



**Monday, December 6, 2021**

## ❑ CRYPTO CRASH-COURSE

After a series of seven crypto-focused hearings, HFSC will hold a high-profile session Wednesday covering essentially any issue in the digital asset arena Members target. We thus expect a wide-ranging session that will guide our assessment as to whether any legislation in 2022 is planned on the House side. As previously noted, Senate Banking Chairman Brown (D-OH) has also [launched](#) an inquiry into stablecoin trading-platform stability and conflicts. Chairwoman Waters' (D-CA) focus is more likely aimed at consumer protection and CFPB's [planned initiative](#) in this area. We expect Democrats also to advance recommendations in the PWG's recent stablecoin report ([see Client Report CRYPTO21](#)), while Republicans will push back on grounds also cited by FRB [Gov. Waller](#) and former [Gov. Quarles](#). We also expect Republicans to refute the SEC's view that cryptoassets are securities ([see Client Report INVESTOR19](#)). The hearing comes at a time also of recent bank regulatory action, the most important of which is the OCC's announcement that it has added a new safety and soundness criterion for crypto ([see FSM Report CRYPTO22](#)). We'll provide an in-depth report, listening for:

- whether Congress will heed the PWG's request and set statutory standards for stablecoins;
- whether banks are told to hold stringent capital against crypto exposures. Basel proposed this ([see Client Report CRYPTO19](#)) but has now gone to Plan B;
- what's necessary to gain the consumer protection Democrats demand;
- the extent to which Members want coins and exchanges to be SEC regulated;
- the how Members see need for statutory AML, ransomware, and other standards; and
- what Democrats want to do about crypto's environmental impact, picking up on [Sen. Warren's \(D-MA\)](#) latest missive against crypto-mining.

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## Headlines From the Past Week's Daily Briefings

### [November 29](#)

- **Global Regulators Tackle Key CCP-Resilience Challenge** - Addressing ongoing concerns about CCP resilience when members default, the CPMI and IOSCO consulted on CCP access and client-position portability, seeking views on new access

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models allowing clients direct access to CCP services and the effectiveness of porting practices.

- **FRB-NY: Disasters Don't Damage Bank Resilience** - Although the *Wall Street Journal* editorialized that a new FRB-NY paper absolves banks of climate risk, the actual paper does not do so.
- **Powell Prepares for Confirmation-Focused Questioning** - We will provide clients with in-depth reports as Chairman Powell testifies before Congress, but the testimony filed this afternoon makes it clear that Mr. Powell expects tough going as he prepares for confirmation.

## November 30

- **FSB Revisits Cross-Border GSIB Resolution Quandary** - Continuing its work to end TBTF banks, the FSB issued good practices for the crisis management groups that would take on a troubled GSIB.
- **Waters, Foster Urge Rules to Combat Algo Bias** - Continuing a recent hearing theme, HFSC Chairwoman Waters (D-CA) and AI Task Force Chair Foster (D-IL) urged federal financial regulators to ensure that AI/ML is algorithmic-bias free.
- **Clarida Stands by Fed Emergency Market Interventions** - Outgoing FRB Vice Chairman Clarida argued that the Fed has carefully deployed its 13(3) emergency powers and thus preserved its independence.

## December 1

- **FRB-NY Staff Assess CBDC Mission Impact** - With Chairman Powell reiterating that the Fed will soon seek views on CBDC, the New York Fed's new blog post is a timely assessment of whether central-bank digital currency advances core central-bank missions.
- **CFPB Launches Anti-Overdraft, Pro-Portability Campaign** - In concert with a new CFPB report, CFPB Director Chopra announced that the Bureau will soon limit overdraft and NSF fees and undertake an array of other reforms to retail banking.
- **FFIEC Tackles New AML Priorities** - The FFIEC released a significant rewrite of their BSA/AML examination manual, stressing not only an array of new priorities, but also recognition that current standards have unintentionally but often decisively encouraged derisking.

## December 2

- **Fed Staff Assess Big-Bank Correlated Risk, Systemic Hazard** - A new research note from the Federal Reserve looks at a critical question: how correlated have bank exposures become in the wake of stress testing and other rules many analysts, ourselves included, anticipated.
- **Quarles Defines Boundaries of Fed Emergency, Regulatory, Supervisory Policy and Politics** - In parting remarks, FRB Gov. Quarles not only defended his record, but

also took a very different stand on future emergency facilities than another departing Fed official, Vice Chair Clarida.

## December 3

- **OCC Presages Additional Climate-Risk Guidance** - Although it intends to issue climate-risk guidance for big banks by year-end, the OCC also solicited academic papers and policy research on climate risk in banking and finance for a June 2022 meeting.
- **Gensler Expands on Crypto Risk, GSE Status** - Although Senate Banking Ranking Member Toomey (R-PA) thought his answers inadequate, SEC Chairman Gensler's response to a series of questions sheds light on the SEC's continuing plans to cast a wide regulatory and enforcement net over cryptography.

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## **This Week**

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### **Tuesday, December 7**

HFSC Subcommittee on Oversight and Investigations hearing entitled: "Ensuring Equitable Delivery of Disaster Benefits to Vulnerable Communities and Peoples: An Examination of GAO's Findings of the CDBG Program." [10:00am, 2128 Rayburn HOB] Witness not yet available.

### **Wednesday, December 8**

HFSC hearing entitled: "Digital Assets and the Future of Finance: Understanding the Challenges and Benefits of Financial Innovation in the United States." [10:00am, 2128 Rayburn HOB] Witnesses: **Jeremy Allaire**, CEO, Circle; **Sam Bankman-Fried**, CEO, FTX; **Brian Brooks**, CEO, Bitfury; **Chad Cascarilla**, CEO, Paxos; **Denelle Dixon**, CEO, Stellar Development Foundation; **Alesia Haas**, CEO, Coinbase Inc. and CFO, Coinbase Global Inc.

### **Thursday, December 9**

HFSC Subcommittee on Diversity and Inclusion hearing entitled: "A Review of Diversity and Inclusion Performance at America's Largest Investment Firms." [10:00am, 2128 Rayburn HOB] Witnesses not yet available.

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## **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](#).

- [GSE-120221](#): Two recent studies add fuel to the fire we first spotted [late last year](#): demands

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for ARMs that only go down.

- **FEDERALRESERVE65**: Continuing the partisan and often-acrimonious tone of the Senate Banking hearing ([see Client Report FEDERALRESERVE64](#)), HFSC today heard from Chairman Powell and Secretary Yellen.
- **CRYPTO22**: Although the OCC joined other agencies issuing a non-committal "roadmap" for future cryptography actions, the agency at the same time and far more decisively stated that crypto activities are permissible only if they are also safe and sound.
- **FEDERALRESERVE64**: Most of the news at today's Senate Banking hearing revolves around Chairman Powell's concession that inflation may not be transitory and economic growth is now so robust that quantitative tightening might proceed more quickly than planned, pandemic permitting.
- **GSE-113021**: Unsurprisingly, [FHFA today raised](#) the GSEs' conforming loan limit to about \$647,000 and the high-cost limit to nearly \$1 million.
- **GSE-112421**: Because FHFA tends to take its cue from both the Basel Committee on Banking Supervision and its U.S. cousins, we here drill down to look at the housing-finance implications of the proposed global framework we assessed in a [recent in-depth report](#).
- **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.