



FedFin Daily Briefing

Thursday, February 17, 2022

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). Pending actions include a mid-year report on ways to ensure inclusive financial recovery and continuing work on MMFs, open-end funds, margining, bond-market liquidity, and EME dollar-funding vulnerabilities. Near-term work will also revisit 2017 standards on asset-management liquidity ([see FSM Report ASSETMANAGEMENT6](#)) and create a set of systemic-risk tools focused on NBFIs.

The FSB is also continuing work on digital currencies, including yesterday's [risk analysis](#). 2022 work will build out the cross-border payment roadmap ([see FSM Report PAYMENT23](#)) and global stablecoin standards ([see FSM Report CRYPTO20](#)). The FSB also plans a wide-ranging agenda on climate-risk disclosures, data, vulnerability analysis, regulatory/supervisory options, as well as plans to build out scenario-analysis tools later this year. Reports on all these initiatives will go to the G20 this following a July update. A new set of guidelines on outsourcing risk is also on tap for the fall.

FSI Counters FSB plans for Climate Macroprudential Standards

Although the FSB chairman earlier today [argued](#) in favor of climate-risk macroprudential standards, a [report](#) from the BIS's Financial Supervision Institute today concludes that doing so would be ineffective and even counter-productive. This is due to uncertainty about the extent to which climate-risk systemic implications may already be well addressed in current macroprudential standards or to those now under development with specific regard to individual institutions. The FSI, for example, notes the data challenges that also trouble the OCC ([see FSM Report GREEN12](#)) and other U.S. regulators, arguing against any near-term binding capital or prudential standards in this arena. Instead, Pillar 2 supervisory standards are said to address climate risk with the flexibility needed to ensure effective risk management and sufficient loss-absorption capacity. Indeed, the paper questions whether specific capital standards, even if properly honed to specific climate risks, would allocate credit away from problematic climate exposures, noting that penalty capital charges generally do not have that impact in other sectors. Further, near-term penalties such as brown charges would destabilize counterparties and unnecessarily accelerate transition risk.

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 [AI](#), 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.