



Tuesday, November 23, 2021

FSB publishes 2021 G-SIB list

A new [post](#) in the Federal Reserve Bank of New York's blog looks at offshore U.S. Dollar MMF runs during COVID to assess the remedies recently outlined by the FSB for MMF reform ([see Client Report MMF18](#)) now under review by the FSOC, SEC, and FRB. The post compares the redemption-buffer regimes in the U.S. and offshore venues to evaluate how pre-2020 reforms fared and what might now be needed. The comparison shows that prime institutional funds with fees and gates were generally more prone to run risk although floating-NAV funds were somewhat better insulated than low-volatility NAV prime funds despite their larger liquidity buffers. This generally confirms the FSB's view as well as those in the President's Working Group report late last year ([see Client Report MMF16](#)) concluding that MMFs need regulatory changes above and beyond those adopted in the U.S. and EU after the 2008 crash.

FSB Tinkers with GSIB Designations

The FSB [today](#) published its 2021 GSIB list, capturing the same thirty banks but moving some around just a bit. Now, JPMorgan, BNP Paribas, and Goldman Sachs have moved one bucket higher, with JPMorgan now the only Bucket 4 institution, with no banks yet in the top Bucket 5. We do not expect the new rankings to affect U.S. GSIB capital due to the "gold-plated" U.S. approach to the surcharge ([see FSM Report GSIB7](#)), but the inbred nature of the GSIB list may lead to continuing questions about its methodology. Reflecting at least some of this, this is the first year the list has been published under Basel's revised designation criteria ([see FSM Report GSIB13](#)), implemented [earlier this month](#) via technical amendment. As noted, the revised approach switches assessments from a triennial basis to ongoing monitoring, but revised surcharges will not be applied until 2023. In tandem with the FSB release, Basel [today](#) published the updated denominators used to calculate scores, high-level indicator values for each bank's denominator, and updated bucket thresholds. All are based on year-end 2020 data. Basel plans next to conduct a target review of the EU's treatment of cross-border exposures related to the GSIB methodology.

OCC Sets Out on Crypto Roadmap Ahead of FRB, FDIC

Although the agencies [today](#) issued their crypto "roadmap," the actual two-page document reads a bit more like a travel brochure. However, the OCC [today](#) also sent a letter making it clear to national banks that, while the agencies consider an array of options, the OCC will not permit continued crypto innovation along any of lines charted by Acting Comptroller Hsu's predecessor. The agency now stipulates that regulated entities must receive a non-objection letter prior to engaging in certain crypto, DLT, and stablecoin activities. The agency also clarifies that current crypto-focused charters have non-discretionary fiduciary obligations, with the letter also detailing the supervisory criteria OCC personnel will use in reviewing requests for non-objection approvals.

Much in the roadmap describes the work undertaken so far by the Fed, OCC, and FDIC along with an announcement that greater clarity on an array of critical questions is coming in 2022. This work will focus on cryptoasset safekeeping and custody, facilitation services, crypto collateral, balance-sheet exposures, and stablecoins. The agencies will also work with Basel on its proposed capital and liquidity standards ([see FSM Report CRYPTO19](#)), a consultation Basel [recently](#) took back to the drawing board due to strong industry opposition. Nothing in the roadmap provides any insight into agency views on any of the matters on which it plans to focus, although it seems clear that stablecoin policy will follow the outline demanded by the PWG report ([see Client Report CRYPTO21](#)).

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](#).

- **CLIMATE12**: Following the UN's COP26 climate-risk summit, the Basel Committee has proposed high-level principles guiding risk management and supervision related to both physical and transition climate risk.
- **REFORM210**: [As expected](#), today's hearing with Comptroller-nominee Saule Omarova included an unprecedented amount of fireworks for what is normally a low profile appointment.
- **FAIRLEND10**: The CFPB has followed a study earlier this year finding significant mortgage product and price discrepancies based on race or ethnicity with a request for input (RFI) on the HMDA data on which the study was based.
- **GSE-111721a**: FHFA's [new scoring system](#) for the GSEs and CSS is a startling, if unsurprising, mission rewrite.
- **GSE-111721**: As [noted](#) yesterday, the CFPB has opened its HMDA rules to a raft of changes
- **GSE-111521**: As we [noted on Wednesday](#), the CFPB highlighted Director Chopra's competition focus when it joined other agencies [renewing](#) their mortgage-servicing supervisory and enforcement standards.
- **GSE-111221**: As [Mark Calabria made clear earlier this year](#), reform of the Treasury market has direct, major impact on that for agency debt and MBS.
- **TMARKET2**: In this report, we build on [our initial analysis](#) of Monday's [report](#) from the Inter-Agency Working Group on Treasury Market Surveillance (IAWG).
- **SYSTEMIC92**: Late yesterday, the Federal Reserve [released](#) its most recent financial-stability report. As in its predecessor earlier this year ([see Client Report SYSTEMIC91](#)), this report takes a cautious view, counting on continuing bank resilience to counteract old worries, such as asset-price bubbles, along with containing at least some new fears.
- **CRYPTO21**: As [noted yesterday](#), the President's Working Group on Financial Markets (PWG) was joined by the OCC and FDIC yesterday issuing a report calling for prompt Congressional action to regulate stablecoins and, even in its absence, also for fast action by federal regulators and the FSOC.
- **GSE-102821**: FHFA is [proposing](#) a new disclosure regime designed to bring Fannie and Freddie into the public marketplace in a fashion analogous to large U.S. banks.
- **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.