



FedFin Daily Briefing

Monday, March 7, 2022

Liang Reiterates Climate, Digital Worries

Treasury Under-Secretary Liang's [comments to international bankers today](#) addressed the U.S. financial-reform agenda after noting market turbulence and reiterating the importance and effectiveness of current Russian sanctions. Key concerns are climate risk and increasing digitalization, where existing regulatory frameworks likely will not suffice. Ms. Liang did not, however, discuss any specifics beyond describing the [FSOC's agenda](#) and the PWG stablecoin report ([see Client Report CRYPTO21](#)).

Mandatory Disclosures for Mandatory Arbitration?

Ahead of a hearing tomorrow, Senate Banking Chairman Brown (D-OH) [released a statement](#) on S. 3755, legislation cosponsored by senior Democrats on both the Banking and Judiciary Committees banning pre-dispute arbitration clauses and class-action waivers. On initial review, we see little new in this legislation regarding the bans Democrats have sought repeatedly to enact in prior Congresses. However, the CFPB is now likely to go as far as possible under current law to act on the bill's policy objectives, perhaps via mandating disclosures with opt outs so that consumers are better aware of arbitration/litigation provisions in their financial agreements. We will thus advise clients after the hearing about any likely next steps not only by Congress, but also the CFPB.

Hsu Emphasizes Sanctions Compliance, Climate, Inclusion

Acting Comptroller Hsu today [told](#) international bankers that they must ensure compliance with U.S. sanctions, heighten cybersecurity vigilance, and work together to protect continuing trust in cross-border finance. Mr. Hsu also reminded banks of the importance of ensuring effective geopolitical risk management, comparing these scenario analyses to those for climate risk to demonstrate the apolitical nature of the agency's recent climate-risk management proposal ([see FSM Report GREEN12](#)). The OCC plans to work with the Fed and FDIC on finalized risk-management standards for the largest banks, with Mr. Hsu reminding international bankers that U.S. regulators do not have authority to mandate express goals or lending policies. He also called for a heightened focus on financial inclusion, especially at the managerial and board level.

FinCEN Sets Up Red Flags, High Alert

FinCEN today [issued sanctions "red flags"](#), assisting compliance, but also laying out clearer markers for enforcement should its concerns about cryptocurrency and other possible evasions remain at individual institutions or exchanges. The release emphasizes SARs for immediate reporting of suspicious activities related to Russian state actors and/or oligarchs and related entities. Heightened customer due diligence is also strongly advised, especially where financial institutions have "visibility" into crypto exchanges. We view this terminology as a warning that, even if a financial institution is not a direct participant in a transaction of concern, it is to say something if it sees something. Convertible virtual currency wallets are a top concern, as is continuing ransomware.

GOP Seeks to Widen Russian Financial Sanctions

As Congress and the White House wrestle with additional ways to sanction Russia, senior House Republicans today have advanced a package of bills which may well find at least some Democratic support. Among the most likely to advance on a bipartisan basis is H.R. 6900 from Rep. Huizenga (R-MI) expanding current sanctions on Russian sovereign debt to bar U.S. financial institutions from secondary dealings in Russian sovereign debt regardless of issuance date. "Financial institution" is broadly defined to

cover U.S.-domiciled banks, insurers, securities firms, and FCMs as well as FBO branches and agencies. However, the bill appears expressly to exclude foreign bank affiliates of FBOs with branches and agencies in the U.S., thus allowing at least some secondary-market Russian-debt trading despite Rep. Huinzenga's stated intentions. Were it not for this provision and to a considerable extent even with it, the bill turns all Russian sovereign obligations into stranded assets in ways that may disadvantage holders far more than the Russian state when it comes to off-the-run obligations.

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-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.
- [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.