



Thursday, January 13, 2022

CBDC Said to Conquer Another Operational Hurdle

The BIS and Swiss National Bank [today 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. Working with five commercial banks, the project integrated a wholesale CBDC into core banking infrastructure, demonstrating that operational challenges can be overcome. The BIS thus reiterates its finding that CBDC can quickly become systemic and pose an array of challenges if not carefully designed ([see Client Report CBDC6](#)). Although Mr. Powell said Tuesday ([see Client Report FEDERALRESERVE67](#)) that the Fed's CBDC discussion paper will be released in coming weeks, it may well find at least some of its decisions curtailed by continuing design decisions in other central-bank constructs.

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 today [filed a formal comment](#) calling on the CFPB to advance its controversial small-business reporting proposal ([see FSM Report LENDING10](#)). Although they urged fast action, they also argued for a wider scope of credit-product coverage and public disclosure of as much data as possible. As previously noted, the proposal implements HMDA-like demographic for small-business lending designed to identify denial disparity rates, pricing, or other practices that might be discriminatory or have undue disparate impact.

Hsu Reiterates Case for Bank-Like Crypto Regs

Acting Comptroller Hsu today [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](#)). He also detailed an array of other crypto risks regulators have identified (e.g., fraud, AML violations), reiterating calls for consolidated regulation to ensure that conflicts of interest, cross-cutting risks, and other crypto hazards are properly managed and regulated. Mr. Hsu did not provide any insight into next steps for the [inter-agency crypto "sprint"](#) or comment on possible bank capital regulation ([see FSM Report CRYPTO19](#)).

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](#).

- [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.
- **GSE-121521**: Although there were signs [earlier this year](#) that the QRM risk-retention exemption might get a long-delayed overhaul, the agencies [yesterday](#) ducked any decisions.
- **GSE-120921**: On Tuesday, [HUD](#) and the [CFPB](#) opened the door to [special-purpose mortgage finance](#). Now, we expect FHFA to use this safe harbor to mandate express GSE equitable-finance programs and for banks to take much of what's left in all their commitments after George Floyd's murder and turn it into mortgage and other community-finance products.
- **CRYPTO23**: As [anticipated](#), today's HFSC hearing was a marathon session at which industry witnesses defended their business model, Republicans liked it fine, and Democrats worried about a wide array of policy challenges.
- **COVEREDFUNDS3**: The OCC is "clarifying," but also in many respects rescinding one aspect of controversial 2020 rules expanding the "covered funds" under which banks may make equity investments as provided by the Volcker Rule.
- **GSE-120621**: As we noted on [Friday](#), Senate Banking Ranking Member Toomey asked SEC Chairman Gary Gensler a trick question about GSE [obligations](#) at the very end of a lengthy letter focused principally on cryptography.
- **GSE-120221**: Two recent studies add fuel to the fire we first spotted [late last year](#): demands 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.