



FedFin Weekly Alert

Monday, January 17, 2022

❑ FILLING OUT THE FED

Last week was an eventful week for the Federal Reserve, not only due to critical appointments and confirmations, but also because the latest round of [inflation data](#) has made the central bank's forecasting skills seem still less prescient and its power to determine the macro economy even more precarious. As we noted in our reports (see below), Senate Republicans appear ready to let Mr. Powell off the hook, doubtless because they view him as the least objectionable option from their perspective than anyone else President Biden might nominate. Instead, they have targeted Lael Brainard's vice-chair nomination as the one on which they'll take an anti-inflation stand. For good measure, Republicans are also and more quietly signaling to the Fed that, if they're unhappy with either monetary or regulatory policy, they will stop just talking about Fed independence and start taking it away. The warning shot came this week with legislation in both the House and Senate (S. 3490/H.R. 6379) taking up Ron Paul's decades-old demand to subject the central bank to the Congressional appropriations process. For other Fed developments this week, see:

- [Client Report FEDERALRESERVE66](#): Our take on prospects for Fed appointments, including those announced Friday (Sarah Bloom Raskin as supervision vice chair and Lisa Cook and Philip Jefferson as governors);
- [Client Report REFORM211](#): Our forecast for key safety-and-soundness rules predicted not just on a Raskin confirmation, but the overall Fed configuration in this Administration;
- [Client Report FEDERALRESERVE67](#): Our conclusions on the Senate Banking Committee's confirmation hearing for Mr. Powell. It focuses not on monetary policy, but instead on what's to come on CBDC and an array of key rules; and
- [Client Report FEDERALRESERVE68](#): Our take on the Brainard hearing, at which Sandra Thompson was also considered for confirmation as FHFA director. Climate-risk was again a hot topic, but senators on both sides of the aisle also expressed surprising appetite to revisit the long, long-pending question of GSE reform.

Headlines From the Past Week's Daily Briefings

January 10

- **FDIC Exempts Some Custody Funding from Brokered Deposits** - As promised in its brokered-deposit rule ([see FSM Report DEPOSITINSURANCE111](#)), the FDIC [published](#) a notice expanding deposit-making exceptions to funds received from third-party custodians without discretion over the IDIs into which funds are placed.
- **FSB Turns to Insurance Resolutions** - The [FSB expanded](#) on longstanding efforts to ensure successful insurance-company resolution, issuing papers on [resolution funding](#), and [resolution planning](#).
- **Warren Stands Firm Against Powell** - As anticipated in our in-depth report ([see Client Report FEDERALRESERVE66](#)), Sen. Warren (D-MA) is not letting up on Chairman Powell.

January 11

- **Ag Committees Enter Crypto Fray** - Flexing their jurisdictional muscle, the bipartisan leadership of the House and Senate Agriculture Committees [sent a letter](#) to the CFTC urging it to govern cryptoassets which, they say, are commodities.
- **CFPB UPs the Ante for Its Anti-BNPL Inquiry** - The CFPB [broadened its market-monitoring demand](#) of buy-now-pay-later (BNPL) providers into a general request for public comment.

January 12

No news of note.

January 13

- **CBDC Said to Conquer Another Operational Hurdle** - The BIS and Swiss National Bank [announced](#) that “Project Helvetia” – their CBDC pilot – has so successfully handled an array of transactions as to prove that DLT can be successfully adopted across traditional financial products and services.
- **Dems Demand Still-Tougher CFPB Small-Business Anti- Discrimination Data** - Senate Banking Chairman Brown (D-OH), Small Business Committee Chair Cardin (D-MD), and other senior Democrats [filed a formal comment](#) calling on the CFPB to advance its controversial small-business reporting proposal ([see FSM Report LENDING10](#)).
- **Hsu Reiterates Case for Bank-Like Crypto Regs** - Acting Comptroller Hsu [elaborated](#) on the risks U.S. regulators have identified for crypto assets, reiterating the need to apply bank regulation to stablecoin issuers ([see Client Report CRYPTO16](#)).

January 14

- **Biden Fills Out Controversial Fed Slate** - As anticipated in our report earlier this week forecasting 2022 regulatory action ([see Client Report REFORM211](#)), President Biden nominated Sarah Bloom Raskin to become the Fed's supervisory vice chair.

This Week

No meetings of note.

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](#).

- [GSE-011422](#): As noted in our in-depth analysis of Acting FHFA Director Thompson's confirmation hearing, it's clear that Democrats and Republicans are thinking hard about resurrecting statutory changes to the GSEs' charters.
- [FEDERALRESERVE68](#): At today's confirmation hearing, Gov. Brainard took a lot of the heat on inflation Republicans only mildly mentioned during Mr. Powell's Tuesday confirmation hearing ([see Client Report FEDERALRESERVE67](#)).
- [REFORM211](#): As promised, FedFin begins our 2022 forecasts with this in-depth report on bank regulation.
- [FEDERALRESERVE67](#): As promised yesterday ([see Client Report FEDERALRESERVE66](#)), we listened closely today to gauge the extent to which Chairman Powell faces a serious challenge to reconfirmation.
- [FEDERALRESERVE66](#): Many of you have asked us to forecast key policy implications ahead of two high-powered hearings this week considering President Biden's top Fed nominees.
- [GREEN12](#): Issuing the first formal U.S. climate-risk proposal, the OCC is seeking comments on high-level risk-management principles to set the context for additional, more binding action governing larger U.S. banking organizations.
- [GSE-010322](#): New [economic commentary](#) from the Federal Reserve Bank of Cleveland assesses several recent studies on homeownership from an investment perspective.
- [MMF19](#): In the wake of noncommittal statements from global regulators on ways to address money-market fund systemic risk, the Securities and Exchange Commission has proposed sweeping changes to the 2014 standards adopted after the 2008 crisis.