



FedFin Daily Briefing

Thursday, March 3, 2022

LIBOR Transition Rescue Advances

Advancing a long-delayed effort to clarify the LIBOR transition, a bipartisan group of Senate Banking Members today [introduced legislation](#) dictating replacement rates for legacy contracts. The language is a companion to a revised version of House-introduced standards ([see Client Report LIBOR5](#)) that among other things reflects Sen. Toomey's (R-PA) concerns that the bill be narrowly tailored to a defined class of legacy contracts rather than, as some feared, stipulating new benchmark rates across the financial market for new contracts. The bill is supported by virtually all financial-industry advocacy organizations and should now advance quickly to the Senate floor since the Senate Banking Committee has [already held hearings](#) on this issue. At today's hearing (see FedFin's report), Chairman Powell strongly endorsed the bill and reiterated the need for rapid action.

Powell Defends Fed's Institutional Legitimacy, Continuing Function as Nominations Stall

Today's Senate Banking hearing with Chairman Powell featured continuing partisan wrangling over stalled Fed nominations showed no sign of resolution after Republicans essentially forced Mr. Powell to concur that his powers to act pro tem ensured continuing central-bank function. Ranking Member Toomey (R-PA) also renewed his campaign against Reserve Banks, arguing that they are anachronistic and have strayed from core mandate concerns. The Fed chair defended the Reserve Banks as important contributors to Fed debate that avoid "group think", noting also that Fed adherence to its mandate is essential to preserve its independence. Sen. Warren (D-MA) reiterated Democratic concerns about cryptography and [sanction evasion](#), leading Mr. Powell to repeat his [comments yesterday](#) that the Fed has no sanctions authority and believes federal legislation is necessary to improve crypto regulation. Sen. Reed (D-RI) asked Mr. Powell about the extent to which China can construct a yuan-based challenge to SWIFT; Mr. Powell acknowledged that this is a threat but made clear it is also not even on the horizon. Sen. Rounds (R-SD) said that the Fed's decision [earlier this week](#) to propose a master-account eligibility protocol is suspicious in light of continuing controversy surrounding the Raskin nomination; Mr. Powell resolutely resisted any political motivation, noting that these issues have been under consideration for some time.

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](#).

- [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.