



FedFin Daily Briefing

Wednesday, February 9, 2022

Global Regulators Demand Fast Capital Rewrite

Reinforcing his chairman's comments [yesterday](#), the Basel Committee and its supervising panel of central bankers [today](#) stressed the need for national action on the Basel III/IV package. The global bodies also reiterated the need for "full, timely, and consistent" action, with these calls sure to speed U.S. inter-agency deliberations as soon as the Federal Reserve's board fills out with a new supervisory vice chair. As noted [previously](#), Sarah Bloom Raskin's reappointment faces significant partisan challenges that will not be faced until Senate Democrats resume their full complement upon Sen. Luján's (D-NM) return.

Senate Ag Ready to Engage on SEC/CFTC Crypto Jurisdiction

The Senate Agriculture Committee today held a hearing examining the CFTC's authority to govern cash digital assets, with Members on both sides agreeing that it is vital to clarify the distinctions between securities and commodities law to ensure that the CFTC can intervene where appropriate to ensure stability and consumer protection. Chairwoman Stabenow (D-MI) acknowledged bitcoin's financial-inclusion potential, but also noted an array of risks such as those to the climate, volatility, fraud, and insider trading. She along with senators such as Cory Booker (D-NJ) also suggested the need for quick action to address these fast-growing risks. Ranking Member Boozman (R-AK) emphasized bipartisan, bicameral agreement on the need to clarify law if the CFTC urges Congress to do so. CFTC Chairman Rostin Behnam in fact indicated that, while the Commission has undertaken numerous digital-asset initiatives, it needs additional technical expertise and may well require new law, especially with regard to the spot market. He also emphasized the need for inter-agency cooperation on cash digital assets, citing the PWG's stablecoin report as an example of how best to address cash digital assets which, he said, pose unique risks beyond those the CFTC has traditionally targeted. However, Mr. Behnam hedged some of his specific requests for action, likely tempering his testimony in anticipation of a broader executive order soon to be issued by the President address an array of cryptoasset risks. Sen. Gillibrand (D-NY) also emphasized the need for the CFTC to ensure that futures exchanges are cyber-resilient.

IMF Discounts CBDC Inevitability

The IMF today [released a comprehensive report](#) on [CBDC](#), the results of which led Managing Director Kristalina Georgieva to conclude that a central-bank digital currency is not an inevitable outcome of digital transformation. To be sure, she said that CBDC is preferable to unregulated cryptoassets and even stablecoins. However, this does not necessarily mean that CBDCs are required in all jurisdictions, with the IMF thus concluding that there is not a one-size-fits-all model in this arena. In addition, CBDCs must ensure privacy and financial stability as well as support financial intermediation; the Fund thus favors CBDCs that do not substitute for bank deposit-taking (i.e., not paying interest, limiting holdings). Smaller holdings may also best protect privacy by virtue of a reduced need for full identification along with lowering the odds of illicit finance. Finally, Ms. Georgieva echoes the broader policy concerns in the Fed's discussion draft ([see FSM Report CBDC10](#)), noting that CBDC design must not only conquer technical challenges, but also ensure continuing public trust in a nation's fiat currency and central bank.

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-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 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.
- [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.