



# *FedFin Daily Briefing*

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Thursday, August 26, 2021

## Global Supervisors Urge Adherence to Step-In Risk Guidance

The BIS Financial Stability Institute (FSI) [today](#) reinforced the importance of [Basel's 2017 step-in risk guidelines](#). These aim to alleviate potential spillover effects from the NBFIs sector to banks by requiring banks to assess potential step-in (i.e., implicit recourse) risk and supervisors to evaluate these assessments with the goal of reducing the probability a bank will feel compelled to back counterparties or financial instruments in a downturn. The final Basel III/IV standards [yet to be advanced in the U.S.](#) include the step-in guidance, but we expect the Fed and other agencies nonetheless to turn first to more fundamental parts of the capital-rule rewrite.

## Toomey Seeking Input on Light-Touch Crypto Legislation

Continuing his [push for light-touch crypto regulation](#), Senate Banking Ranking Member Toomey (R-PA) [today](#) issued a call for ideas and legislative proposals to ensure federal law supports cryptocurrency and blockchain network development while also protecting investors. Planning to craft his own legislation, Sen. Toomey requests proposals on securities-law considerations, payment and money transmission supervision, stablecoins, crypto exchanges, and DeFi. He also wants views on banking issues, custody regulation, privacy, due process, and investor and consumer protection. Several of these questions follow [GOP objections](#) to SEC Chair Gensler's view that current securities law covers at least some of the "wild-west" attributes of crypto that concern the SEC, but Sen. Toomey's request is doubtless also intended to counter pending efforts by Sen. Warren (D-MA) to introduce her own crypto-regulatory legislation. Responses to Sen. Toomey are due by September 27, a deadline doubtless designed to ensure his readiness to offer alternatives to the array of pending actions to which he will continue to object. We still discount the chances of near-term statutory change absent a crypto-finance crisis, but any calls from the PWG for new stablecoin law [following its inquiry](#) could advance work in at least that area.

## 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](#).

- [GREEN9](#): Legislation from House and Senate Democrats would force the Federal Reserve quickly to implement mandatory stress testing for all large banking organizations and large nonbanks judged by asset size if they are principally engaged in finance.
- [GSE-082321](#): In this in-depth report, we build on our [preliminary analysis](#) of the CFPB's latest HMDA-data assessment. As we noted on Thursday, the agency chose to highlight its totally-unsurprising finding that the mortgage market was hot, hot, hot in 2020.
- [ACCESS3](#): Although states and localities continue to ban merchants from refusing to accept cash, federal legislation is also pending to create a nationwide ban on such practices and govern how cash must be accepted to enhance equality without facilitating money laundering.
- [GSE-081821](#): As we anticipated when Sandra Thompson [took over](#), FHFA's [newly-proposed approach](#) to the GSEs' affordable-housing goals tackles longstanding criticism that the old measurement criteria promoted gentrification.

- **[PREEMPT38](#)**: The chairmen of the Senate Armed Services and Banking Committees, together with many Democratic colleagues, have introduced legislation to extend the interest-rate ceilings in the Military Lending Act (MLA) to all consumers.
- **[GSE-081321](#)**: FHFA today [released](#) both the 2020 and 2021 stress-test results for Fannie and Freddie.
- **[GSE-081121](#)**: As we briefly noted [yesterday](#), the CFPB released a [report](#) assessing how the largest servicers handled borrowers over recent, chaotic months.
- **[LIBOR6](#)**: The House Financial Services Committee has reported H.R. 4616, a bill designed to prevent the chaos feared when the use of the LIBOR benchmark ceases for legacy contracts that lack language authorizing reliance on an alternative, "fallback" rate.
- **[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.