



FedFin Daily Briefing

Wednesday, August 19, 2020

BIS Innovation Head Promotes Fintech Partnerships

The Head of the BIS Innovation Hub, former ECB Executive Board Member Benoît Cœuré, [today](#) opined on the benefits to both institutions and supervisors of partnering with fintech firms to overcome ongoing challenges to regtech adoption. Noting that the uncertainty and experimentation required for digital innovation conflict with the mindset of prudent supervisors and risk-minded financial institutions, he argued that fintech partnerships could advance banking culture, mindset, and technology. However, given the challenges of such partnerships, regulatory perimeters may also need to be redrawn.

Mr. Cœuré also highlights that only 14 percent of regulators have ongoing regtech adoption plans in part due to the simple lack of expertise. Both boards and supervisors are said to have a limited understanding of risk parameters and are often unable to grasp how outputs and decisions generated by AI/ML are formulated. Bringing in new talent with fintech experience may solve this for bankers, but Mr. Cœuré warns that regulators may have difficulty competing with the private sector. As previously noted ([see Client Report FINTECH7](#)), the FRB has considerable hesitancy about regtech even though [Acting Comptroller Brooks supports it](#) and the [FDIC is experimenting with it](#).

CFPB Extends Comment Deadline for ECOA Review

Responding to [requests](#) from both banks and consumer-advocacy groups, the CFPB [today](#) extended the comment period for its RFI seeking views on ways to prevent credit discrimination ([see FSM Report FAIRLEND7](#)) by 60 days. As noted, the RFI seeks input on clarifying the CFPB's approach to disparate impact analysis, facilitating non-discriminatory use of AI/ML, and determining when ECOA preemption applies. Comment is also sought on promoting small business lending and if the Bureau's ECOA rules should be revised to cover sexual-orientation and gender-identity discrimination. Comment is now due December 1.

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 requests@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about GSE Activity Reports, click: http://www.fedfin.com/index.php?option=com_content&view=article&id=18&Itemid=18

- **GSE-081920:** Weighing into the GSE-evolution question with its formidable analytical might, CBO [today assesses](#) a likely administrative solution in which the GSEs retain all of their earnings for a limited period of time following which common stock goes again on offer to the public and Fannie and Freddie go back to being Fannie and Freddie more or less as they were pre-2008.
- **OPSRISK21:** Although the Basel Committee believes that its post-crisis capital and liquidity framework significantly enhanced bank resilience evident in a robust industry response to the

pandemic, this crisis and other developments are said to highlight the need for additional regulatory and supervisory work to improve operational resilience.

- **[GSE-081720](#)**: With the release late Friday of Chairman Crapo's [letter](#) to FHFA, the GSEs' [refi fee](#) announcement has taken fire from a high-impact Senate Republican along with [Ranking Member Brown](#) and [HFSC Democrats](#)
- **[PAYMENT20](#)**: Following a request for views in late 2019, the Federal Reserve has largely finalized its plans for FedNow, initiating a Fed-owned and -operated instant-payment service for domestic transactions.
- **[GSE081320](#)**: The GSEs' decision last night to charge a 50 bps refi fee epitomizes the impact of capital regulation:
- **[FEDERALRESERVE58](#)**: Senior Democrats in both the House and Senate have introduced legislation that turns a general call for a "racial-equity mandate" in campaign statements by Vice President Biden into an express directive to conduct monetary, regulatory, payment system, and other policy to reduce racial and ethnic economic disparities.
- **[GSE-080420](#)**: Earlier today, we [released](#) an in-depth assessment of a little-noticed, but ground-breaking statement [released](#) late yesterday by the Federal Financial Institutions Examination Council (FFIEC).
- **[COVID12](#)**: The four federal financial regulators along with the CFPB and a state-regulatory representative that comprise the FFIEC have issued new principles designed to guide banking organizations and other lenders through the challenges as forbearance deadlines loom across the spectrum of consumer and commercial loans for financial institutions large and small at a time of fiscal-policy uncertainty.
- **[GSE-073120](#)**: When we looked at the [GSEs 1Q earnings](#), we asked if it was "curtains for CRT." The question came then because of the sudden rout in CRT counterparties caused by March's market madness.
- **[FAIRLEND7](#)**: The Bureau of Consumer Financial Protection has opened a sweeping inquiry into how credit discrimination occurs and could be averted, seeking comments and suggestions without indicating any possible policy responses
- **[CONSUMER35](#)**: As in yesterday's Senate Banking hearing ([see Client Report CONSUMER34](#)), today's marathon HFSC session with CFPB Director Kraninger was highly contentious.
- **[GSE-073020](#)**: Fannie Mae's and Freddie Mac's 2Q earnings statements reveal for the first time that FHFA on June 17 imposed a new liquidity regime akin in some respects to the banking agencies' LCR and never-finalized NSFR along with various other liquidity and resiliency standards for GSIBs.

- **CONSUMER34**: As expected, Democrats led by Ranking Member Brown (D-OH) sharply criticized CFPB Director Kraninger at the contentious Senate Banking hearing, citing a lack of enforcement actions and pandemic measures on [credit reporting](#) and mortgage forbearance.
- **GSE-072720**: In recent in-depth analyses, we assessed the OCC's new valid-when-made doctrine and its latest proposal to define who is deemed a "true lender."