vote of 18-6 over strong objections from Ranking Member Warren (D-MA).
- **CBDC15:** Following President Trump's strong opposition to a U.S. central bank digital currency (CBDC), House Republicans have begun work to block any future efforts by the Federal Reserve to establish one even though the Fed for now has decided against pursuing a CBDC.
- **CRYPTO49:** At today's HFSC hearing on stablecoins and CBDC, Chairman Hill (R-AR) framed the discussion as a guide to further changes to draft stablecoin legislation, while Ranking Member Waters (D-CA) made clear that she and other Democrats are not ready to support a bill that is materially different than the framework negotiated with former-HFSC Chair McHenry.
- **DEBANKING4:** Senate Banking Committee Chair Tim Scott (R-SC) has brought all his panel's Republicans to support legislation barring federal banking agencies from making regulatory or supervisory judgments based on reputational-risk considerations.