



FedFin Daily Briefing

Tuesday, April 5, 2022

HFSC Set to Quiz Yellen on Sanctions, Global Finance

As [anticipated](#), the HFSC [memo](#) ahead of tomorrow's hearing with Secretary Yellen highlights many pending bills designed to increase sanctions against Russia and Belarus, as well as the companies, oligarchs, and others affiliated with them or found to be acting on their behalf. The memo includes not only a thorough compilation of bills to which we have alerted clients since the invasion began, but also a draft measure to bar an array of investment-banking or brokering activities related to Russia-based or -related obligations regardless of currency and to prohibit any such securities in investment funds. Hedge and other private funds would also be barred from these investments, although a safe harbor would protect good-faith compliance efforts. Another draft bill would kick Russian and Belarusian securities off all U.S. exchanges and bar trading in them. Despite strong and bipartisan sentiment in favor of very severe sanctions, it remains to be seen which measures the Administration will actively advocate at tomorrow's hearing and whether Congress can finally collaborate on any specific, additional sanctions.

IMF Official Urges Caution on CBDC Adoption

Bo Li, Deputy Managing Director at the IMF, [urged caution](#) today at an East African Finance Conference about building central bank digital currencies, referencing the findings of an [IMF study](#) on CBDC pilot programs. Speaking to an audience of African officials, he warned that differing needs across countries, financial stability and privacy considerations, and the legal and regulatory prerequisites for any CBDC may complicate CBDC adoption. He thus asserts that central banks need to balance the benefits of a CBDC, such as inclusion, resilience, and competition without compromising privacy or encouraging disintermediation.

Waters Demands Racial-Equity Action

As [anticipated](#), the HFSC's Oversight Subcommittee hearing on reparations featured considerable criticism of the financial services industry. Most notably, Committee Chairwoman Waters (D-CA) said that some banks that provided loans to finance the purchase of slaves are still in operation, solely singling out JP Morgan. She also stated that she was looking forward to discussing the actions of the financial industry and how it will remedy the lingering effects of profiting from slavery. Subcommittee Chairman Green (D-TX) focused on establishing a Cabinet-level Department of Reconciliation and called for an annual day of slavery remembrance. Rep. Timmons (R-SC) argued that the best way to support racial equity is by reducing inflation.

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.