



FedFin Daily Briefing

Wednesday, February 16, 2022

FSB Fears Crypto, Contemplates Response

The FSB today 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. Even so, the report provides no recommendations on how best to proceed, with global regulators confining themselves to a detailed presentation on vulnerabilities and resulting risk. Concerns include consumer and investor protection, operational fragility, and energy dependence, with the FSB also noting risks outside its remit (e.g., AML, cyber-crime, ransomware). The paper also assesses DeFi, concluding that it can concentrate risk and heighten structural opacity. An array of risks specific to stablecoins is also outlined, reinforcing those highlighted in the President's Working Group report ([see Client Report CRYPTO21](#)).

Despite these concerns, the report says only that the FSB in 2022 will "explore" possible regulatory and supervisory actions, monitoring action with particular regard to its recommendations on global stablecoins ([see FSM Report CRYPTO20](#)). The paper also notes risks related to bank crypto exposures without taking a stand on the capital proposals Basel has withdrawn for additional consideration ([see FSM Report CRYPTO19](#)). Numerous data gaps are also to be addressed.

CFPB Opens Regulatory Portal to All Petitioners

Taking what it says are steps to democratize its rulemaking, the CFPB [today](#) established a process via which consumers may directly petition it to commence a rulemaking, also releasing a [guide](#) explaining the submission process. Noting that this process is "in line" with the Administrative Conference of the United States, the CFPB now allows consumers and others (presumably including financial companies) to petition the Bureau to amend or repeal existing rules as well as to issue new rulemakings, with petitions posted on a public docket for comment and review. The new process goes into effect today; where it goes thereafter remains very much to be seen.

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. As anticipated ([see Client Report FEDERALRESERVE66](#)), Sarah Bloom Raskin's nomination as supervisory vice chair is proving to be particularly problematic, leading Democrats to try to attach Chairman Powell's far more popular confirmation to the rest of the slate in hopes of forcing it through. Echoing a tactic Democrats used to block Trump Treasury appointees, Republicans countered by refusing to allow for a quorum. Unlike the last such tactic, it succeeded this time because Chairman Brown (D-OH) lacks the votes on his committee to force through a change in the rules permitting confirmation voting. This leaves the Fed in limbo, with Mr. Powell now exercising authority as chairman pro tempore of the Board and the FOMC. Monetary-policy deliberations and routine Fed actions will proceed, but all controversial regulatory and transaction decisions remain on hold.

Frustrated by this stalemate, Democrats have launched a firestorm of protests, arguing that Republicans are going back on their anti-inflation pledges by not confirming the slate, but this is unlikely to alter the GOP stance. Instead, we expect political warfare to rage until Sen. Lujan (D-NM) returns to the Senate and gives Democrats a realistic hope of confirming Ms. Raskin along with the rest of the slate. Should any Democrat demur at that time, then we expect Senate leadership to split the slate and Republicans will allow votes on Mr. Powell, Ms. Brainard, Mr. Jefferson, and even Ms. Cook. Acting FHFA Director Thompson's nomination was also caught in this maelstrom, but we expect it to proceed the next time non-controversial nominees come before Senate Banking.

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](#).

- [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 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](#).