



FedFin Daily Briefing

Thursday, April 7, 2022

Yellen Reiterates U.S. Tech-Neutrality Principle for Digital-Asset Policy

Treasury Secretary Yellen today [detailed](#) work now under way to comply with the President's digital-asset order ([see Client Report CRYPTO26](#)), laying out principles that will guide the Administration as it builds a framework designed to enhance innovation without harm to financial stability, privacy, equality, and other core objectives. Although the President all but ordered accelerated work on implementing a CBDC, Ms. Yellen reiterated the need for caution laid out also in the Fed's pending discussion draft ([see FSM Report CBDC10](#)), noting the importance of preserving the dollar's reserve-currency authority without saying if a CBDC is necessary to do so. The Secretary also reiterated the PWG's call for stablecoin regulation ([see Client Report CRYPTO16](#)) and summarized the concerns DeFi may pose ([see Client Report DEFI](#)). The principle of tech neutrality will guide the FSOC's work across the range of regulatory and policy challenges it will tackle, including those related to illicit finance.

FDIC Hits Brakes on Crypto Activities

In conjunction with Secretary Yellen's speech today, the FDIC issued a [letter](#) requiring the banks it regulates to obtain prior clearance before undertaking crypto-related activities (broadly defined). Institutions already engaging in this sector are also told to notify the FDIC, with the agency telling all these banking organizations about the range of risks that concern it as to guide them in considering the best way to undertake these activities. The agency will review notices in a "timely manner," with this notice expressly making clear that it does not rule on the permissibility of any crypto-related activity (i.e., banks may not infer that these activities are permissible solely because the agency seeks information on them rather than banning them).

Brown Seeks Bank Merger Review

Senate Banking Committee Chairman Brown (D-OH) today sent FRB Chairman Powell and Acting Comptroller Hsu a [letter](#) asking them to join the FDIC in seeking comment on bank-merger policy ([see FSM Report MERGER9](#)). As in the past, Sen. Brown details the adverse impact he believes large-bank mergers pose to consumers, workers, small businesses, and financial stability, arguing that the agencies should join others, including the Department of Justice ([see FSM Report MERGER10](#)), in creating a new construct that does not "rubber-stamp" these transactions. No deadline for action is set, with the letter likely intended to press the FRB to issue the proposed bank-merger policy it has suggested might be appropriate, even though Mr. Powell has also said that the Fed is prepared to judge transactions as needed under current law. Mr. Hsu also recently laid out his [views](#), noting his concerns about resolvability and inviting comment on them without laying out a formal process for doing so.

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-040722](#): FHFA has finalized new [capital rules](#) for the GSEs designed to accelerate the credit-risk transfer the agency now deems essential for a fast-acting conservatorship exit.
- [SANCTION18](#): As [anticipated](#), today's HFSC hearing with Secretary Yellen largely focused on ways to

sanction the Russian Federation and its allies and associates.

- **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.