



FedFin Weekly Alert

Monday, January 24, 2022

❑ FROM A DISTANCE....

The Federal Reserve's long-awaited [CBDC discussion](#) draft led to remarkable Congressional unanimity on its import because pretty much anyone could read it any way they wanted. The only clear conclusion we noted in our [initial assessment](#) is that the Fed is in no hurry to act and, should it ever decide to do so, it will demand heavy cover from Congress and the Administration. We will shortly provide clients with our in-depth assessment of the Fed's request for views, closely examining the extent to which:

- the Fed – Gov. Brainard presumably included – has decided against a direct consumer-facing role akin to that contemplated in the Democrats' "FedAccount" construct ([see FSM Report CBDC](#));
- the Fed is even close to ideas solving the problems it identifies in areas such as monetary-policy transmission, privacy, and cyber-resilience and – if not – how long it will take to have a concrete proposal or two;
- the U.S. model might follow the BIS's preferred retail-facing CBDC design ([see Client Report CBDC6](#)) and how that affects technical build-out;
- banks would play a large enough role to sustain franchise value;
- the payment system would remain bank-centric or, if, as the Fed already contemplates ([see FSM Report PAYMENT22](#)) nonbanks would get keys to the CBDC kingdom; and
- the Fed expects to retain the USD's reserve-currency role should it decide against a CBDC.

Headlines From the Past Week's Daily Briefings

January 17

No news of note.

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

© 2022. Federal Financial Analytics, Inc. All rights reserved.

January 18

- **FinCEN Takes Cautious Steps to AML Innovation** - In remarks just [released](#), Acting FinCEN Director Him Das largely revisited recent FinCEN actions in response to Congressional [requirements](#).
- **Brown Lays Out Fed Confirmation Plan** - Senate Banking Chairman Brown (D-OH) told [press](#) that he will accelerate hearings on Fed-nominees Bloom Raskin, Cook, and Jefferson as well as seek floor time in early February
- **DOJ/FTC Propose Structural Antitrust Rewrite** - Although the Department of Justice already has opened the door for public comment on bank mergers ([see FSM Report MERGER10](#)), [it](#) and the [Federal Trade Commission](#) sought comment on the entire U.S. antitrust construct.

January 19

- **GOP Signals Congressional CBDC Strategy** - Although the bill will not pass in this Congress, we draw client attention to H.R. 6415, legislation just now noted in the Congressional Record to bar the FRB from offering the “FedAccounts” Democrats espouse ([see FSM Report CBDC](#)).
- **OCC Grants Non-Traditional Charter Conditions on BHC Status** - After close of business, the [OCC](#) gave conditional approval to SoFi’s acquisition of an insured depository and thus to its charter now as a full-service national bank.
- **Senate Banking Split on Several Key Nominations** - The Senate Banking Committee voted on several key Biden Administration nominees without taking up any of the pending Fed appointments.
- **Large Banks Lead on D&I, CFPB Study Finds** - The CFPB [released](#) a report analyzing publicly-available FY2020 diversity and inclusion data for depository and nondepository institutions, putting forward a series of best practice recommendations.

January 20

- **Fed Takes No CBDC Stand, Finally Seeks Views on What It Should Be** - After repeated promises to do so, the Federal Reserve [released its CBDC discussion draft](#), emphasizing as it did so that the request for views should in no way be taken as an indication of even an initial Fed decision to offer central bank digital currency.

January 21

- **Congressional Leaders See What They Want in CBDC Paper** - Following release of the Fed’s CBDC discussion draft, key policymakers in the House and Senate have now weighed in.

- **FDIC Finalizes Trust, MSA Deposit-Insurance Simplification** - The FDIC [today](#) finalized as [proposed](#) a rule simplifying deposit-insurance coverage for deposits held in connection with revocable and irrevocable trusts as well as certain MSA deposits.

This Week

Tuesday, January 26

SEC Open Meeting [10:00am, webcast] Matters to be considered: 1. The Commission will consider whether to propose amendments to Form PF to require current reporting and amend reporting requirements. 2. The Commission will consider whether to propose amendments to the definition of an exchange under the Securities Exchange Act of 1934 and re-propose amendments to Regulation ATS for ATSs That Trade U.S. Government Securities, NMS Stock, and Other Securities and to Regulation SCI for ATSs That Trade U.S. Government Securities.

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.
- **[GSE-122721](#)**: Late last week, the NCUA put a small addition into the Christmas stockings already stuffed by the regulator over the past few months with numerous regulatory liberalizations.
- **[MERGER10](#)**: Just days after the FDIC chair refused to advance a request for comment on bank-merger policy, the Department of Justice released one signaling agreement with many of the concerns Democrats aired in concert with the RFI.
- **[GSE-122021](#)**: As [noted](#) on Friday, the Biden Administration's first FSOC systemic-risk hit list reiterates Trump Administration fears about [nonbank mortgage companies](#).
- **[GSE-121721](#)**: As [noted](#) on Thursday, FHFA continues to tread carefully through the big-bank rulebook, adopting standards said to be like-kind that aren't quite so similar when it comes to critical details.
- **[MERGER9](#)**: Released in a highly-controversial fashion (see below) by two Democrats on the FDIC's board, this RFI posits the need for a significant review of mergers involving insured depository institutions (IDIs) due to many changes in the financial industry and, so it says, the lack of substantive competitive analysis over past decades even of the largest transactions.