



# *FedFin Daily Briefing*

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Wednesday, March 2, 2022

## Senate Banking Tackles Crypto Sanctions Compliance

Reflecting ongoing developments, Senate Banking Chairman Brown (D-OH) and several of his Democratic colleagues [today wrote](#) to Secretary Yellen heightening their longstanding crypto concerns to specific questions about the extent to which digital assets and exchanges are appropriately captured in AML, sanctions, and CFT regulation. They note in particular the potential for Russia to evade sanctions in the cryptosphere, an issue we anticipated in our policy assessment ([see FSM Report SANCTION16](#)). The letter asks Treasury to provide details on how it ensures that crypto assets and DeFi related to them are complying with anti-Russia sanctions, noting that OFAC's shift under the Trump Administration to focus on voluntary compliance is particularly ill-suited to most digital assets. Answers to the letter's questions and concerns are requested by March 23, with the latter's tone and details suggesting that Senate Banking will turn quickly to a hearing designed to pressure OFAC to a tougher stand on cryptoassets regardless of outstanding statutory uncertainties.

## HFSC Powell Hearing Focuses on Monetary Policy, Geopolitical Risk

As [anticipated](#), today's HFSC hearing with Fed Chair Powell was almost exclusively focused on Ukraine and the decisions ahead for the FOMC at its mid-March hearing. Mr. Powell made it clear that, while he bemoaned the tragedy unfolding in Ukraine, sanctions policy is outside the Fed's remit and cyber-risk is being handled to the greatest extent possible. Mr. Powell refused to comment on the Senate stalemate over pending Fed nominations. Asked by Rep. Garcia (D-IL) about the need for a merger moratorium, Mr. Powell reiterated that the Fed is proceeding to judge individual transactions under current law unless or until Fed "personnel" or Congress changes -- i.e., no moratorium. Chairwoman Waters (D-CA) pressed the Fed to consider the extent to which sanctions evasion may accelerate in the absence of a dollar-denominated CBDC, but Mr. Powell stood by the need first to consider views resulting from the pending discussion draft ([see FSM Report CBDC10](#)). Rep. Barr (R-KY) asked about risk-based capital surcharges for fossil-fuel companies, an idea still pending in draft House legislation ([see FSM Report GREEN10](#)); Mr. Powell made it clear that the Fed has no plans to impose any. Rep. Casten (D-IL) asked if the Fed is able to monitor the ability of lenders to transfer climate risk to the NFIB; Mr. Powell was unsure and promised to look into this. CRA rules are, he said again, coming "soon."

## 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](#).

- [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 GSEs, 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.