



FedFin Weekly Alert

Monday, March 21, 2022

❑ AS IT GETS WORSE, AMERICA GETS ANGRIER

Although the Congressional schedule this week (see below) looks light, it will be anything but quiet on Capitol Hill. We will thus continue to monitor and analyze key developments related to sanctions against Russia, Belarus, their oligarchs, and pretty much anyone else Americans think may be playing a direct or indirect role accelerating geopolitical risk, encouraging aggression, and exacerbating human suffering. With the House out of session next week, new laws cannot be enacted, but the White House and Treasury will act as fast as possible and as assertively as they think is right, even if their edicts tread on the boundaries of current law when they are convinced that Congress will quickly codify what's been done, as well as authorize still more. Key issues we'll be watching include:

- **A Crypto Crackdown:** Although Republicans are wary of blanket digital-currency sanctions and progressive Democrats in the House stand with them, many Democrats in the Senate are advancing tough measures to capture digital asset exchanges, counterparties, and instruments ([see Client Report SANCTION17](#)). As we noted last week, we expect digital-asset law broader than some might like to move faster than once seemed possible.
- **Stablecoins:** One growing concern is Russia developing a stablecoin via its central bank to [evade sanctions](#). Crypto sanctions or new laws may capture this over time, but near-term punishment for Tether or other stablecoin exchanges using dollar reserves is certain if Treasury determines that violations are occurring or even just possible. Once this happens, the die will be cast for broader stablecoin regulation and systemic designation, regardless of the otherwise-slow pace of action on the President's Working Group report ([see Client Report CRYPTO21](#)).
- **China:** As we also note [last week](#), Congress is moving China into its sights. To the extent the Administration or even media believe China is facilitating Russia's actions, possible sanctions will come under current law – most likely first regarding Chinese banks doing business in the U.S. and then to any others Congress decides to levy in either the financial or tradesphere or both.
- **Wealth Management:** Sanctions officials have their hands more than full with traditional funding flows, but all of them are mindful of huge stashes of Russian-related assets stored in wealth-management, shell-company, and other off-the-

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grid holdings. Tracking them down will be harder than sanctioning banks thought to know where they are. As a result, we expect strong, severe action for any U.S. or foreign bank within the reach of the U.S. if authorities believe assets are being liquidated into dollar-denominated funds or any other resources accessible through U.S., U.K., or E.U. punishment.

Headlines From the Past Week's Daily Briefings

March 14

- **IOSCO Adds Carbon-Market Review to Work Plan** - IOSCO [released](#) a comprehensive sustainability work plan, moving beyond the investor-focused disclosures it [previously espoused](#) set for action next week by the [SEC](#).
- **Raskin Faces Still Higher Confirmation Odds** - Sen. Manchin (D-WV)'s [statement](#) that he will not support Sarah Bloom Raskin makes her path to confirmation difficult, if not impossible.

March 15

- **House Readies Still Tougher Sanctions** - Thursday's [HFSC mark-up](#) will advance a series of bills ramping up sanctions designed as amendments to the omnibus legislation advancing through Congress to punish Russia and targeted allies.
- **What's Next at the Fed** - As anticipated, Sarah Bloom Raskin has reportedly [withdrawn](#) her nomination following indication from Sen. Manchin (D-WV) and two moderate Republicans that they will oppose her confirmation.
- **More on What's Next for the Fed** - President Biden's [statement](#) on Ms. Raskin's withdrawal clarifies the outlook detailed in our alert earlier this afternoon.

March 16

- **U.S. Merger Construct Clarity Delayed** - The [DOJ](#) and [FTC](#) have extended the deadline for comment on the current U.S. antitrust construct.
- **Bureau Casts Wide, Sharp Net for Consumer-Finance Discrimination** - Renewing his pledge to [stamp out financial discrimination](#), CFPB Director Chopra [announced](#) a new enforcement policy based on a revised examination [manual](#).
- **Warren Demands Still More Antitrust Reform** - Building on her campaigns against bank mergers ([see FSM Report MERGER8](#)) and more recent, broader competition concerns, Sen. Warren (D-MA) and Rep. Jones (D-NY) have introduced legislation barring large mergers in any sector and allowing the Department of Justice or FTC to break up companies without necessary resort to court order.

- **OCC Opens Window to AML Regtech** - The OCC has [finalized](#) a rule based on its [proposal](#) allowing exemptions to SAR filing requirements for national banks and federal thrifts whose AML-compliance programs satisfy a set of criteria designed to spur regtech without undermining compliance.
- **Fed-Nominee Voting Advances** - Due to the Fed's monetary-policy shift, the press conference after the FOMC meeting provided few insights into regulatory policy.

March 17

- **Fed, FHFA Leadership Advance** - As [anticipated](#), the Senate Banking Committee advanced all the Fed nominations and that of Sandra Thompson as FHFA director.
- **HFSC Hikes Array of Anti-Russia Sanctions** - In the first of a series of markups, HFSC approved 5 bills ramping up sanctions against Russia and Belarus.
- **Chopra Uses Rate Hike to Press Competition Inquiries** Describing the CFPB as "the arm of the Federal Reserve System that is fully focused on consumers," Director Chopra [issued](#) a statement following the rate hike.
- **Senate Democrats Take Turns Whacking Wells Fargo** - Senior Democrats took sharp issue with Wells Fargo's refi lending, asserting it was discriminatory and seeking an array of data from the bank and action by federal agencies.

March 18

- **Commodity-Market Backstop Prospects, Impact** - In this alert, we update clients on our assessment of policy consequences related to commodity market [strains](#).
- **Congress Wants More, Tougher Sanctions** - Although witnesses at the Senate Banking Committee sought to assure Congress that digital currency does not promote sanctions evasion ([see Client Report SANCTION17](#)), legislation continues to advance to curtail any form of sanctions evasion.

This Week

Monday, March 21

SEC Open Meeting [11:00am, webcast]. Matters to be discussed: The Enhancement and Standardization of Climate-Related Disclosures for Investors.

Thursday, March 24

Senate Banking Hearing entitled: “Strengthening Oversight and Equity in the Appraisal Process” [10:00am, Dirksen Senate Office Building 538]. Witnesses: **Ms. Melody Taylor**, Executive Director, Property Appraisal and Valuation Equity Interagency Task Force and Regional Director, Office of Fair Housing and Equal Opportunity, Region III, Department of Housing and Urban Development; and **Mr. James Park**, Executive Director, Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

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](#).

- **[SANCTION17](#)**: The Senate Banking Committee’s hearing today on illicit finance focused as expected on cryptocurrency and suggests that targeted legislation addressing specific jurisdiction or compliance issues might advance on a bipartisan basis.
- **[GSE-031522](#)**: Although we have done extensive analysis of a U.S. central-bank digital currency (CBDC) in our sister analytical service, we have not viewed as it as an imminent strategic consideration for housing-finance agencies and financial institutions.
- **[CRYPTO26](#)**: We follow our initial client alert here with an in-depth analysis of President Biden’s long-awaited [executive order](#) laying down steps intended quickly to construct a U.S. digital-asset policy construct.
- **[GSE-030722](#)**: A new Urban Institute study suggests that banks are more likely to discriminate when it comes to minority borrowers, heightening concerns at a time with increased political risk related to racial equity and mortgage finance.
- **[GSE-030122](#)**: As we noted late [last week](#), FHFA has finalized revisions to its [2020 capital rule](#) that most importantly lighten the GSEs’ capital load and reinvigorate credit risk transfer.
- **[GSE-022822](#)**: Responding to continuing FSOC complaints about [nonbank servicers](#), FHFA has proposed [new seller-servicer eligibility standards](#) that crack down hard on any nonbank servicer whose size evokes systemic qualms.
- **[SANCTION16](#)**: In this report, we address many of the questions we’ve received about U.S. policy in the wake of Russia’s invasion into Ukraine.
- **[GSE-022422](#)**: As noted late [yesterday](#), the CFPB has gotten a jump on FHFA and the banking agencies with the first step towards a long-delayed AVM rule demanded in the [Dodd-Frank Act](#).
- **[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.