



FedFin Daily Briefing

Thursday, June 3, 2021

AML Policies Accelerate Following Presidential Illicit-Finance Order

President Biden [today](#) issued a National Security Study Memorandum directing departments and agencies to review and report on their efforts to combat corruption at home and abroad within 200 days. Importantly, this effort includes a focus on illicit finance that may go beyond corruption to address a wide range of financial crimes and thus involves numerous near-term actions after the report settles the administration's overall anti-corruption strategy. These include accelerating efforts to establish the beneficial ownership registry required under the new AML law ([see FSM Report AML133](#)), even though Treasury Secretary Yellen recently told Congress that FinCEN lacks the funds to do so. Departments and agencies are also told to adopt policies that limit the ability of illicit actors anonymously to buy residential real estate and to close "loopholes" in existing standards – none so far identified. Reforms strengthening targeted anticorruption sanctions under the Global Magnitsky Act and bolstering enforcement actions are also demanded.

Quarles Vigorously Defends His Supervisory Record

Following sharp attacks by Sen. Warren (D-MA) and others ([see Client Report REFORM206](#)), FRB Vice Chairman Quarles [today](#) defended recent regulatory changes on grounds that they improve efficiency without adversely affecting bank resilience. Tackling an issue currently before the Fed, Mr. Quarles also defended the tailoring rule's treatment of foreign banks ([see FSM Report SIFI34](#)), strongly protesting suggestions that it and accompanying changes to LISCC coverage weakened FBO regulation. Mr. Quarles did not mention renewed attention to FBO branches and agencies, but reiterated that Credit Suisse's losses in Archegos were outside the U.S. and thus outside the Fed's reach under even the prior rule. The speech also stands by the Fed's decision not to trigger the CCyB and to revise the Volcker Rule ([see Client Report PROPTRADE26](#)), noting that this enhances the ability of banks to invest in local communities. The decision to allow banks to distribute capital following the last stress-test round is also described and defended, noting that the most immediate reaction to the COVID crisis is to pursue NBFI regulation along lines under way at the FSB ([see Client Report NBF1](#)).

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

- **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.
- [REFORM205](#): Although the banking agencies today tried to make as little news as possible in their appearance before the House Financial Services Committee, Members made it hard for them to leave the witness table without providing important insight into regulatory policy as a new agency line-up takes shape.
- [INTERCHARGE8](#): Leaving its interchange-fee restrictions intact – at least for now – the Federal Reserve is proposing to expand on its existing requirement that all debit-card transactions must be enabled for processing on at least two unaffiliated payment-card networks for card-not-present (e.g., online) transactions.
- [GSE-051821](#): As we noted [yesterday](#) in our initial assessment of FHFA's annual CRT report, its assessment of the critical 2020-21 period shows an unbending determination to quash all but the best-capitalized credit-risk transfers no matter the pressure from Congress and other quarters to relent on grounds that risk transfers reduce GSE risk and thus spur recapitalization and privatization.
- [DEPOITINSURANCE112](#): Although federal law expressly bars misrepresentation of FDIC-insurance status, the FDIC has observed increasing instances that might at the least be described as confusing, many of which led to informal enforcement actions.
- [GSE-051221](#): A new [Fed staff paper](#) sharply questions an axiom of mortgage securitization: the sanctity of the TBA market.
- [SYSTEMIC91](#): In this report, we assess the details of the Fed's most recent financial-stability report, focusing on policy and regulatory ramifications with near-term strategic impact.
- [GSE-051021](#): As detailed in a [new FedFin report](#), the Fed's proposal to open payment-system access is

far from the technicality many nonbankers take it to be.

- **PAYMENT22**: When the Fed announced its new instant payment system in 2020, it made it clear that access would be limited to traditional insured depository institutions (IDIs) and ever since has shown no public inclination to open the system.
- **INVESTOR7**: Today's HFSC hearing on the lessons of GameStop featured SEC Chairman Gensler for his first Congressional appearance in this new role and, as detailed in this report, a lengthy list of initiatives now under way at the Commission not only on equity-market trading integrity and systemic risk, but also Archegos and digital currency.