



FedFin Daily Briefing

Friday, January 21, 2022

Congressional Leaders See What They Want in CBDC Paper

Following release [yesterday](#) of the Fed's CBDC discussion draft, key policymakers in the House and Senate have now weighed in. [Senate Banking Chair Brown \(D-OH\)](#) said the draft is a good first step, highlighting the potential for CBDC to create a more inclusive banking system and further U.S. economic leadership. Without demanding his FedAccount construct ([see FSM Report CBDC](#)), he underscored the need for CBDC to facilitate digital-economy participation by workers, small businesses, community banks, and credit unions. On the very other hand, [Ranking Member Toomey \(R-PA\)](#) was also encouraged but only because the report acknowledged that the Fed would obtain Congressional authorization prior to issuing a CBDC and that Fed-offered retail accounts are not contemplated. However, he is concerned that there is neither a clear explanation as to how the Fed would protect consumer privacy nor an explicit endorsement of P2P transactions. [HFSC Ranking Member McHenry \(R-NC\)](#) similarly praised the report for affirming the need for Congressional authorization and urged the Fed to prioritize getting CBDC "right" over delivering it quickly. He also reiterated the [CBDC principles](#) disseminated by HFSC Republicans last year. Chairwoman Waters (D-CA) has not yet provided her views; in the past, she has underscored the need to consider how CBDC will affect the global influence of the dollar, advance efforts to fight financial crime, impact communities of color, enhance financial inclusion, and balance privacy with transparency ([see Client Report CBDC7](#)).

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. Revocable and irrevocable trusts will now be considered a single trust-accounts category, with deposit insurance coverage on these separate from other deposits and limited to \$1,250,000 per grantor; the FDIC concludes that vast majority of trust depositors will not experience a change in overall coverage. The rule also provides consistent treatment for all MSA account deposit balances held to satisfy P&I obligations to a lender. Specifically, accounts comprised of P&I payments maintained by a mortgage servicer in an agency, custodial, or fiduciary capacity will be insured for the cumulative balance paid in to satisfy P&I obligations up to the \$250,000 standard limit. This effectively expands coverage from only those payments paid by the mortgagor to also include those from other sources such as a servicer's own operating funds. The rule is effective April 1, 2024.

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.