



Wednesday, October 6, 2021

Toomey Continues GOP Attack on Comptroller Nomination

Making clear Senate Banking Republicans intend to give Comptroller-nominee Omarova no quarter, Ranking Member Toomey (R-PA) [today](#) requested a copy of her college thesis authored while Ms. Omarova was studying at Moscow State University. Sen. Toomey says Ms. Omarova has deleted any reference to her thesis from her resume, noting the paper appeared there as recently as 2017. The copy is requested by October 13.

Carstens Reiterates: Big Tech Demands Entity-Based Rules

Although U.S. policymakers have yet to reckon with big tech in financial services, global regulators continue to advance plans for new rules to govern the sector, with BIS General Manager Agustín Carstens [today](#) reiterating the need for entity-based rules. While acknowledging that activity-based requirements can indirectly affect big tech, he says these will not be enough. Mr. Carstens specifically cites China's "novel" approach to implementing financial stability requirements, noting that some big tech entities may need to be licensed as financial holding companies under the supervision of the People's Bank of China. Mr. Carstens also notes the need for advancements in competition policy, suggesting entity-based regulation in this arena could constrain business practices of big techs ex ante. Introduction of CBDC may also promote innovation and competition that impedes big tech dominance.

Mr. Carstens also reiterates challenges to banks from stablecoins, suggesting these may be more costly and less stable sources of banking funding compared to bank deposits. They also, he says, could lead to monetary system fragmentation. Policymakers should thus seek further improvements in current payment arrangements, including through broader access and increased domestic and cross-border interoperability.

BIS, IOSCO: FMI Principles Apply to Systemically-Important Stablecoins

The BIS Committee on Payments and Market Infrastructures (CPMI) and IOSCO [today](#) issued for consultation guidance on the application of their Principles for Financial Market Infrastructures (PFMI) to stablecoin arrangements. The guidance confirms that the PFMI applies when stablecoin arrangements perform systemically important payment functions or other functions typical of financial market infrastructure, noting arrangements performing transfer functions meets this threshold. They should thus have documented and disclosed governance arrangements assigning responsibility for decision-making in crises as part of their risk-management frameworks. Arrangements should also provide clear and final settlement, defining in unambiguous terms when a transfer becomes irrevocable and when technical settlement occurs. Credit and liquidity risks should also be minimized and strictly controlled so that the stablecoin is an acceptable alternative to central bank money. Comments are sought with regard to the PFMI's applicability, considerations for determining an arrangement's systemic importance, governance challenges, and settlement. Comment is due December 1.

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](#).

- **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.
- **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 clear 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.