



Wednesday, October 27, 2021

Fed Seeks Views on Primary-Dealer Status for Spain

Providing a sharp reminder of the limits of national treatment, the FRB today sought [comment](#) on the treatment of U.S. sovereign-bond dealers in Spain prior to allowing a Spanish financial institution to become a primary dealer. The U.S. made this determination for six countries after the relevant law was enacted in the late 1980s but has yet to do so for Spain. We do not expect this request to lead to comments urging the Fed to revisit its prior rulings in favor of primary dealers from Japan, the U.K., Switzerland, Germany, France, and the Netherlands. However, primary-dealer status has gained far more importance in recent years as the repo market has grown and the request for comment may at the least lead to an airing of continuing complaints from U.S. firms about equal access to certain sovereign-funding markets. Comments are due by November 26.

IOSCO Sets Tougher Resilience Standards

IOSCO today [issued](#) new outsourcing principles for the securities market, tightening them in the wake of the COVID crisis to reflect new operational-resilience concerns. The standards now also apply not just to market intermediaries, but also to trading venues, proprietary traders, and credit rating agencies. Financial-market intermediaries such as CCPs remain outside these standards but may come under them as IOSCO continues broader work on these systemic entities. The new guidance also expands on cloud-service providers and tightens principals in areas such as due diligence, operational controls, and termination. The U.S. banking agencies have proposed new standards in many of these areas for third-party vendors and business relationships, ([see FSM Report VENDOR9](#)), but go on also to export bank consumer-protection and safety-and-soundness standards. The SEC is likely to follow IOSCO's lead at some future point for the market segments over which it has prudential authority (e.g., credit rating agencies). It, the CFTC, and the Fed will also do the same for financial market utilities once global principles advance.

Fed Stands by LIBOR Hard Stop

Building on Acting Comptroller Hsu's [tough talk](#) yesterday, FRB Senior Vice President Nathaniel Wuerffel today [reiterated](#) that new [inter-agency guidance](#) sets a hard stop not only on new LIBOR exposures at year-end, but also on additional or longer exposures under an existing contract. Although promising reference-rate innovations are underway in several markets, Mr. Wuerffel notes that some alternatives in credit-sensitive areas are essentially LIBOR clones that will not stand up to regulatory scrutiny.

FTC Turns Data-Security Screws

Continuing the Administration's campaign to govern nonbank financial companies, the FTC today [unanimously approved](#) a new data-safeguards rule governing nonbank financial institutions. The rule tightens existing standards to mandate an array of security and privacy protections, imposes data-access restrictions, mandates encryption, specifies governance, and includes a wide array of new disclosures and reports. In addition to the final rule, the FTC voted 3-2 to seek comment on whether nonbank financial institutions should also be required promptly to report data breaches and other "security events" to the commission. The comment period will run sixty days after publication of this proposed rule.

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](#).

- **CONSUMER37**: As anticipated, HFSC's hearing today with CFPB Director Chopra skidded over a wide range of policy issues.
- **GSE-102721**: After years of enforcement inactivity, the OCC has [issued a tough set of restrictions](#) against one of the increasingly few large mortgage servicers still willing to be a banks.
- **GREEN11**: As we [noted yesterday](#), the Financial Stability Oversight Council has now complied with President Biden's executive order ([see FSM Report GREEN8](#)), compiling an exhaustive [assessment](#) of the financial-stability implications of climate risk and what might best be done about it.
- **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.