



**Monday, October 18, 2021**

## ❑ CRYPTO UNDONE

As Karen Petrou [forecast](#), global and U.S. policy-makers have marshalled all the thinking over all the last few years into a deluge of new cryptoasset and cryptography standards already flooding all of your inboxes. Just last week, we provided you with:

- an in-depth analysis ([see FSM Report CRYPTO20](#)) of a critical consultation from the BIS's Committee on Payment and Market Infrastructures and IOSCO on global stablecoin systemic designation, governance, reserves, and much, much more. Karen's forthcoming memo assesses key decision points in this proposal because – even though it's far from final – its framework sets the parameters for the forthcoming stablecoin report from the [President's Working Group](#) on Financial Markets;
- an analysis of a [new digital-asset and CBDC framework](#) from the Group of Seven's finance ministers and central bankers. This draws heavily on the BIS's groundbreaking paradigm for retail-facing CBDC ([see Client Report CBDC8](#)). While the Fed hasn't officially decided on CBDC, it has signed off on all these statements and frameworks, making it clear that – assuming Congress okays it – CBDC is on its way;
- an assessment of a [new FSB progress report](#) on cross-border payments in which FSB now expressly incorporates CBDC and stablecoins into its forward-looking plans. We'll shortly get you an in-depth analysis of this important new document; and
- an alert on FSB Chair Quarles' update to G20 ministers, which highlighted developments on [global stablecoin arrangements](#). FSB worries that jurisdictions' varied approaches to stablecoin regulation are presenting regulatory-arbitrage and market-fragmentation risks, calling for cross-jurisdictional work.

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## Headlines From the Past Week's Daily Briefings

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### October 11

No news of note.

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## October 12

- **FSB Crafts Multiple-Choice MMF Regime** - The FSB released the final version of its proposed MMF-reform framework.
- **Big Promises, Slow Going on FSB NBF, Payment Reforms** - FSB Chair Quarles' latest and perhaps last letter to G20 finance ministers and central bank governors highlights the final MMF framework actions and otherwise promises continued action on additional priorities in the FSB's November NBF report.
- **Gensler Won't Back Down on Digital Engagement, PFOF** - SEC Chair Gensler not only mentioned the SEC's digital-engagement practices RFI, but also highlighted those comments most interesting to him.
- **HFSC Starts Work on Ethical AI** - Ahead of an AI Task Force hearing, the HFSC Democratic Staff memo indicates that the session will consider proposals to advance "ethical" AI.

## October 13

- **Quarles Quandary Not Key to Fed Reg, M&A Action** - The Federal Reserve Board announced that Randy Quarles will cease his duties as supervision vice chair. Mr. Quarles' term as a governor continues until 2032 but the vice chairmanship is a position appointed by the President and confirmed by the Senate.
- **FSB Sets Ambitious Course for Cross-Border Payment Redesign** - The FSB published both a progress report on its cross-border payment roadmap and a final set of forward-looking plans. Work on the roadmap has advanced well, with the FSB now expressly incorporating CBDC into its forward-looking work.
- **Senate GOP Heightens Pressure on Reserve-Bank Appointments** - Countering an array of Democratic demands for diversity, Senate Banking Republicans urged the boards of the Boston and Dallas Reserve Banks to ensure an apolitical appointment process.
- **AI Task Force Considers Algo Privacy, Transparency, Bias** - As anticipated, HFSC AI Task Force hearing on ethical AI kicked off Congressional work on this hot topic, making it clear that Democrats may advance consumer-data privacy, algorithm transparency, and anti-bias standards.
- **Brown Fires Fusillade at Fed Regulatory Policy** - Making it more than clear that he takes at best a guarded approach to Jay Powell's renomination, Senate Banking Chairman Brown (D-OH) sent Mr. Powell a letter demanding a "new direction" in bank regulation regardless of who succeeds Vice Chairman Quarles and chairs the Fed.

## October 14

- **G7 Presses CBDC, Cross-Border Payment Work; Disparages Stablecoin** - G7 finance ministers released policy-setting statements on digital payments and CBDC.
- **Global Climate-Risk Disclosures Advance** - The FSB's Task Force on Climate-related Financial Disclosures (TCFD) reported that private-sector adoption of TCFD-aligned disclosures is accelerating, with over fifty percent of firms now disclosing climate-related risks and opportunities.

- **Cash-Acceptance Mandate Faces GOP Opposition** - Continuing debate on the merits of mandating cash acceptance, HFSC's Oversight Subcommittee Chairman Green (D-TX) and Ranking Member Emmer (R-MN) remain diametrically opposed to mandating acceptance.

## October 15

- **White House climate Roadmap Revisits Past Destinations** - Pursuant to President Biden's Executive Order on climate financial risk, the White House issued its roadmap to build a climate-resilient economy ahead of the Glasgow summit.
- **OCC Adds Climate-Risk, Fintech, Crypto to Supervisory Priorities** - The OCC released its bank supervision operating plan for FY22 incorporating several Biden Administration priorities with significant strategic impact for federally-chartered institutions.

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## **This Week**

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### **Tuesday, October 19**

Senate Banking hearing entitled "International Policy Update: The Treasury Department's Sanctions Policy Review and Other Issues." [10:00am, 538 Dirksen SOB] Witness: The Honorable **Wally Adeyemo**, Deputy Secretary, Department of the Treasury

### **Wednesday, October 20**

HFSC hearing entitled: "The State of the International Financial System and U.S. Participation in the International Financial Institutions." [10:00am, 2128 Rayburn HOB] Witnesses not yet available.

Senate Banking Economic Policy Subcommittee hearing entitled: "Protecting Companies and Communities from Private Equity Abuse." [2:00pm, 106 Dirksen SOB] Witness: Dr. Eileen Appelbaum, Co-Director, Center for Economic and Policy Research. Additional witnesses may be added.

### **Thursday, October 21**

FSOC open and executive sessions [TBD] Preliminary agenda for the open session: Council report on climate-related financial risk. Preliminary agenda for the executive session: update on the Council's 2021 annual report; update on the report on stablecoins being developed by the President's Working Group on Financial Markets.

HFSC hearing entitled: "A Strong Foundation: How Housing is the Key to Building Back a Better America." [10:00am, 2128 Rayburn HOB] Witnesses not yet available.

Senate Banking hearing entitled: “How Private Equity Landlords are Changing the Housing Market.” [10:00am, 538 Dirksen SOB] Witnesses: Ms. **Sofia Lopez**, Deputy Campaign Director on Housing, Action Center on Race and the Economy; Ms. **Holly Hook**, Manufactured Home Resident and MHAction Leader in Swartz Creek, MI; and Mr. **Norbert Michel**, Vice President and Director, Center for Monetary & Financial Alternatives, Cato Institute. Additional witnesses may be added at a later date.

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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](#).

- **CRYPTO20**: Responding to requests from the G7, G20, and FSB, this report addresses market-infrastructure considerations related to systemically-important stablecoins that do not involve multi-currency baskets (e.g., Facebook’s Diem).
- **GSE-101221**: Although the majority of FHA ARMs are now LIBOR-linked, HUD has been waiting for Congress, the Fed, or forces on high to help it set a new benchmark.
- **MERGER8**: Progressive Democrats in the House and Senate have introduced legislation demanding an array of new decision factors governing bank M&A transactions and new or even revised BHC activities.
- **INVESTOR19**: As [anticipated](#), today’s HFSC hearing with SEC Chair Gensler covered the full SEC agenda, although members steered clear of the SEC investigation demanded by Sen. Warren (D-MA) into recent Fed trading.
- **CBDC8**: As we [noted](#) last week, the BIS and seven major central banks have advanced global CBDC policy with three new reports evaluating key design features.
- **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.