



FedFin Daily Briefing

Thursday, October 8, 2020

Warren Demands Spotlight Coming Debate

Reiterating longstanding Democratic concerns, Sen. Warren (D-MA) [last night](#) turned her attack from the Fed to large U.S. banks, demanding answers on capital resilience in the wake of the Fed's decision [last week](#) to allow limited dividend payments. We do not expect this to sway the Fed from its decision, although new research from the Federal Reserve Bank of New York noted earlier [this week](#) may well lead to still more cautious Fed policy prior to year-end. Sen. Warren turns her attack to banks from the Fed on grounds that Fed policy is opaque, noting also that Fed projections assume fiscal stimulus now most unlikely in the near term. Sen. Warren demands answers banks will not be able to provide on matters such as internal capital assessments and communications to them from the Fed. She may thus be attempting to build a case not only that large banks are at risk and that the Fed is unduly lax, but also that the Fed has allowed high-risk capital distributions at the big banks that must be remedied with legislation on issues such as the leverage ratio or even her longstanding Glass-Steagall bill ([see FSM Report FHC21](#)). We expect Chairwoman Waters (D-CA) also to use capital distributions along with the Citibank enforcement action to renew her big-bank break-up bill ([see FSM Report GSIB11](#)). We will address the strategic implications of the Citi actions in a forthcoming client report.

Justice Department Targets Array of Crypto Activities

The Department of Justice [today](#) issued a new U.S. law-enforcement cryptocurrency framework detailing an array of threats to public safety and the international financial system the Department intends to address with aggressive law-enforcement action across the array of crypto- and virtual-asset entities and transaction structures highlighted in its report. Indeed, the Department says that illegal crypto- or virtual activity may be the "first raindrops" of terrorist attack, emphasizing the vital importance of effective enforcement and monitoring. Noting that crypto-focused money-service businesses (MSBs), brokers, exchanges and other casinos are failing to comply with AML requirements mandated whether or not fiat currency is involved as long as aspects of an entity's operations take place in the U.S. Private blockchains are also a significant DoJ concern, leading Justice to note highly-suspicious practices in this realm especially where there are cross-layering features allowing an array of crypto transactions.

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

- [CORPGOV31](#): In this report, we analyze the strategic implications of enforcement actions against Citibank issued late yesterday by the [Fed](#) and [OCC](#).

- **[CAPITAL226](#)**: In conjunction with numerous changes to its supervisory stress test (CCAR) for the largest U.S. banking organizations in response to COVID, the Federal Reserve is seeking comment on structural changes to current capital-planning requirements.
- **[GSE-100120](#)**: A troubling new IMF staff paper looks at U.S. housing policy since COVID to uncover some worrisome aggregate and distributional effects.
- **[CRYPTO15](#)**: Continuing Acting Comptroller Brooks' efforts to enhance innovation at national banks and federal savings associations, the agency has now authorized these institutions to hold reserves associated with certain stablecoin offerings.
- **[GSE-092820](#)**: Following its [morning meeting](#), FSOC late Friday released the staff [statement](#) expressing its near-term decision on systemic risk in the secondary mortgage market.
- **[AML132](#)**: FinCEN is beginning a process that, while apparently not revising or eliminating any existing anti-money laundering (AML) requirements, would add an over-arching principle that AML programs be efficient, "reasonably-designed," and capable of providing high-quality information to law enforcement and other government entities.
- **[COVID15](#)**: HFSC's second CARES Act-required hearing with Treasury Secretary Mnuchin and FRB Chair Powell continued to stress the theme that has become apparent ever since negotiations on a Phase IV relief bill stalled: Democrats primarily want additional direct fiscal support and Republicans are pushing for adjustments to existing relief programs funded by unused 13(3) Treasury backstops.
- **[GSE-092220](#)**: As usual, FHFA's [new strategic plan](#) is more rhetorical than real. Still, it has a noteworthy emphasis on ending the conservatorship, promulgating new standards, and enhancing inclusion not just at the GSEs and within FHFA, but also in credit access.
- **[CRA29](#)**: Emphasizing its new focus on racial equity ahead of several Congressional hearings this week, the Federal Reserve Board today unanimously [approved a long-awaited ANPR](#) revising its CRA regulations.
- **[GSE-092120](#)**: Late last week, the [Federal Reserve Bank of New York](#) announced that the Fed bought almost \$56 billion in agency MBS over the past two weeks.
- **[GSE-091720](#)**: [As anticipated](#), today's marathon HFSC hearing with FHFA Director Calabria covered a wide-range of issues we will shortly analyze in detail due to the policy and strategic importance of several exchanges.
- **[FAIRLEND8](#)**: HUD has largely finalized a controversial fair-housing rule as proposed, with the new standards for adjudicating fair-housing disputes giving defendants numerous additional protections.
- **[GSE-091020](#)**: As we [noted yesterday in our in-depth analysis](#), a CFTC subcommittee has issued a

landmark [report](#) laying out an array of climate-change risks it urges policy-makers to prioritize to prevent systemic and sector risks.

- [COVID14](#): Today's Senate Banking hearing on the status of emergency Fed facilities showed even more clearly the dividing lines between Democrats and Republicans on changes to the Main Street Lending program than the CARES Act Congressional Oversight Commission's [recent hearing](#).
- [GREEN4](#): In this report, we analyze an influential and possibly even game-changing [paper](#) released today by the CFTC's Climate-Related Market Risk Subcommittee.
- [GSE-090320](#): As noted in our three summaries of key FHFA comment letters, FHFA was not exactly overwhelmed by heartfelt praise for its GSE capital rule.
- [COVID13.pdf](#): As anticipated, today's House Select Subcommittee on the Coronavirus Crisis hearing with Treasury Secretary Mnuchin reflected contentious negotiations over a phase four rescue package.
- [GSE-090120](#): In this analysis, we continue our assessment of comment letters to FHFA on the [capital proposal](#).
- [GSE-083120a](#): In this report, we begin our assessment of the comment letters on FHFA's [capital proposal](#) that we believe carry the most weight in terms both of FHFA's final rule and what Congress may care to do about it.
- [GSE-083120](#): A new Fed staff study finds wide disparities among the mortgage rates borrowers pay on exactly the same loan that has nothing to do with risk and apparently everything to do with borrower sophistication.
- [MORTGAGE118](#): Despite its pending proposal to overhaul the entire definition of loans eligible for qualified-mortgage (QM) status, the CFPB proposes also to establish an additional class of first-lien, fixed-rate mortgages that are QMs or given a rebuttable presumption of QM status.