



FedFin Daily Briefing

Thursday, August 5, 2021

Waller Aligns with FRB Opponents to CBDC

Widening the Fed's divide on CBDC, Gov. Chris Waller today [joined](#) Vice Chairman Quarles in describing CBDC as a "solution in search of a problem." Although Chairman Powell announced a pending Fed discussion draft, he has been circumspect on its value-add, noting only ([see Client Report FEDERALRESERVE62](#)) that stablecoin expansion might force the Fed's hand. In sharp contrast, [Gov. Brainard believes](#) that CBDC is necessary to preserve the dollar's reserve-currency status. Ms. Brainard has taken no stand on the need for statutory authority, but Mr. Waller joins Mr. Powell in stating that the Fed cannot act on CBDC without Congressional say-so. He describes cash and the current interbank payment network as sufficient especially with the advent of FedNow, rejecting suggestions that the Fed could reduce the cost of payment-system access on grounds that the market already efficiently sets pricing and is better at achieving discounts than a central banks. Mr. Waller also sees no threat to the dollar's status.

OCC Clears Path for New True-Lender Rule

Following [Congressional revocation](#) of the OCC's controversial True-Lender rule ([see FSM Report PREEMPT35](#)), the *Federal Register* today includes the rule's official rescission without insights into when or how the agency now plans to act. However, Acting Comptroller Hsu has [indicated](#) that the agency will pursue policy options to protect consumers and expand financial inclusion. [As previously noted](#), the OCC may not now propose a rule in "substantially the same form" as the rejected standard. As also previously [noted](#), we expect a new iteration of the true-lender rule to require a more substantial and/or permanent national-bank credit exposure to establish a true-lender role eligible for federal preemption, with this defined in such a way as to preserve traditional mortgage securitization but limit fintech "partnerships." The pending third-party risk-management standards ([see FSM Report VENDOR9](#)) would also make it far more difficult for fintechs working with a national bank to escape the full scope of bank safety-and-soundness and consumer-protection standards.

CPMI Releases Ambitious, Albeit Ambiguous Work Plan

In a nod to increased transparency, the BIS's Committee on Payments and Market Infrastructure (CPMI) today [released](#) its first annual work plan. Without providing much in the way of details or timelines, it reinforces the importance of CPMI's work on critical issues such as the cross-border payments system, CBDC, and an array of payment and clearing innovations. Cross-border payment work will proceed in tandem with the FSB's recent roadmap ([see FSM Report PAYMENT23](#)), moving on to work with IOSCO and on its own and broader questions about the payment system's future (e.g., multilateral payment platforms, stablecoins, cross-border CBDC). Advancing the FSB's NBF1 work plan ([see Client Report NBF1](#)), CPMI is also assessing central-clearing risks, looking at margin calls from both a systemic-liquidity and transparency perspective. Work will also continue on CCP resilience and resolvability. Work will also continue on FX settlement risk and FMI operational resilience, with CPMI now adding climate-risk to its work program without laying out the issues under review.

First-Time OCC Bulletin Adds Supervisory Standards for SBA Exposures

The OCC today issued its first [examination bulletin](#) on SBA lending, making it clear that -- no matter the SBA's guarantee -- national banks are to apply their risk-management and corporate-governance protocols

to activities in this arena. The agency expressly mandates these controls because, as the bulletin details, the credit-risk transfer related to an SBA guarantee or take-out is often contingent on a bank having performed numerous tasks or meeting various conditions. Further, SBA protection is limited to credit risk; the bulletin thus lays out remaining operational, compliance, liquidity, price, and strategic risks and how banks are to address them. The bulletin does not deter SBA lending, noting also the potential for CRA credit and various risk-based capital preferences. However, it doubtless reflects an array of concerns resulting from the PPP the OCC wants to ensure are adequately addressed in future SBA exposures.

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](#).

- **[GSE-080421](#)**: A new [Fed study](#) finds a significant mark-up in the cost of mortgages during the 2020 boom even though government guarantees secured continued mortgage supply for all but the lowest and highest ends of the housing market.
- **[REFORM207](#)**: Today's Senate Banking hearing on bank supervision did not include FRB Vice Chairman Quarles, who came before the panel for withering criticism earlier this year (see Client Report REFORM206).
- **[GSE-080221](#)**: Whatever befalls the Senate infrastructure bill, we believe its \$21 billion GSE pay-for is but one bit of a bigger de facto transformation of the GSEs.
- **[GSE-073021](#)**: As promised, we here [follow up our assessment](#) of Ginnie's proposed prudential standards for nonbank mortgage companies with an analysis of model rules aimed at the same goal from the Conference of State Bank Supervisors (CSBS).
- **[PREEMPT37](#)**: Senate Banking today held a hearing on new legislation (S. 2508) from Sen. Reed (D-RI) extending the Military Lending Act (MLA) interest-rate cap to certain consumer financial products to all consumers.
- **[GSE-072821](#)**: Ginnie's proposed new capital and, to a lesser extent, its liquidity [standards](#) could well redefine the mortgage playing field.
- **[CBDC7](#)**: Today's HFSC National Security Subcommittee hearing on CBDC featured bipartisan concern over China's threat to U.S. Dollar supremacy and the effectiveness of U.S. sanctions without a U.S. CBDC.
- **[ACCESS2](#)**: At a very well-attended HFSC Consumer Protection Subcommittee hearing, Democrats strongly supported government-led solutions to increase financial inclusion.
- **[VENDOR9](#)**: The banking agencies have proposed sweeping standards that would hold all of the banking organizations they govern responsible for the safety and soundness, consumer compliance, and perhaps even diversity of a wide range of third-party business arrangements ...
- **[GSE-071621](#)**: Later today, we'll provide clients with a summary of key provisions in the [housing-infrastructure package](#) released earlier today by HFSC Chairwoman Waters.

- **[FEDERALRESERVE63](#)**: Signaling a tough challenge for a second Powell term, Senate Banking Chairman Brown (D-OH) today said, "It's time to try something different," also joining Sen. Warren (D-MA) lambasting Mr. Powell's role in what they characterize as risky big-bank regulatory relief.
- **[FEDERALRESERVE62](#)**: Although much of today's HFSC hearing with Chairman Powell was preoccupied by hot debate over the extent to which inflation is "transitory," key financial-policy questions also surfaced for substantive discussion.
- **[GSE-071221](#)**: On Friday, former FHFA Director Calabria [suggested](#) that the Administration's [new competition policy](#) powers up his proposal for authorizing multiple GSE charters just as a bank charter is granted to all qualified comers.
- **[MERGER6](#)**: In an [executive order \(EO\)](#) that truly deserves to be called "sweeping," President Biden today announced a "whole-of-government" initiative aimed at reducing market concentration, enhancing consumer choice, reducing prices, and enhancing economic equality.