



Wednesday, December 1, 2021

FRB-NY Staff Assess CBDC Mission Impact

With Chairman Powell yesterday reiterating that the Fed will soon seek views on CBDC ([see Client Report FEDERALRESERVE64](#)), the New York Fed's [blog post](#) today is a timely assessment of whether central-bank digital currency advances core central-bank missions. Emphasizing that this post reflects only staff views, the authors posit four mission objectives germane to CBDC -- payment cost, financial inclusion, consumer privacy, and innovation. They then show the positive difference CBDC might make on all fronts. Although the paper also notes that CBDC is not necessary for goal achievement given that central banks might also address these concerns via regulation or other action, it concludes that CBDC may well be warranted.

CFPB Launches Anti-Overdraft, Pro-Portability Campaign

In concert with a new CFPB [report](#), CFPB Director Chopra [today](#) announced that the Bureau will soon limit overdraft and NSF fees and undertake an array of other reforms to retail banking. The agency will target upfront pricing practices that he believes may be misleading and tackle banks which derive significant percentages of fee income from overdrafts. Notably, this new inquiry forms part of Mr. Chopra's focus on consumer-protection issues in the broader context of market competition, with the director saying today that overdraft fees may evidence market failure much as he [said](#) that redlining results from anti-competitive behavior. The agency thus plans to look not only at overdrafts, but also at account portability.

The report finds that overdraft and NSF penalties account for almost two-thirds of reported fee revenues. Banks with assets exceeding \$1 billion saw fee revenues increase each year between 2015 and 2019, although the increases were generally small. There was a significant drop in 2020 coinciding with the pandemic, a drop possibly due to federal stimulus payments. Small banks did not escape the report, with the CFPB noting they earned only slightly less overdraft revenue per account compared to large banks. However, three GSIBs – JPMorgan, Wells Fargo, and Bank of America – are specifically cited as accounting for almost half of all reported fees. Notably, a small subset of consumers accounts for the vast majority of fees.

FFIEC Tackles New AML Priorities

Rec The FFIEC today [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. New risk areas include charities and nonprofits, independent ATM owners or operators, and politically-exposed persons along with still more emphasis on KYC. As with all exam manuals, this one only indirectly sets policy by virtue of its attention to new details and instructions to examiners; express standards are those set by law and 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](#).

- [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.
- **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.

