



# *FedFin Daily Briefing*

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Tuesday, June 8, 2021

## Richmond Fed: Fear Not Facebook

Although a [new report](#) from the European Central Bank advances CBDC in part due to fears that tech-platform firms will co-opt fiat currency, a [recent paper](#) from the Federal Reserve Bank of Richmond disputes this, arguing that fiat currency will prevail whether via CBDC or as is. Despite Facebook's concerted effort to launch its own currency, the paper reasons that it is materially less expensive for a platform to use current payment methods than to build its own. However, the Richmond Fed staff do note that alternative payment options would become more attractive in an inflationary environment with high rates because platforms might be willing to cross-subsidize payment costs; the paper observes this but fails also to address the extent to which such cross-subsidization is possible under current rates and might not otherwise prove unduly costly for dominant providers. Much of the paper's thinking is based on the authors' prior research, not new empirical or model analysis; the principal paper from which conclusions are drawn also opposes efforts to govern tech-platform currencies on grounds that at least some regulatory options are adverse to consumer interests.

## Anti-China Bill Includes Tough New Sanctions

When the Senate today takes up sweeping legislation to counter China (S.1260), it will consider not just an array of supply-line and security issues, but also China's role in the U.S. and global financial sector. As [anticipated](#), the bill contains the Brown-Toomey "Meeting the China Challenge Act." This section presses the White House to use sanctions authority more expansively to address Chinese human-rights violations, cyber-espionage, trade with North Korea, pain-killer production/distribution, and other concerns. Sanctions (including possible asset freezes) would also be mandatory for Chinese actors engaged in cyber-attacks or trade-secret theft. The measure also ramps up beneficial-ownership disclosures from Chinese-affiliated entities, doing so principally by reiterating the need for fast action on the beneficial-ownership registry already mandated in new AML law ([see FSM Report AML133](#)). The bill also urges firms operating in China to adopt a public code of conduct and mandates an array of reports to Congress. Those most likely to lead to substantive financial-sector action include reports on Chinese cross-border payments and financial-messaging activities, U.S. financial-market exposure to China, the presence of Chinese entities in the U.S. capital market, and how investment reciprocity is working in practice. The huge bill also includes provisions only nominally related to China (e.g., a hike in federal merger-filing fees to enhance antitrust reviews). The measure does not include language akin to a House measure looking expressly at China's CBDC and establishing a formal policy to maintain the dollar's reserve currency status ([see FSM Report CBDC4](#)); we expect this to be added when the bill advances to the House and then to be adopted in conference.

## 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-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.
- **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.
- **INTERCHAGE8**: 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.