



# *FedFin Daily Briefing*

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Friday, February 18, 2022

## White House, Senate Seek to Strengthen AML Criminal Law

In complete alignment with the White House, a bipartisan group of senior senators has [introduced sweeping legislation](#) to rewrite U.S. criminal law to address new ways to launder or counterfeit money. Much in the measure addresses the full range of penalties or targets new bulk-cash smuggling and informal value-transfer systems. However, the measure also tackles issues of concern to financial institutions, most notably by creating a new money-laundering violation related to international funds transfers into or outside of the U.S. for purposes of tax evasion. Blank-check transfers for the purposes of money laundering would also be barred, with both provisions likely requiring additional compliance procedures if enacted. The bill also has significant implications for cryptocurrency by virtue of provisions creating new criminal counts for illegal money transmitting services -- i.e., those outside state money-transmitter licensing standards that engage in significant wire transfers. Law enforcement would also be given heightened wiretap authority related to AML offenses and the Secret Service would be brought expressly into enforcement with regard to ransomware and other forms of illegal money transmitting.

## Brainard Charts Course to CBDC Decision

While awaiting confirmation as Fed vice chair, Gov. Brainard remains active, [today](#) taking a more positive stance on the need for a CBDC without violating the wholly-undecided approach laid out in the Fed's pending discussion draft ([see FSM Report CBDC10](#)). Urging action, her talk details recent developments in the digital-asset arena such as all the Superbowl ads making clear how retail-focused this sector has quickly become. Although ongoing Fed payment-system work such as that associated with FedNow are necessary, Ms. Brainard's talk suggests that they may still be insufficient to ensure consumer protection, inclusion, systemic stability, and monetary-policy transmission. Design features such as no interest and account limitations may well address intermediation and other concerns, with CBDC possibly a complementary adjunct to private stablecoins that may, she said, be still more essential if this sector concentrates into only one or two primary issuers. Ms. Brainard also states that the Fed should take heed of other CBDC initiatives and consider what the global financial system will look like with or without a U.S. CBDC. She also notes the importance of considering the dollar's reserve-currency status, concluding that it is essential for the U.S. to be on the "frontier" of CBDC decision-making.

## Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto: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.