



# *FedFin Daily Briefing*

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Thursday, September 30, 2021

## **FSB Expands Surveillance Across Financial Sectors, Time Horizons**

The Financial Stability Board today [significantly revised](#) the way it assesses systemic risk, announcing a new "surveillance framework." Work to craft the framework was led by FRB-NY President Williams and reflects longstanding understanding that the Board failed to anticipate most of the financial-system stresses that have occurred since its creation after the 2008 crisis. Most importantly, the FSB's new approach ends its bank-centric construct, now expressly reaching out across the global financial system and for the first time also assessing cross-sectoral interactions. The report today provides no conclusions about emerging risks, instead defining key terms, laying out new taxonomies, and defining the FSB's methodology. The framework also now segments immediate, near-term, and long-term risks to enhance policy prioritization for monitoring and, if necessary, alerts to the financial system, global regulators, and G20.

## **BIS Builds Out New Retail-CBDC Construct**

Following its work earlier this week on CBDC's benefits for [cross-border settlement](#), the BIS today joined seven major central banks [issuing three reports](#) pressing ahead with key retail-finance features. Notably, the Federal Reserve is among the central banks backing these reports; while it and all the others have yet to make their own CBDC decisions, the reports establish a construct reflecting Fed input sure to influence Fed decision-making and speed a U.S. CBDC.

All of these reports are premised on the "two-tier" retail construct the BIS adopted earlier this year ([see Client Report CBDC6](#)), moving beyond it now to explore how CBDC could meet user needs in interoperable systems that win public trust without crimping private innovation. As before, the BIS's focus is on enhancing on a central-bank money that would now rely on a "diverse set" of intermediaries including nonbanks. The new reports also look at possible implications for financial intermediation, the financial system, and public welfare, arguing that CBDC design should be as frictionless as possible with current consumer-finance delivery channels. We will shortly provide clients with an in-depth analysis of all of these reports which will have at least as much bearing on FRB work as comments to come on the pending discussion draft.

## **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-093021a](#): Now that we have FHFA's comment deadline – November 26 – we expand our [initial analysis](#) of FHFA's capital rewrite into a more detailed assessment of its strategic impact.
- [REFORM209](#): In very sharp contrast to the Senate Banking session on Tuesday with Chairman Powell and Secretary Yellen ([see Client Report REFORM208](#)), today's HFSC session was largely devoted to partisan wrangling over monetary policy, the debt ceiling, and the Biden Administration's overall fiscal policy.
- [GSE-093021](#): Late yesterday, Senate Banking Ranking Member Toomey sent letters [to Secretary Yellen](#) and FHFA [Acting Director Thompson](#) strongly protesting the [PSPA rewrite](#) and [pending capital proposal](#).

- **MERGER7**: In a wide-ranging hearing today, HFSC's Consumer Protection and Financial Institutions Subcommittee showed the extent to which Chairwoman Waters (D-CA) and progressive Democrats are wary of large-bank mergers.
- **REFORM208**: Although today's Senate Banking hearing with Chairman Powell and Secretary Yellen was largely taken up by the debt ceiling, Sen. Warren (D-MA) made it very clearly that progressives will mount an aggressive campaign against Mr. Powell, calling him a "dangerous" man.
- **GSE-092421**: According to a group of Senate Democrats, the answer to this question for a new class of federally-backed mortgages is "out of debt."
- **GSE-092221**: Getting a bit ahead of FHFA's new [equitable-finance mandate and its express demand for appraisal equity](#), Freddie Mac has released a detailed [study](#) of one of the most significant barriers to housing-finance equity: discriminatory appraisal practices that reduce the chances for wealth accumulation.
- **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.