



FedFin Daily Briefing

Wednesday, February 2, 2022

BIS Outlines Regulatory Goals for More Tech-Based Lending

A new BIS [paper](#) approaches fintech's financial-inclusion impact from a new angle: the extent to which personal-information collateral backing consumer debt can be governed to ensure that innovation also advances inclusion without leading to undue market power and/or disintermediation. Noting that account holders worldwide borrow three times more from nonbanks than their own bank (in part because brick-and-mortar delivery makes low-margin customers unprofitable), fintech and even bigtech are seen as vital adjuncts to traditional intermediation. However, using the unusual bank/nonbank regulatory construct in Hong Kong governing banks, fintech, and tech-platform companies as a global precedent, the paper concludes that data-collateralized lending poses significant risks unless it is effectively regulated with regard to consumer-privacy rights, opacity/discrimination, risk-management, market integrity, fraud, inter-operability, and recovery. Still, unbundling banking will accelerate financial inclusion especially if central banks govern the terms on which personal data are shared. The paper reaches no financial-stability conclusion and, despite its optimism about financial inclusion, its findings about consumer privacy and other risks along with market-power concerns suggest that tech-based finance poses significant policy challenges, even in jurisdictions such as Hong Kong that are well ahead of most other national regulatory schemes.

BIS Chief Calls for CBDC ASAP

The BIS today released a [speech](#) late last month from Managing Director Carstens saying that the "soul of money" – i.e., its essence and purpose – is best entrusted to central banks, not DLT or private issuers. Based on this, he calls for strict stablecoin and DeFi regulation and an open, inter-operable system for both banks and nonbanks founded on CBDC. Mr. Carstens also describes various BIS [initiatives](#) enabling cross-border payment, clearing, and settlement via CBDC, describing how this integrates with ongoing FSB cross-border payment efforts ([see FSM Report PAYMENT23](#)).

All of these global actions are in stark contrast the Fed's cautious stand on CBDC ([see FSM Report CBDC10](#)). To the extent they continue, the U.S. could find itself in a difficult position vis-à-vis other central banks and payment systems in reasonably short [order](#).

CFPB Redoubles Effort Against "Junk" Fees

The CFPB today posted a [note](#) standing firmly behind its RFI seeking input on the "junk" fees the agency believes pervade consumer finance ([see FSM Report CONSUMER38](#)). As in the RFI, the post targets bank fees such as those for overdrafts, late payment, online payments and out-of-network ATM use. However, mortgage-closing costs are again also targeted. The post concludes by urging consumers to tell the Bureau their stories of undue fees, redoubling the agency's effort to highlight specific banks as well as a broader policy concern.

Senate GOP Heighten Objections to FDIC Democrats

Senate Republicans today strengthened their objections to the December effort by FDIC Democrats to release a bank-merger RFI ([see FSM Report MERGER9](#)), introducing legislation to strip the Board of the Comptroller of the Currency and CFPB director. S. 3540 is unlikely to advance in this Congress, but it could move forward in the next if Republicans gain control and believe this is the only way to block Biden officials from inter-agency actions to which they object. However, the Congressional Review Act would then be a still more potent remedy as well as one possible without structural change to FDIC governance.

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](#).

<https://fedfin.com/wp-content/uploads/2022/01/GSE-012422.pdf>

- **[CONSUMER38](#)**: Taking action to advance President Biden's competition order,[1] 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.
- **[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.