



Thursday, October 14, 2021

G7 Presses CBDC, Cross-Border Payment Work; Disparages Stablecoin

G7 finance ministers today released policy-setting [statements on digital payments](#) and [CBDC](#). Building on recent BIS work ([see Client Report CBDC6](#)) essentially endorsing retail-facing CBDC, the G7 points to CBDC's considerable benefits as long as the questions also addressed by the BIS are successfully answered in member jurisdictions. The new G7 public-policy CBDC framework establishes a set of principles to guide member-state action, reasserting broad goals (e.g., transparency) with little real impact on member states as well as warning about cross-border payment risk if CBDC is not carefully designed in a well-coordinated way. We will shortly provide clients with an in-depth analysis of the new CBDC framework. The digital-payments statement reiterates not only prior G7 statements, but also the G20 ministerial [communiqué yesterday](#), insisting that no global stablecoin should be issued unless it demonstrates adherence to a range of legal and policy standards. The G7 also endorses new stablecoin systemic-risk standards from CPMI and IOSCO which we have analyzed in a detailed report just sent to clients ([see FSM Report CRYPTO20](#)). The G7 also reinforces the G20's cross-border payment standards (see forthcoming FedFin report).

Global Climate-Risk Disclosures Advance

The FSB's Task Force on Climate-related Financial Disclosures (TCFD) [today](#) reported that private-sector adoption of TCFD-aligned disclosures is accelerating, with over fifty percent of firms now disclosing climate-related risks and opportunities. Materials and buildings companies now lead on these disclosures and Europe is ahead internationally. While disclosures have increased, this has not been uniform; two governance disclosures are proving the most problematic. Going forward, IFRS will develop a baseline global sustainability reporting standard based on the TCFD framework that is sure to weigh significantly on SEC work on climate-risk disclosures as demanded by President Biden's executive order ([see FSM Report GREEN8](#)). The coming IFRS guidance is sure also to factor into ongoing Fed deliberations regarding disclosures following scenario analysis deliberations, with Gov. Brainard [emphasizing](#) that climate disclosures are squarely in the SEC's wheelhouse.

Cash-Acceptance Mandate Faces GOP Opposition

Continuing debate on the merits of mandating cash acceptance ([see Client Report MERGER7](#)), HFSC's Oversight Subcommittee Chairman Green (D-TX) and Ranking Member Emmer (R-MN) remain diametrically opposed to mandating acceptance. Rep. Green said that the physical U.S. Dollar must continue to be accepted by all as legal tender to ensure access for disadvantaged populations, noting his support for the Payment Choice Act ([see FSM Report ACCESS3](#)). Full Committee Chairwoman Waters (D-CA) agreed that cash acceptance is necessary, specifically citing the need to maintain an inclusive economy. While Rep. Emmer said that maintaining physical cash in the economy is vital, he argued the Federal government should not dictate payment choice because holding cash can put business and employees in danger and raise cost. Rep. Timmons (R-SC) opposed the "one-size-fits-all" construct of the Payment Choice Act and suggesting legislation targeted at specific necessities such as groceries. Ranking Member Emmer also said that cryptocurrencies and stablecoins can remedy some cash problems but maintain its benefits. Although the legislation was raised several times throughout the hearing, it was not noticed in the [staff memo](#) as an express topic. As a result, the hearing may thus not suffice to propel H.R. 4395 directly to mark-up.

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](#).

- **[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.
- **[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.