



FedFin Daily Briefing

Monday, March 21, 2022

FSB Cites Growing FinTech/BigTech Concerns, Policy Solutions Await

The FSB today [published](#) its latest assessment of fintech, now adding bigtech to the picture and elaborating on the array of policy concerns [it and BIS](#) have previously sketched out. We will shortly provide clients with an in-depth analysis of a report which concludes that the pandemic has significantly accelerated digital transformation. This improves financial inclusion, but raises growing risk of structural change by way of dominant players outside the regulatory perimeter. As before, global regulators draw back from reaching any systemic conclusions, noting only that structural risks are high in some markets stoking financial instability due to both big nonbanks and higher-risk behavior by legacy banks as they seek ways to compete. The report also highlights consumer and operational risks, but policy solutions focus as seems often the case with the FSB on closing data gaps and increasing cross-border and intra-jurisdictional cooperation.

SEC Sets Out Sweeping U.S. Climate-Risk Disclosure Construct

On unsurprising party lines (3-1), the [SEC today](#) released proposed climate-risk disclosures for public registrants. Although Congressional Democrats pressed for express materiality standards, the proposal relies on current interpretations of what must be disclosed. Although Congressional Republicans derided the proposal as far outside the Commission's mandate, it would require not only Scope 1 and 2 disclosures, but also an initial construct designed to lead gradually, but indisputably, to Scope 3 disclosures from larger companies. These Scope 3 disclosures would be phased in and subject to third-party attestation standards. The proposal also requires disclosure of the extent to which a company meets avowed climate-risk reduction goals, scenario-analysis conclusions, and internal carbon-pricing methodologies. In addition, disclosures would be required on matters already under bank-regulatory scrutiny ([see FSM Report GREEN12](#)), i.e., internal governance and risk-management protocols. The NPR notes that financial companies may use the PCAF Scope 3 methodology to comply with the Commission's rules, although this may be a costly approach in some cases. Interestingly, one reason for the proposed, gradual approach to Scope 3 is concern that these disclosures could lead to stress on entities downstream from a financial-company filer resulting in adverse market conditions and transition challenges

Commissioner Lee highlighted the need for comments on the Scope 3 approach, focusing on ensuring that Scope 3 emissions reports are detailed and accurate without undue burden. Commissioner Crenshaw sought comments on offset-related calculations and disclosures, while Commissioner Peirce hotly disputed the rule as a whole. Comment will be due thirty days after *Federal Register* publication, with the release also proposing phased compliance putting the greatest stress soonest on the largest public companies.

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.