

LXR Group

Biweekly Bulletin

Bringing clients and subscribers exclusive policy updates and analysis from the world of capital markets, fintech, investor protection and more.

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House, Senate Panels Conduct Oversight of Largest U.S. Banks

Analysis: On [September 21](#) and [September 22](#), respectively, the U.S. House Committee on Financial Services and the U.S. Senate Committee on Banking, Housing and Urban Affairs conducted back-to-back hearings on “*Oversight of the Nation’s Largest Banks*.” The witnesses were [Andy Cecere](#), Chairman, President, and CEO, U.S. Bancorp; [William Demchak](#), Chairman, President, and CEO, The PNC Financial Services Group; [Jamie Dimon](#), Chairman and CEO, JPMorgan Chase & Co.; [Jane Fraser](#), CEO, Citigroup; [Brian Moynihan](#), Chairman and CEO, Bank of America; [William Rogers Jr.](#), Chairman and CEO, Truist Financial Corporation; and [Charles Scharf](#), President and CEO, Wells Fargo & Company. Here are 7 [takeaways](#) from the pair of oversight hearings.

1. The Mega Banks are No Longer the Pariah's they Once Were. This was a good pair of hearings for the CEOs of the largest U.S. banks in the sense that moderate Democrats felt unencumbered in offering praise for the institutions and their leadership. In a very unusual step, on the first day of the hearings, before the CEOs had even begun their testimony, **Rep. Ed Perlmutter (D-CO)** used his prerogative as a *subcommittee chair to deliver an opening statement drawing a through line from the 2008 crisis to present: "The banking sector lost a lot of trust in 2008, but with the passage of Dodd-Frank and disciplined and prudent operations, our banks are now well capitalized. Banks have been a source of strength during the pandemic and in many cases have made progress in restoring consumer trust over the last decade."* During the Q&A period, **Rep. Himes (D-CT)** also focused on this theme: *"I first sat in this room in the first quarter of 2009, when the economy was contracting at an annualized rate of 10 percent. And I really did worry that a number of your institutions weren't going to survive the week. We have come a long way. [...] Credit where credit is due, we got through the mother of all stress tests in these last two years because of Dodd Frank, but also because of your stewardship of the institutions that you run."* Of course, the "mega-banks" are not fully out of the woodshed – indeed, top progressives on both the HFSC and Banking committees have changed their tone little from 2008. But key HFSC centrists, without whom Dodd-Frank could never have passed – seem to have viewed the pandemic as a true "stress test," and a success. [Click here to read the full analysis.](#)

Top Policy Developments

Congress Approves Continuing Resolution to Fund Government Through December 16. On September 30, the last day of the 2022 fiscal year, 10 Republicans joined all House Democrats in voting 230-201 to approve a [continuing resolution](#) (CR) and prevent a partial government shutdown. The House vote came one day after the bill cleared the Senate on a 72-25 vote. The CR extends current funding levels until Dec. 16, while also approving \$12.4 billion in military and diplomatic spending to help Ukraine in its war against Russia. It also contains \$18.8 billion for domestic disaster recovery efforts, including Western wildfires, floods in Kentucky and hurricanes in the Southeast. The President signed the bill late Friday evening.

House Push for Bipartisan Stablecoin Legislation Falls Short. On September 26th, senior staff for HFSC Chair **Maxine Waters (D-CA)** and Ranking Member **Patrick McHenry (R-NC)** were forced to pull the plug on [negotiations](#) aimed at securing bipartisan consensus on legislation that would provide a regulatory framework for the oversight of stablecoins. Staff for both members had spent much of the previous two weeks [attempting to finalize](#) an agreement that would be acceptable not only to the Committee, but also to the Administration, whilst navigating intense lobbying from external stakeholders on all sides. A "discussion draft" of the bill, which was [circulated to some](#) stakeholders early in the week, sparked fierce opposition from progressive advocates, who viewed the bill as "short of what is needed to effectively protect consumers, investors and financial markets from the risks these assets have posed and could pose, and instead may legitimize these unreliable assets, amplifying their risks and potential harm." Chairwoman Waters and the Ranking Member have indicated they intend to continue to negotiate. However, the next opportunity to act on the bill won't occur until after the November elections, and by that time, leverage between the two negotiators and the two parties may have shifted sufficiently to render compromise moot.

House Fails to Approve Legislation Limiting Stock Trades by Lawmakers and their Families. Last Tuesday, House Democrats introduced [legislation](#), the Combating Financial Conflicts of Interest in Government Act of 2022. The aim of the bill was to impose the "[tightest restrictions yet](#)" on trading stocks by senior government officials, members of Congress, and their families. Speaker Pelosi's decision to embrace the proposal followed months of pressure from rank-and-file lawmakers. Although the bill had been expected to come to the Floor last week, on Thursday, House Majority Whip **Steny H. Hoyer (D-MD)** told reporters that the legislation was "on hold," at least until after the balloting in November. The delay was a major setback to efforts to rein in stock trading by members in response to a surge of anger among voters. A recent [New York Times](#) front-page article pictured 97 members of Congress who traded stocks related to committee work. Polls show [70 percent](#) of voters support this reform.

Sen. Toomey Asks ESG Ratings Firms for Info on Scores, Data Collection Practices. On September 21, U.S. Senate Banking Committee Ranking Member Pat Toomey (R-PA) sent letters to twelve "ratings firms" asking them to provide information regarding their practices on calculating companies' environmental, social, and governance (ESG) scores. The Senator specifically requested that firms share any non-

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