



Federal Financial Analytics, Inc.

THE ONCE AND FUTURE BANK?

When even a Federal Reserve Bank contemplates a payment system without banks, it's clear that policy-makers in 2021 will redefine the future of retail finance no matter who's in which office.

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A recent Karen Petrou [memo](#) was called “Bye-Bye Banks” because of the startling nature of a new payment-system study from the Federal Reserve Bank of Atlanta. As Petrou makes clear, the study is just a thought-piece, but it comes from an important thought-leader, the Bank's president, and arrives at a time of stunning transformation of retail finance into a digital future.

The Atlanta Fed is of course not the only federal agency considering how best to reconstruct U.S. payment and retail-finance delivery systems. Acting Comptroller Brian Brooks has also proposed a [payment charter](#) and taken such ground-breaking actions as authorizing [digital custody services](#) and even stablecoin “reserve” services . A sweeping [rulemaking](#) has also begun at the OCC that will guide this agency as well as the Fed and FDIC even if Mr. Brooks does not hold office long enough to craft new rules to his convention-breaking liking.

Much commentary has framed the future of U.S. fintech and bigtech finance as a set of political decisions that, under Democrats, will go in very different directions than might have been the case in a hands-off Trump second term. This is true with regard to political hot buttons such as preemption of state usury ceilings and consumer protections in other contentious [OCC actions](#), but only to a point. Federal preemption gives all federal agencies enormous power to shape finance to their liking and each will use this power to the furthest extent possible even if policies are nuanced or even redirected to advance policy and political considerations.

Further, political force cannot deter innovation, which will proceed apace no matter the increasingly anachronistic nature of U.S. law and rule. Innovators in both banks and nonbanks will continue to redefine key terms of digital-finance engagement, thus shaping the policy and political context rather than being shaped by it.

To read Karen Petrou's latest speech, click [here](#)
To read our latest in-depth non-proprietary report, click [here](#)
Karen Petrou's latest column can be found [here](#)

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Federal Financial Analytics, Inc.

2101 L Street, NW – Suite 300

Washington, DC 20037

Phone: 202.589.0880

www.fedfin.com

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