



# FedFin Weekly Alert

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**Monday, June 21, 2021**

## ❑ CRYPTO GOES CRUNCH

Last week, all of the doubters who believed cryptoassets were immune to regulatory scrutiny got a rude comeuppance. Although Facebook's failure to anticipate policy concerns made Libra's launch one of the [most disastrous](#) product appearances in business history, the libertarian inclinations of many crypto acolytes and even companies persuaded them that the only meaningful obstacle to a crypto revolution was ensuring AML compliance. Although Republicans have been considerably more sympathetic to wide-open cryptoassets than Democrats, senior policy-makers on both sides of the aisle are deeply worried about an array of risks – to see why, check out the President's Working Group report ([see Client Report CRYPTO16](#)) on stablecoins issued at the end of the Trump Administration with full concurrence from Janet Yellen. Just last week:

- FedFin provided clients with our in-depth report ([see FSM Report CRYPTO19](#)) on the Basel Committee's sweeping proposal to govern bank cryptoasset exposures. A separate detailed [FedFin report](#) focuses on housing finance. Much media coverage called the proposed approach a killer blow to crypto ambitions, but we conclude that it may prove a balanced approach to cryptoassets with reasonable functional equivalence to underlying assets. As a result, banks – safe havens in crypto's wild west – might actually gain competitive edge. However, that said, the consultation has a lot of complexity and ambiguity. What the final standards say will thus determine final strategic outcome.
- House Financial Services Chairwoman Waters (D-CA) established a Democrat-only digital-asset task force. As [we noted](#), the task force is comprised of a surprising number of subcommittee chairs, making its likely purpose not only to speed legislation, but also resolving jurisdictional disputes ahead of time in order to do so.
- A key HFSC task force also looked hard at CBDC, [concluding](#) that Members on both sides of the aisle need to know a lot more about it before deciding if it's a good idea. However, Members on both sides also feared that, if the U.S. didn't have a CBDC, then China could quickly grab the reserve-currency laurels, further heightening odds for bipartisan legislation on this key point ([see FSM Report CBDC4](#)). And, while not yet decided on CBDC, Members also noted the likely need to have one because digital currency is on the march with or without a central bank.

- Global regulators [also continued](#) their push not just for like-kind rules for fintech, but also entity-based standards for BigTech to blunt their anti-competitive force in the financial-services marketplace. Democratic legislative initiatives targeting BigTech [for antitrust reform](#) do not single out finance, but – as we noted – these measures as well as [GOP counters](#) to them pack a significant financial-services punch.

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## Headlines From the Past Week's Daily Briefings

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### June 14

- **G7 Leaders Emphasize Big Goals, Also Tackle Green, Infrastructure, Illicit Finance** - The G7 communique from the heads of state of course addresses top-priority pandemic, foreign-policy, and taxation questions, including also what has by now become boilerplate language about the importance of economic inclusion.
- **Anti-Bigtech Bills Pack Big Fintech Punch** - Although aimed at bigger market and policy targets, the sweeping, often bipartisan bills aimed at giant tech platforms introduced will also have far-reaching financial-sector impact.
- **Senate Banking GOP Rejects Climate-Disclosures RFI** - In a letter, Senate Banking Ranking Member Toomey (R-PA) led all committee Republicans rejecting SEC Commissioner Lee's request for public input on the need for climate disclosures.
- **Fintech Task Force Highlights CBDC Infrastructure, Privacy, Inclusion Concerns** - Ahead of its hearing on CBDC, the HFSC Fintech Task Force's hearing memo does not include any legislation on the discussion agenda.

### June 15

- **HFSC Preparing Sanctions-Evasion Review** - We have reviewed HFSC's committee memorandum for hearing on sanctions evasion, which lays out various sanctions-evasion schemes and includes several draft bills for consideration.
- **DIF Premiums Remain As Is** - Although the Deposit Insurance Fund (DIF) slipped to 1.25 percent at the end of March, the FDIC nonetheless decided not to increase premiums to speed restoration to the statutory 1.35 minimum.
- **FinTech Task Force: Privacy, Inclusion Essential for CBDC Success** - Although Chairwoman Waters (D-CA) made it clear that the HFSC Fintech Task Force hearing is an initial foray into HFSC's CBDC and digital-dollar work, Task Force Members used the session not only to engage in fact-finding, but also to detail in general terms the criteria they believe essential to a successful CBDC.

### June 16

- **GOP Senators Start Bidding War on Antitrust Reform** - Joining the rush of Congressional bills aimed at antitrust reform, Senators Lee (R-UT) and Grassley (R-

ID) have introduced S. 2039, legislation positioning Senate Republicans as Antitrust Subcommittee Chair Klobuchar (D-MN) readies her panel for action on her bill (S. 225).

- **BIS Continues Campaign for Fintech/Designation, Not Just Like-Kind Regulation** - In speech, the head of the BIS's Financial Stability Institute, Fernando Restoy, continued the BIS campaign not just for like-kind activity regulation of fintech and bigtech, but also for entities-based regulation in key cases.
- **Waters Ramps Up Digital-Asset Action Plan** - HFSC Chairwoman Waters (D-CA) announced the roster for a new, all-Democrat Digital Assets Working Group. Rep. Waters laid out deep concerns with cryptoassets but said also that HFSC will hold a series of hearings on them.
- **CFPB Cracks Down on Military Lending** - Responding to strong demands from Congressional Democrats, the CFPB unsurprisingly reversed the Trump Administration agency's finding that it lacked statutory authority to examine lenders and thus enforce the Military Lending Act.
- **SLR Seems Set for Rewrite; How, When Remain TBD** - At his press conference, Chairman Powell renewed big-bank hopes for a revised SLR. Although Vice Chairman Quarles earlier this month suggested that the Fed was thinking about other approaches to handle deposit growth, Mr. Powell emphasized that the leverage ratio may again be a binding constraint, not the back-up buffer for which it is intended.

## June 17

- **Treasury Heightens Focus on Affordable Housing, Supply Shortages** - Emphasizing the importance of housing policy to Treasury and thus by inference also to FSOC, Deputy Treasury Secretary Adeyemoy posted an article advancing housing provisions in the American Jobs Plan.
- **Fair Lending Bill Fails Under Suspension** - Rep. Torres' (D-NY) bill to expand ECOA to cover LGBTQ-owned businesses (H.R.1443) failed 248-177 to pass the House under suspension last night although it was reported by HFSC on a voice vote.
- **Banking GOP Renew Attack on Fed "Mission Creep"** - Senate Banking Republicans released a [statement](#) highlighting a [letter](#) published by forty-two economists emphasizing Ranking Member Toomey's (R-PA) [concerns](#) that the Fed is straying outside its mandate by engaging in environmental and social policy.

## June 18

- **ECB Extends Leverage Capital Relief as U.S. Contemplates SLR Changes** - Citing continuing pandemic stress, the ECB extended leverage ratio relief until March 31, 2022.

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## This Week

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### Tuesday, June 22

Senate Banking Committee nomination hearing [10:00am, 538 Dirksen SOB]  
Nominees: Mr. **Brian Eddie Nelson**, of California, to be Under Secretary for Terrorism and Financial Crimes, Department of the Treasury; and Ms. **Elizabeth Rosenberg**, of Vermont, to be Assistant Secretary for Terrorist Financing, Department of the Treasury.

House Select Subcommittee on the Coronavirus Crisis hearing entitled: "Lessons learned: The Federal Reserve's Response to the Coronavirus Pandemic." [2:00pm, 2154 Rayburn HOB] Witness: The Honorable **Jerome H. Powell**, Chair, Board of Governors of the Federal Reserve System.

### Wednesday, June 23

HFSC Mark-Up [10:00am, Remote] Legislation: H.R. 2689, the Minority Business Development Administration Act; H.R. 3948, the Greater Supervision in Banking (G-SIB) Act; H.R. 3958, the Central Liquidity Facility Enhancement Act; and H.R. 3968, the Municipal IDs Acceptance Act.

### Thursday, June 24

Senate Banking Committee hearing entitled: "Examining Bipartisan Bills to Increase Access to Housing." [10:00am, Remote] Witness: Ms. **Lisa Mensah**, CEO and President, Opportunity Financial Network

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## 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 [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **[GSE-061721](#)**: We have reviewed FHFA's massive [report to Congress](#) on its 2020 activities, finding only lots of handy facts and no significant policy insights.
- **[GSE-061621](#)**: As [detailed in our new in-depth report](#), the Basel Committee is proposing a new regulatory framework for bank exposures to cryptoassets that will influence not only what banks do in this critical arena, but also what the GSEs can do and thus what happens to the [digital mortgage](#).
- **[CRYPTO19](#)**: Advancing some of the most controversial ideas in a 2019 discussion paper, the Basel Committee has now formally proposed capital, liquidity, risk-management, and supervisory standards it believes nations should apply to bank cryptoasset exposures.
- **[CBDC5](#)**: Kicking off Congressional action on CBDC, the hearing today in Senate Banking's Economic Policy Subcommittee made it clear that, as we forecast, progressive Democrats such

as Chairwoman Warren (D-MA) are strong supporters of a U.S. CBDC that not only facilitates payments, but also supplants retail banks and other private-sector consumer-finance entities.

- [\*\*GSE-060821\*\*](#): This Friday, FSOC will meet in closed session to craft its agenda for 2021 and beyond. Housing and the GSEs will figure prominently in this work plan, but not as you might think.
- [\*\*PAYMENT23\*\*](#): Continuing work on a priority set by the Group of Twenty heads of state, the FSB in consultation with other global bodies is seeking views on how best to measure progress towards the G20's goal of a faster, safer, cheaper, transparent, and inclusive cross-border payment system.

[\*\*CBDC4\*\*](#): Members of Congress have launched an initiative to secure continued dominance of the dollar as the globe's reserve currency, focusing on the extent to which China could over time threaten this via its own CBDC along with strategic financial activities such as its Belt and Roads initiative.
- [\*\*GSIB19\*\*](#): Although the GSIB CEOs got another earful at HFSC's marathon hearing yesterday, it – like the Senate Banking session that preceded it (see Client Report GSIB18) – generated more anger than clear action plans.
- [\*\*CRYPTO18\*\*](#): Following an array of actions by the OCC, the FDIC has begun its consideration of the rules governing insured depository institutions (IDIs) engaged in digital-asset activities.
- [\*\*GSIB18\*\*](#): As anticipated, Senate Banking progressives today excoriated big-bank CEOs for what Chairman Brown (D-OH) describes as their preference for profit over public welfare.
- [\*\*ACCESS\*\*](#): The Federal Reserve's latest wellbeing survey provides important, new insights into how Americans view their financial-services firms at a time of heightened focus on access and equity.
- [\*\*REFORM206\*\*](#): In the one-two punch [we anticipated](#), Senate Banking Chairman Brown (D-OH) convened today's hearing with FRB Vice Chairman Quarles not only to lambast supervision and regulation under Mr. Quarles' watch, but also to reiterate the malign role [he believes](#) big banks play in the U.S. economy ahead of tomorrow's hearing with GSIB CEOs.
- [\*\*GSE-052521\*\*](#): President Biden has issued an executive order (EO) setting in motion a series of administrative actions designed to reduce both climate risk in the financial sector and in any way financial companies make it worse.
- [\*\*GREEN8\*\*](#): President Biden has issued an executive order (EO) setting in motion a series of administrative actions designed to reduce both climate risk in the financial sector and in any way financial companies make it worse.
- [\*\*GSE-052021\*\*](#): Using its formidable trove of non-public data, the Federal Reserve Bank of New York has released a series of staff reports assessing the status of mortgage forbearance.