

## Cabinet News and Views

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### FRB Vice Chair of Supervision Barr Gives First Speech Since Taking Office



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Federal Reserve Vice Chair of Supervision Michael Barr gave [remarks](#) yesterday to the Brookings Institution in Washington, D.C. The speech was his first since being sworn in at the [end of July](#) and served as a good indicator of his policy agenda.

In the speech, Vice Chair Barr laid out some of his near-term priorities that would build on what has worked since implementation of the Dodd-Frank Act to achieve his overarching goals of “helping to make the financial system safer and fairer...”

He emphasized that the goals of both a safer and fairer financial system should be complementary rather than competing. He noted that keeping the financial system safe “involves an active and never-ending effort to analyze risks and make necessary adjustments.” Vice Chair Barr laid out a number of his near-term priorities that could be characterized under the safety goal. The near-term goals include action on capital requirements, resolution of failed/failing financial institutions, bank merger policy review, stablecoins, and financial risks from climate change. We summarize some of the particulars on each below.

**Capital:** Vice Chair Barr stated that “[w]e are looking holistically at our capital tools to understand how they are supporting the resilience of the financial system, individually and in combination.” He also noted that they will be taking a holistic view of the supplementary leverage ratio, the countercyclical capital buffer, and stress-testing requirements under the current rules. Moreover, he said, “I am also committed to implementing enhanced regulatory capital requirements that align with the final set of ‘Basel III’ standards or the so-called ‘Basel endgame,’” and that he will have more to say on that this fall.

**Resolution Planning:** Vice Chair Barr said that the Fed would continue to work with the FDIC to “rigorously review” the resolution plans required for globally systemically important banks (“G-SIBs”). He also seemed to echo Acting Comptroller Michael Hsu’s remarks made in [April](#) that resolution plans should

possibly be required beyond just G-SIBs, but noted that any future policy actions in that space would be developed with the FDIC and OCC and after public comment.

Bank Merger Policy Review: Vice Chair Barr stated that another of his priorities is to evaluate the FRB's approach to reviewing bank mergers and acquisitions. He noted: "I am working with Federal Reserve staff to assess how we are performing merger analysis and where we can do better."

Stablecoins: Vice Chair Barr noted that unregulated stablecoins could pose financial stability risks. He said: "I believe Congress should work expeditiously to pass much-needed legislation to bring stablecoins, particularly those designed to serve as a means of payment, inside the prudential regulatory perimeter." This is another instance where Vice Chair Barr's comments appear to echo [Acting Comptroller Hsu's previous comments](#).

Financial Risks from Climate Change: Vice Chair Barr stated that, in the near-term, the FRB intends to work with the OCC and FDIC to provide guidance to large banks on expectations on how they should "identify, measure, monitor, and manage the financial risks of climate change." He also announced that "next year we plan to launch a pilot micro-prudential scenario analysis exercise to better assess the long-term, climate-related financial risks facing the largest institutions."

Vice Chair Barr then turned to priorities to achieve his objective of making the financial system fairer. He reiterated what he views as the three essential elements of fairness in the financial system: financial capability, financial access, and consumer protection. He noted that innovation has an important role to play in giving more access to those who may have been left behind in the past, but that vigilance is needed in assessing any new risks with such innovation, and specifically that "[c]rypto-asset related activity, both outside and inside supervised banks, requires oversight so that people are fully aware of the risks they face." He noted that the innovation of faster payments could be very useful to helping low-income households. He closed his remarks on fair access to financial services by noting the ongoing efforts by the FRB, FDIC, and OCC on the [proposal](#) to strengthen and modernize the Community Reinvestment Act.

In his conclusion, Vice Chair Barr said that he will "have more to say about these ideas, and other important reforms, in the coming weeks and months."

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