



# *FedFin Daily Briefing*

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Monday, December 7, 2020

## **G7 Ministerial: No Stablecoin Without Standards**

The G7 Finance Ministers and Central Bank Governors [today](#) strongly reinforced support for their October joint statement demanding tough digital-currency regulation. The October statement endorsed work from the FSB and other global regulators, including FSB [recommendations](#) for global stablecoin regulation, stating definitively that no global stablecoin should advance until rules are in place. The statement also asserted the importance of digital-payment policies that ensure stable, secure, and law-abiding payments systems as innovation advances. Secretary Mnuchin [expressly](#) endorsed this statement and the German finance minister [emphasized](#) that Facebook's stablecoin (now renamed Diem) is a "wolf in sheep's clothing" and will not be accepted in the EU until an adequate regulatory framework is in place.

## **Big Banks to Get Small FDIC-Premium Break**

The *Federal Register* [today](#) includes the FDIC's proposal to revise the risk-based deposit insurance assessment system for large IDIs, recalibrating assessments to remove double counting of CECL transitional amounts calculated using the sum of Tier 1 capital and reserves used to determine assessment rates. Relief is minor, with the FDIC estimating a drop of \$55 million in premiums. Absent this change, there is an inconsistency because Tier 1 capital is calculated based on CECL transitional amounts while reserves reflect CECL implementation. The calculation of the loss severity measure would also be adjusted to eliminate double counting. Neither regulatory capital nor regulatory capital relief associated with CECL transition would be affected; assessment-rate calculations that rely on the Tier 1 leverage ratio are thus unaffected. Comments are due by January 6.

## **Recent Files Available for Downloading**

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [requests@fedfin.com](mailto: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](http://www.fedfin.com/index.php?option=com_content&view=article&id=18&Itemid=18)

- [GSE-120720](#): The last Trump FSOC [annual report](#) reiterates 2019's [findings](#): nonbank originators and servicers are weak and interconnected, thus posing systemic risk.
- [DIGITAL6](#): Even though 2020 was of course preoccupied by the pandemic, there was no scarcity of the oft-repeated nostrum that law and rule must define the future of digital finance.
- [CHARTER27](#): In conjunction with a wide-open request for views on ways to increase the innovativeness of national banks and federal savings associations (FSAs), the OCC has finalized a significant rewrite of their more traditional powers and activities.

- [GSE-120220](#): Today's House Financial Services session with Mnuchin and Powell shed just a bit more light – or provided still more uncertainty – on the critical question of whether Treasury will work with FHFA to end the conservatorships before the Biden Administration surely keeps them for a long, long time.
- [GSE-120120A](#): At today's Senate Banking hearing on the CARES-funding fracas, Secretary Mnuchin told Sen. Rounds (R-SD) that the GSEs should be quickly brought out of conservatorship but that they will not be let out without sufficient capital/
- [GSE-120120](#): Given the high confirmation odds for Janet Yellen as the nation's next Treasury Secretary, we here assess her impact on the future of U.S. housing finance.
- [ESG3](#): Following through on one of his pledges, Acting Comptroller Brooks' agency has issued a controversial proposal to prevent large banks and perhaps all federally-chartered ones from deciding whether or not to grant credit on grounds other than clear, quantitative indicators of ability to repay.
- [GSE-112420](#): Building on our analysis of the overall final FHFA [capital rule](#), we turn here to an assessment of the rule's strategic impact.
- [GREEN5](#): In its latest report on climate risk, the Financial Stability Board reiterates the complexity of measuring financial-system climate risk, continuing its work to enhance the ability of regulators and financial institutions to do so due to the magnitude both physical and transition risks are likely to pose.
- [GSE-112320](#): In this report, we build on our initial summary of FHFA's [final capital construct](#) to assess one of the most important issues on which FHFA made at least some concessions.
- [GSE-111920](#): On Monday, [we reiterated our call](#) that FHFA would move the capital rule ASAP and then end the conservatorship as quickly as possible under terms and conditions designed to make it challenging for the Biden Administration to unravel a fait accompli.
- [GSE-111820](#): In its [2020 systemic-risk assessment](#), the Office of Financial Research takes unusual issue with GSE CRT transactions.
- [SYSTEMIC90](#): The Office of Financial Research's latest [systemic-risk assessment](#) reiterates much of the market analysis in the FRB's recent report ([see Client Report SYSTEMIC89](#)), the FSB's analysis ([see Client Report NBF1](#)), and the OCC's [risk matrix](#).
- [NBF1](#): As promised again just [last week](#), the Financial Stability Board [today released](#) a "holistic" plan for dealing with NBFIs along with an ambitious agenda for global standards as soon as next year.
- [GSE-111620](#): Responding to your requests, this report summarizes and expands on the post-election outlook for U.S. housing policy we've also discussed with many of you since November 3.
- [RESCUE78](#): Today's HFSC hearing with federal regulators addressed some of the same ground as the Senate's session earlier this week ([see Client Report RESCUE77](#)), although Acting Comptroller Brooks did not come in for the shellacking on his innovative charters delivered by Senate Democrats

- **[RESCUE77](#)**: At its first hearing following last week's election, Senate Banking today heard testimony from the federal prudential regulators which largely covered ongoing efforts to combat the COVID pandemic's impacts on the financial system.
- **[GSE-111020](#)**: Following our in-depth analysis of the Fed's latest financial-stability report, we here focus on mortgage-specific considerations, with the most significant strategic one the Fed's conclusion that nonbank mortgage servicers and MREITs are far from out of COVID's Black Forest.
- **[SYSTEMIC89](#)**: In this report, we go in depth into the forward-looking financial-policy implications of the Fed's latest financial-stability report.