



FedFin Daily Briefing

Friday, February 4, 2022

FSOC Reviews Ongoing NBF1 Workstreams

In what appeared to be a meeting largely intended to comply with statutory demands for quarterly sessions, the FSOC met today to consider U.S. work on the 2021 global NBF1 agenda ([see Client Report NBF1](#)). A key concern then was MMF illiquidity, an issue now addressed in a pending SEC proposal ([see FSM Report MMF19](#)); Chairman Powell and Acting Comptroller Hsu thanked the Commission for this work. Chairman Gensler confirmed that the Commission is also exploring new open-end fund standards; the working group on this sector today said that work continues on possible reforms to address a top FSOC concern, but no indication was provided as to what recommendations may now advance. Work on hedge funds is also under way with specific regard to Archegos' [impact](#), with OFR today announcing a new pilot program gathering more data on uncleared bilateral repos.

Bipartisan Bill Opens Custody Services to Small Banks

Sens. Tim Scott (R-SC) and Maggie Hassan (D-NH) have introduced S. 3562 to allow well-capitalized community banks, minority depositories, and CDFIs to accept custodial deposits without these being considered brokered under applicable FDIC rules ([see FSM Report DEPOSITINSURANCE111](#)). The introductory [release](#) says this is intended to enable these banks to compete with the largest custody banks and thus obtain funds for community development, small-business lending, and other purposes. However, custody deposits are usually housed in safe assets, meaning that this legislation would only empower additional lending if it freed up liabilities for existing or future assets.

Toomey Targets Chinese CBDC to Speed U.S. Crypto

Suggesting that the autocratic nature of the digital yuan should spur private-sector U.S. crypto development, Senate Banking Ranking Member Toomey (R-PA) [today](#) requested that both the Treasury and State Departments closely monitor and report on developments as China seeks an international rollout in tandem with the Olympics. He says that Chinese digital currency adoption could potentially lead to the subversion of U.S. sanctions and facilitate illicit money flows. Further, China's early adoption could give it advantages in setting standards for cross-border digital payments. The letter requests exhaustive information on topics such as on China's strategies to advance adoption, any attempts to promote foreign-company adoption via coercion, adoption rates and total use, and an assessment of the user and transaction data the Chinese government is able to access. Sen. Toomey also requests a briefing by March 7.

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](#).

- [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.
- [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.