



FedFin Daily Briefing

Thursday, March 31, 2022

FSB Stays Its Course

The FSB today officially published its 2022 [work plan](#), making only one change in terms of topics and timing from the plan detailed in a February letter to G20 [finance ministers and central bankers](#). The new item reflects the Ukraine conflict, with the FSB now indicating that it will enhance monitoring of emerging risks to global financial stability in line with its surveillance framework.

HFSC Democrats Don't Like Overdrafts, But No Action Imminent

[As anticipated](#), today's HFSC Consumer Protection Subcommittee hearing reviewed Democratic complaints about overdraft fees and a general Republican defense of the importance of the private sector in setting consumer-finance charges. Subcommittee Chairman Perlmutter (D-CO) noted the longstanding overdraft legislation introduced by Rep. Maloney (D-NY), but also a discussion draft likely from Chairwoman Waters (D-CA) to require large banks to provide accounts similar to those in the Bank On program; he did not, however, suggest any near-term action. Shortly before the hearing, Ranking Member McHenry (R-NC) and fellow Committee Republicans sent a [letter](#) to the CFPB critical about the junk fee proposal, denouncing the CFPB efforts as harmful to consumers and small banks, instead calling for consumer education and simplified disclosures.

Sanctions Now Reach Sectors

Treasury's OFAC [today](#) sharply expanded U.S. sanctions against the Russian Federation. It not only named 13 individuals and 21 entities, but also three entire industrial sectors: aerospace, maritime, and electronics. As a result, U.S. financial institutions and those doing business in the U.S. will need quickly to ensure that their sanctions-compliance methodology captures a counterparty's business, as well as just seeking to apply sanctions by name. Those believed to be facilitating sanctions evasion were also expressly sanctioned.

Gensler Tackles Climate Disclosures, Crypto

Noting that the SEC is focused on disclosures, not the "merit" of what issuers may do, SEC Chairman Gensler [today](#) defended the controversial Scope 3 climate-risk [disclosures](#), calling them "layered" because mandatory upstream and downstream disclosures would only be required if exposures are material or if a company had made a risk-reduction commitment. Asked about statements calling crypto the "wild west", Mr. Gensler clarified that — while the markets are a wild west — crypto rules themselves are very clear, noting past crypto proposals and three additional SEC proposals in the works. Describing himself as "technology neutral" but not "public policy neutral", Mr. Gensler stated that, given Bitcoin's "off the grid" development, it is not surprising that crypto has been used to "sidestep" public policy regarding sanctions and other forms of illicit finance.

GOP Bill Would Ban CBDC

Clearly still laying out the CBDC political divide, Sens. Cruz (R-TX), Braun (R-IN), and Grassley (R-IA) have introduced S. 3954, legislation essentially barring a retail-focused CBDC if it serves — as the senators expect — as a "financial surveillance tool." Although the [statement](#) accompanying the bill says the measure also protects the dollar as a global reserve currency, the very short bill contains no actual language to do so. We do not expect any action on the measure in this Congress given strong Democratic support for a retail-facing CBDC ([see FSM Report CBDC](#)), but it does make clear that the path to the legal certainty the Fed will seek if it wants to offer a CBDC may be, at best, complex ([see FSM Report CBDC10](#)).

Thompson Open to FHLB Inquiry, New Mortgage Product

In the wake of another [op-ed](#) questioning the purpose of the home loan bank system, acting FHFA director Thompson said [today](#) that the creation of an advisory committee to review the system is a “great idea” to which she is open, saying also that the system has been a liquidity backstop during financial crises. The acting director is exploring a twenty-year mortgage with a thirty-year amortization period to enhance equitable home ownership, noting that some form of liquidity fund might be needed to support it. Ms. Thompson confirmed that Fannie and Freddie are reviewing pricing in a holistic manner for the first time since 2015 and that the FHFA is requiring the enterprises to submit [equitable housing plans](#) without providing a timeline. The FHFA is also looking at ways to expand housing supply. These might include [special purpose credit programs](#), enterprise pilot programs for accessory housing units, and multifamily funding for repurposed office space. Ms. Thompson emphasized that an important goal for the FHFA is to increase diversity in the mortgage and appraisal industry to combat systemic bias. Asked about alternatives to current credit scores, she alluded to a recent listening session on credit score models, stating that the FHFA has been exploring alternative credit score methods to FICO for the enterprises which would have a significant “ripple effect” and an implementation period with a “long runway.”

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](#).

- [DEFI](#): As [promised](#), this report provides an in-depth analysis of IOSCO's new [paper](#) on decentralized finance, one sure to advance the [FSB's](#) efforts to bring DeFi systems under greater regulatory scrutiny due to the findings we here detail.
- [GSE-032222](#): As detailed in our new in-depth [analysis](#), the CFPB's [exam-manual rewrite](#) dramatically redefines the compliance-, legal-, and reputational-risk terrain for any consumer-financial company and the vendors or counterparties on which it relies.
- [CONSUMER39](#): Reflecting one of its new director's top priorities as well as that of the Biden Administration, the Bureau of Consumer Financial Protection has significantly revised its examination manual when it comes to behavior that might be viewed as discriminatory in a wide range of consumer-financial products, services, underwriting, advertising, marketing, governance, and other arenas.
- [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.