



# *FedFin Daily Briefing*

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Tuesday, September 21, 2021

## **EU Regulators Mark Path to "Platformization" Policy**

Advancing work on an issue barely touched in the U.S., the European Banking Authority (EBA) today [announced](#) a supervisory agenda aimed at "platformization" – i.e., the increasing integration of finance with technology or other nonbank delivery platforms. Highlighting new interdependencies and resulting consumer, operational, and even systemic risks, EBA plans first to assess the scope of platformization in concert with member-state supervisors and then develop an indicator system that would target higher-risk relationships. What would then be done is unclear, but EBA also highlights concentration risk and recent complaints from banks about "unfair" access terms to the platforms that are particularly important in the EU given its open-banking system.

U.S. competition regulators have so far done little-to-nothing about horizontal integration between large tech companies and banks or financial infrastructure, but the President's new competition-policy order and resulting work focused on bank mergers ([see Client Report MERGER6](#)) is sure to focus on critical U.S. questions in this fast-changing sector. The pending inter-agency proposal on third-party relationships ([see FSM Report VENDOR9](#)) may also provide a framework for near-term regulatory action, although its extent would likely cover only consumer-protection and operational risks, not systemic concerns or competition policy.

## **Basel Plans Climate-Risk Consultation, Defers Digitalization Decisions**

The Basel Committee [today](#) announced that it discussed climate-related financial risks at its recent meetings, now developing a set of climate-risk supervisory practices for consultation later this year. Basel will also consider if additional disclosure, supervisory, or regulatory measures are needed and the extent to which its general prudential framework appropriately addresses climate risk. The Committee also discussed increasing digitalization and disintermediation, focusing now on retail banking. A "deep-dive" thematic analysis taking stock of the drivers of bank strategic fintech decisions was completed, but results were not disclosed. The Committee also reviewed but did not detail a new competitive landscape of retail banks, fintechs, and nonbanks focusing on supervisory challenges and risks. The release states that analysis continues, suggesting no near-term actions are planned on digitalization despite deep concerns by many global regulators and central banks in this arena (see our Daily Alert today on the EBA).

## **Hsu Highlights Crypto's Systemic, Structural, Equality Risks**

OCC Acting Comptroller Hsu today picked up the point in Karen Petrou's [recent op-ed](#): cryptocurrencies may well pose risks to those least able to bear them. Noting as she did that crypto and blockchain enthusiasm is in part powered by belief that current financial instruments do not meet the needs of marginalized communities, Mr. Hsu states that innovation in this arena poses an array of risks akin to those that led to prior financial crises. He thus urges financial innovations to be "anchored in purpose" -- demanding that they for example clarify how crypto/DeFi products actually increase financial inclusion. He also urges clarification of how money is both made and lost in crypto/DeFi, further encouraging debate and scrutiny of new technologies -- for example, questioning what differentiates the core blockchain developers from banking fiduciaries or why miner extractable value is not seen as front-running. These and other doubts are presented in an historical, broad context without any reference to pending OCC actions on crypto charters or the ongoing inter-agency regulatory "sprint." They do not, however, bode well for the open OCC door many crypto ventures hoped to find.

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## 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](#).

- **[DATA2](#)**: Today's HFSC Fintech Task Force Hearing featured an appearance by Full Committee Chairwoman Waters (D-CA) arguing against consumer opt-out.
- **[PUSH-OUT14](#)**: As [we noted](#), SEC Chairman Gensler's written Senate Banking [testimony](#) included a short – but very significant – statement prioritizing Commission review of key fixed-income market sectors.
- **[GSE-091621](#)**: As [we noted](#), FHFA wasted no time after the [PSPA revision](#) with its proposed changes to GSE capital [regulation](#).
- **[GSE-091521](#)**: As noted [yesterday](#), Treasury and the FHFA pulled the Trump PSPA's plug, although importantly and widely overlooked is that this is true only when it comes to near-term asset-purchase considerations.
- **[INVESTOR18](#)**: As is often the case, Senate Banking's hearing today with SEC Chairman Gensler did not touch on the fixed-income structure questions highlighted in his [written testimony](#) even though these could be among the most consequential for long-term capital-market regulation and the balance between the Fed and SEC in this key arena.
- **[GSE-091021](#)**: Soaring house prices have of course aroused lofty housing-bubble worries.
- **[GSE-090821](#)**: As Karen Petrou's [Monday memo](#) forecast, FHFA is doubling down on an already-ambitious work plan to make Fannie and Freddie the epitome of mortgage-finance equity.
- **[SMBUS27](#)**: Turning again to a provision in the 2010 Dodd-Frank Act, the Bureau of Consumer Financial Protection has issued a sweeping proposal to implement small-business and small-farm lending disclosure requirements akin to those long required under the Home Mortgage Disclosure Act (HMDA).
- **[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.

