



FedFin Daily Briefing

Thursday, September 2, 2021

BIS Advances CBDC Cross-Border Settlement

Continuing CBDC work sure to put still more pressure on the Fed to advance its own efforts, the BIS [today announced](#) a flagship pilot with three major central banks testing a DLT-based approach to cross-border settlement. The pilot also pressures existing wholesale cross-border payment providers because it would allow payors and payees to interact without the need of an intermediary. Participating central banks are located in Australia, Malaysia, Singapore, and South Africa, thus also adding multiple currencies and extended time-zone challenges to the clearing-and-settlement test protocol. This project is part of the FSB's ongoing cross-border settlement work program ([see FSM Report PAYMENT23](#)) which in turn was demanded by the G20. It expects to report back to the FSB and G20 by early next year, demonstrating not only the BIS' commitment to CBDC ([see Client Report CBDC6](#)), but also the fast pace of action outside the U.S.

Uejio Defends Demographic, Price Data Demand

Following release of its small business data collection proposal, CFPB Acting Director Uejio [late yesterday confirmed our assessment](#) that the CFPB wants HMDA-like demographic and price data for small business lending. Mr. Uejio justifies this in part on grounds that these data would have improved PPP execution and reduced the difficulties encountered by Black, Hispanic, and women entrepreneurs. He also stated that Black women were rarely encouraged to apply for PPP loans compared to similarly-situated, well-qualified borrowers. Uniform, detailed, and reliable market-wide data are, he says, thus needed to compare lending patterns across markets and assess fair lending risk. Mr. Uejio also defends the NPR's proposed cost and price disclosures on grounds that these data directly relate to the proposal's fair lending and access to credit purposes and support business and community development. As noted, we will shortly provide clients with an in-depth analysis of the Bureau's massive NPR.

DOJ Takes New, Tough Tack on Small Regional M&A

Although the asset and branch divestitures in the BancorpSouth/Cadence merger are relatively standard, the Department of Justice [announcement today](#) emphasized the pro-competition position germane even to rural and small-bank mergers laid out in President Biden's recent executive order ([see Client Report MERGER6](#)). It also emphasized the need to avoid what others call banking "deserts," stating that all Americans should be able to obtain banking services near where they work and live. Interestingly, terms of the approval also include agreement by the banks to terminate non-compete clauses with the branch managers and loan officers of the branches that must be divested. The closed branches must also be sold to insured depositories that offer small-business lending, a condition above and beyond the usual order only for small branch divestitures in mergers of this size. The M&A approval was doubtless also conditional on agreement to the fair-lending settlement with the OCC and DOJ announced [earlier this week](#).

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-090121](#): A [major paper](#) delivered at last week's Jackson Hole Fed meeting shows – we think conclusively – that it's not demographics that keep interest rates so, so low, but wealth inequality.

- **OVERDRAFT10**: Senior Senate Democrats have proposed legislation that would sharply restrict most transaction-account overdraft fees to the point of likely eliminating them for most consumers at most depository institutions.
- **GREEN10**: House Democrats are considering legislation to mandate a punitive capital construct for bank and, in some cases, also to certain nonbank exposures to companies with fossil-fuel links.
- **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-090121**: A [major paper](#) delivered at last week's Jackson Hole Fed meeting shows – we think conclusively – that it's not demographics that keep interest rates so, so low, but wealth inequality.
- **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.