



# FedFin Weekly Alert

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Monday, February 21, 2022

## ❑ CHICKEN GAMES

It's no longer news that Senate Banking's Republicans last week boycotted confirmation votes for the Administration's full slate of Federal Reserve nominees along with that for FHFA Acting Director Thompson. Although the tactics are striking, Republican objections aren't -- we forecast these well before the voting ([see Client Report FEDERALRESERVE66](#)) and see nothing thereafter to change our prediction that -- while certainly possible -- it would prove difficult for the White House to advance Ms. Raskin's appointment as Vice Chair for Supervision. [Our updates last week](#) also predicted that each side would dig in its heels not just on Ms. Raskin, but also on whether Democrats would split the slate so all but her appointment could advance. What's next?

In the immediate term, nothing good no matter which side you're on. In the U.S., we speak often of a "game of chicken." In it, each side faces the other and feints various aggressive moves until the opponent concedes.

Ukraine is such a case on the global playing field and the Raskin nomination is yet another in the Senate. Each side is firing barrages at the other over who is more or less violating Senate protocols, who is making false accusations, who is coddling inflation, and so on. What Democrats want is to force Republicans to concede on the full Fed slate so Ms. Raskin can be confirmed. What Republicans want is for Democrats to concede that the more they hold up the other nominees to press Ms. Raskin's case, the longer the U.S. central bank will go without a chairman and/or a functioning quorum.

This doesn't mean the Fed is frozen -- [as we noted](#) -- it's limping along on monetary-policy actions and uncontroversial regulatory or supervisory decisions. However, both sides know that the Fed must have as much of a full slate as possible as soon as possible and each side is standing back, hoping the other will blink.

This will go on until Sen. Manchin (D-WV) makes his wishes known -- so far, all he's done is tantalize observers by suggesting yet again that his decisive vote is still uncertain. Should Mr. Manchin side with Democrats, they'll still need Sen. Luján (D-NM) back on the floor to secure Ms. Raskin's confirmation assuming all other Democrats stand firm in their support for this controversial nominee.

At this point, it's simply too soon to say what Sen. Manchin might do, when Sen. Luján will return, and whether Democrats will come together in better order than this side of the aisle can usually muster. As always, we'll be watching, analyzing, and keeping you in the loop.

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## Headlines From the Past Week's Daily Briefings

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### February 14

- **Gensler Stands by Climate-Risk Disclosures** - In a Twitter thread, SEC Chairman Gensler pushed back at Sen. Warren's (D-MA) criticisms that the Commission is moving too slowly on climate-risk disclosures.
- **Renew Attack on ERISA Waivers** - Joined by Sen. Tina Smith (D-NH), Sen. Warren (D-MA) has renewed a longstanding Democratic demand that the Department of Labor deny ERISA waivers to large banks found to have engaged in illegal or unethical behavior.
- **SEC Wins a Big One** - Making it clear that, despite GOP pushback, the SEC can and will go after crypto products, the Commission reached a high-profile, multi-million dollar settlement with BlockFi Lending LLC that essentially prohibits its lending products and, by inference, any others unwilling to undergo protracted litigation leading to still more costly sanctions.
- **Hsu Targets Bank LMI Lending for CRA Push** - In remarks, Acting Comptroller Hsu stated that, while banks have done considerably better by LMI communities in recent years, deep gaps remain that, at least for Black households, may now be worse than ever.

### February 15

No news of note.

### February 16

- **FSB Fears Crypto, Contemplates Response** - The FSB issued an in-depth [report](#) on systemic crypto risk, concluding that this could so quickly become a real threat that it could warrant preemptive intervention.
- **CFPB Opens Regulatory Portal to All Petitioners** - Taking what it says are steps to democratize its rulemaking, the CFPB established a process via which consumers may directly petition it to commence a rulemaking, also releasing a [guide](#) explaining the submission process.
- **FedFin Assessment: What's Next for the Fed** - As requested, this alert updates clients on the implications of yesterday's GOP boycott of the confirmation votes in the Senate Banking Committee for President Biden's FRB-leadership slate.

## February 17

- **FSB Details Work on NBFIs, Climate, Crypto** - In his first [letter](#) to G20 finance ministers and central bankers, Chairman Klaas Knot of The Netherlands reiterated work on longstanding FSB priorities (i.e., ensuring resilience and a smooth post-pandemic transition).
- **FSI Counters FSB plans for Climate Macroprudential Standards** - Although the FSB chairman [argued](#) in favor of climate-risk macroprudential standards, a [report](#) from the BIS's Financial Supervision Institute concludes that doing so would be ineffective and even counter-productive.

## February 18

- **White House, Senate Seek to Strengthen AML Criminal Law** - In complete alignment with the White House, a bipartisan group of senior senators has [introduced sweeping legislation](#) to rewrite U.S. criminal law to address new ways to launder or counterfeit money.
- **Brainard Charts Course to CBDC Decision** - While awaiting confirmation as Fed vice chair, Gov. Brainard remains active, taking a more positive stance on the need for a CBDC without violating the wholly-undecided approach laid out in the Fed's pending discussion draft ([see FSM Report CBDC10](#)).

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## **This Week**

No meetings of note.

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## **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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **CRYPTO25**: Despite fierce partisan fighting over pending Fed nominations, today's Senate Banking hearing on stablecoin regulation was considerably more bipartisan than last week's HFSC session ([see Client Report CRYPTO24](#)).
- **GSE-021022**: Moving far ahead of the banking agencies [Al](#), FHFA [today](#) released a series of supervisory AI/ML standards for Fannie, Freddie, and CSS, perhaps leaving the FHLBs alone because none so far does much within this arena or nobody cared.
- **GSE-020922**: Continuing her very different vision of Fannie and Freddie, FHFA Acting Director Thompson [today](#) has released a new strategic plan for the agency emphasizing the importance

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

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of both equitable and sustainable housing finance.

- [\*\*CRYPTO24\*\*](#): Today's HFSC hearing on stablecoins makes it clear that the bipartisan legislation Chairwoman Waters (D-CA) prefers is at best a long way off.
- [\*\*FEDERALRESERVE69\*\*](#): As this report details, all three Fed nominees before the Senate Banking Committee today emphasized the vital importance of Fed independence and their anti-inflation zeal to quell GOP opposition and cement it among moderate Democrats.
- [\*\*CONSUMER38\*\*](#): Taking action to advance President Biden's competition order, the CFPB is seeking views on fees which it believes exploit consumers by virtue of unfair competition.
- [\*\*GSE-020122\*\*](#): Nothing could do as much damage to a business based on fee revenue as a determined CFPB inquiry into fee revenue.
- [\*\*CBDC10\*\*](#): Months after initially promising to release a discussion draft on central bank digital currency (CBDC), the Federal Reserve is now seeking comment on whether and how it might create one.
- [\*\*GSE-012422\*\*](#): A new Federal Reserve Bank of Atlanta [study](#) adds another element to those [prior research argues](#) are evidence of widespread racial discrimination in U.S. mortgage finance.
- [\*\*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.