



Wednesday, October 20, 2021

## Senate Dems Demand Facebook End Crypto Projects

Five Senate Democrats including Banking Chairman Brown (D-OH) [late yesterday](#) demanded that Facebook terminate its cryptocurrency (Diem) and digital wallet (Novi) projects, citing CEO Mark Zuckerberg's 2019 HFSC testimony ([see Client Report CRYPTO12](#)) pledging not to launch financial products such as these without U.S. regulatory approval. The senators assert that Facebook is in fact doing so without "all" of the U.S. approvals also promised by key Facebook officials and argue that Facebook cannot be trusted with products posing financial stability and money-laundering risks. These concerns are amplified by what the senators say is Facebook's ongoing decisions to harm users and broader society. Nonetheless, the letter threatens no imminent Senate Banking or legislative action.

## Banking Agencies, CFPB Do What They Can to Accelerate LIBOR Transition

Today, the Federal banking agencies and the CFPB, NCUA, and state regulators issued [guidance](#) yet again emphasizing their LIBOR transition expectations. This follows an OCC self-assessment tool to gauge transition readiness [earlier this week](#) and emphatic statements from the [other agencies](#). Perhaps fearing slow-to-no action in Congress on critical benchmark legislation ([see FSM Report LIBOR6](#)), the agencies revisit and clarify how financial institutions are to handle benchmarks for legacy and new contracts, stating again that alternative benchmarks should be appropriate for an institution's products, risk profile, risk management capabilities, customer and funding needs, and operational capabilities. Understanding potential benchmark fragilities is also essential; regulators have [previously noted](#) that some alternative rates face market liquidity and manipulation risk. The statement also renews the threat of enforcement action if lenders are deemed insufficiently prepared.

The CFPB [today](#) also promised to issue a final version of [its 2020 proposal](#) by January, noting also FAQs issued at the time as guides to bank and nonbank lenders. These emphasize not only operational issues, but also potential consumer harm. Given the release's focus on ARMs and related mortgage products, nonbank mortgage servicers may be most directly in the Bureau's sights despite the legal uncertainties created by [HUD's very slow clarification](#) of how benchmarks are to be set on legacy mortgage products.

## 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](#).

- [CBDC9](#): Shortly after the BIS and a group of central banks endorsed a construct for retail-facing central-bank digital currency (CBDC), the Group of Seven (G7) finance ministerial issued these public-policy principles to establish a still broader framework for future action
- [SANCTION15](#): Today's Senate Banking hearing with Treasury Deputy Secretary Wally Adeyemo showed bipartisan concern that the Administration is failing to implement sanctions required by law, especially when it comes to China, North Korea, and Russia.
- [MMF18](#): Global regulators have now finalized a framework on which national regulators may base the reforms they deemed necessary after the pandemic sparked profound disruptions in this sector.

- **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.