



FedFin Daily Briefing

Thursday, March 10, 2022

Gensler Targets AI Conflict, Bias

In [remarks today](#), SEC Chairman Gensler focused on one of his concerns with digital engagement: the ethical and sound use of artificial intelligence. Confining his comments to products germane to the Commission (i.e., robo-advice, wealth management, brokerage platforms, and other investor-focused technologies), Mr. Gensler reiterated that AI optimization cannot focus solely on a firm's profits, but must also reflect investor risk tolerance and return considerations. As before, the chairman stated that duties such as those related to acting as a fiduciary apply regardless of the delivery mode offering securities products. The Commission is also concerned that AI may lead to bias based on gender and race; this is a major issue on which forthcoming SEC action will also focus. The chairman also detailed new cyber-risk standards, saving his views on digital-asset systemic risk for another occasion likely because the Commission is now turning to all the tasks set for it in yesterday's executive order ([see Client Report CRYPTO26](#)).

Targets Rural Banking Deserts, Farm Loans, Private Equity

The CFPB today added yet another issue to its target list: rural finance. Following roundtables similar to [those for workers](#), the [Bureau](#) has identified three issues that warrant close attention. First, the Bureau concludes that the decline in the number of banks in rural areas has greatly reduced available credit, jobs, and businesses, disproportionately affecting Black communities. It also finds that large agriculture firms often trap farmers in financial debt spirals, forcing them to turn to off-farm credit to make ends meet. Finally, the Bureau describes how, due to a lack of affordable housing, many farmers live in manufactured home parks, which have been increasingly bought by private equity firms that have dramatically increased rents. However, despite all this, there seems to be no immediate action plan, with the release today indicating only that those who experience these or other problems in rural America should file complaints with the CFPB.

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](#).

- **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 [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.