

THE HILL



Overnight Finance: Dallas Fed chief calls for shakeup

By Kevin Cirilli

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TOMORROW STARTS TONIGHT: DALLAS FED PREZ BLASTS CENTRAL BANK...

CALLS FOR TRANSPARENCY. My latest for **The Hill**: "The outgoing head of the Dallas Federal Reserve called Wednesday for major changes to the central bank's power structure, arguing that current policies fuel perceptions that big banks have too much influence with regulators. During a fiery speech to the Economic Club of New York, President Richard Fisher criticized the current structure, arguing that authority should be more equally distributed between the Fed's 12 regional banks." My story: <http://bit.ly/1IW4aSn>

-- **WHAT DOES FISHER WANT?** A lot. 1.) Strip the New York Fed president's permanent post as vice chairman of the all-powerful Federal Open Market Committee (FOMC), which is the Fed's policymaking board, and make it a rotating position between the regional bank presidents... 2.) Allow the regional banks to have oversight over large financial institutions as opposed to the Fed's Board of Governors... 3.) Require the Fed chair to give a press conference after every policy meeting as opposed to just once per quarter.

-- **FISHER'S BOTTOM LINE**, in his own words: "We at the Fed must fully and frontally address the concern of many who feel that too much power is concentrated in the New York Fed... I don't think the Fed is getting the message... In this era of social media and über-transparency, we at the Fed need to learn to speak English, rather than 'Fedspeak.'"

-- **BACKSTORY:** We're just a little over two weeks away from Fed Chairwoman Janet Yellen's testimony before the new GOP-controlled Congress. You already know: Sen. Rand Paul (R-Ky.) is touting his Audit the Fed bill, which would increase oversight of the central bank. Fisher opposes the bill, **BUT** - - > Fisher's speech is a clear signal that Fed officials are well aware of the calls for more transparency.

-- **SENIOR RAND PAUL STAFFER** tells me: "Fisher's call for structural changes are an admission that the super secretive Federal Reserve is in need of an audit. The admission of a problem is a good first step. The next step should be to pass Senator Paul's Audit the Fed legislation."

-- **MARK CALABRIA**, head of the Cato Institute's financial services team, tells me: "It reflects a system-wide discomfort with NY and the Board in DC. There's a sense out there that the regionals have been tarnished for actions taken by NY and the Board. Some of this is to rebalance the system back toward the regionals."

THIS IS OVERNIGHT FINANCE. What happened with House of Cards today?

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I'll be on News Channel 8's "Capital Insider" tonight at 8 p.m. if you're in Washington, D.C.

Tomorrow is Thursday...

FOR YOUR RADAR: OBAMA OFFERS ISIS WAR POWERS REQUEST. Justin Sink: "President Obama said Wednesday he was optimistic that his draft proposal asking Congress to authorize the use of military force against the Islamic State in Iraq and Syria (ISIS) will win bipartisan support." <http://bit.ly/1FzWNL4>

KEYSTONE XL BILL HEADED TO OBAMA'S DESK: Cristina Marcos and Timothy Cama for The Hill: "The House voted Wednesday to approve legislation authorizing construction of the Keystone XL pipeline, setting up the first major veto of the Obama presidency. Passage fell largely along party lines in a 270-152 vote, with 29 Democrats joining all but one Republican, Rep. Justin Amash (R-Mich.), in supporting the pipeline. The White House has repeatedly said President Obama will veto the legislation, and Republicans do not appear to have the two-thirds majority in either chamber to override him." <http://bit.ly/1zXovew>

TEXAS SHOWDOWN - - JEB HENSARLING PUTS JULIAN CASTRO ON DEFENSE: 'YOU ARE IN VIOLATION OF THE LAW.' House Financial Services Committee Chairman Jeb Hensarling (R-Texas) had Housing Secretary Julian Castro in the Hill hot seat this afternoon at a hearing examining President Obama's housing policies. Obama wants to cut fees to make it easier for low-income Americans to buy houses. But Hensarling and Republicans say the policy is eerily reminiscent of the lead-up to the 2008 financial crisis, when Americans who weren't ready to take out home loans were able to do so and the entire industry collapsed.

-- **BACKSTORY:** Hensarling and Republicans take particular issue with the federal government's Mutual Mortgage Insurance Fund's (MMIF) capital reserve ratio, a tool used to monitor the program's financial health. Federal law mandates the ratio be 2 percent. But currently it's at 0.41 percent... and Republicans say that means the federal government's housing programs could need another bailout.

-- **SHOT,** Castro talking MMIF ratio: "All of us at HUD are working hard to reach the 2 percent capital reserve ratio."

-- **CHASER,** Hensarling: "With all due respect, we have heard that before, and you are sincere. But this committee has been told that once, twice, three times, and it hasn't proven true... You are

in violation of the law and that has got to stop... The MMIF must maintain a capital reserve ratio of no less than 2 percent. It's not may. It's not might. It's not hope. It says shall." **Vicki Needham for The Hill:** <http://bit.ly/19apQuf>

Back to the Fed....

FED TO CONGRESS: OPPOSE 'AUDIT THE FED.' Kate Davidson for *The Wall Street Journal*: "The Fed's only Republican governor, Jerome Powell, has begun making the central bank's case to the GOP, in public and private, against proposals Fed officials say could limit its independence. And the bank has hired and promoted Republicans within its Congressional Liaison Office since the November midterm elections, when the GOP won enough seats to take control of the Senate from the Democrats and expand its House majority." <http://on.wsj.com/1Fx7AWr>

-- **RAND PAUL OP-ED FOR BREITBART:** "If the Federal Reserve was a real bank, without extraordinary powers, it would be insolvent... No bank in Kentucky failed during this crisis, yet Dodd-Frank pummeled our small community banks with crippling regulations. What we really needed was more oversight of the Fed, not small community banks." <http://bit.ly/196i5VW>

-- **PAUL MAKES BANK OFF 'AUDIT THE FED,'** via me: "Sen. Rand Paul's (R-Ky.) political action committee has already raised more than \$88,000 this week from his proposal to audit the Federal Reserve. Paul's Reinventing A New Direction (RAND) PAC wants to raise \$150,000 by Monday in what it is calling its "Stand with Rand Audit the Fed Money Bomb." It's asking for donations starting as low as \$10." <http://bit.ly/1E22r7H>

SENATE PANEL ADVANCES TAX BREAKS, Pete Schroeder for The Hill: "An eye toward a total overhaul of the tax code did not stop Senate lawmakers from advancing 17 different tax bills Wednesday... Panel leaders maintained that the broader reform effort remains ongoing, with an eye toward simplifying the tax code. But they added that that was no reason to not pursue more precise relief at the same time... The measures steered clear of any contentious issues."

Pete breaks down the measures included:

- 1.) One bill would require the IRS to notify a nonprofit ahead of time if it is in danger of losing its tax exemption for failing to file required paperwork.
- 2.) Another would shorten the period under which the IRS could collect unpaid taxes from combat veterans.
- 3.) A third would change excise tax law to accommodate the growing alcoholic cider industry. Sen. Charles Schumer (D-N.Y.), a leading backer of the measure, said the bill would "update our cider definition to ensure the common carbonation and alcohol levels associated with traditional cider are reflected in the excise tax."

QUOTABLE, Sen. Chuck Schumer (D-N.Y.): "The Cider Act is moving. How 'bout them apples?" Pete's story: <http://bit.ly/19apDa8>

NOTABLE, Rep. Robert Aderholt (R-Ala.), who chairs the House Appropriations subcommittee that oversees CFTC funding: "I am concerned that this administration is caving to the political extremes. In Washington, we call this 'moving the goalposts.' ... I challenge the CFTC to show where this increase in taxpayer money has reduced risk in the marketplace. How do we know that even more cops on the beat will prevent another 'too big to fail?' I see no direct correlation between CFTC's repeated increases and reduced risk."

-- **BACKSTORY:** President Obama has asked Congress to give the Commodity Futures Trading Commission (CFTC) \$322 million for fiscal 2016, a nearly 50 percent increase from the \$215 million it is receiving now. A funding increase of that size would nearly triple the amount of money the agency received in 2008, when the financial crisis hit. **My take:** <http://bit.ly/16UzHTk>

PRIVATE EQUITY HUNTS YOUNG BLOOD. William Alden and Sydney Ember for *The New York Times*: "They are only in their early to mid-20s, but some young bankers on Wall Street are the most sought-after financiers around, with lucrative pay packages dangling before them.

"Junior investment bankers who graduated from college only last year are being madly courted by private equity firms like Apollo Global Management, the Blackstone Group, Bain Capital and the Carlyle Group in a scramble that kicked off last weekend. After back-to-back interviews, many are now fielding offers for jobs that won't start until the summer of 2016." <http://nyti.ms/1DZq5S7>

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