



# *FedFin Daily Briefing*

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Thursday, April 14, 2022

## **Admin Issues Low-Impact Equity Plans**

We have reviewed the [Treasury](#) and [HUD](#) reports filed in compliance with President Biden's [executive order](#) on racial equity. We see little of forward-looking policy consequence in either because each principally catalogs achievements to date on issues (e.g., rental assistance, fair-lending enforcement) germane to the order. Much discussion related to prospective actions focuses on the need for additional funding and personnel.

## **CEA Urges Tough Merger Policy, New Government Green Investments**

Today's [Economic Report of the President](#) from the Council of Economic Advisers emphasizes the Administration's positive view of the economy and its own macroeconomic and equity accomplishments. For the financial sector, the report's most consequential discussion addresses racial and gender inequity along with market competitiveness. In addition to recommending better use of heterogeneous data, the CEA urges Congress to pass the "Equality Act" to ban discrimination in areas not now expressly governed in fairness statutes. The report does not directly mention legislation broached in the last Congress by Chairman Brown (D-OH) to do so for financial services ([see FSM Report FAIRLEND9](#)), nor has Sen. Brown reintroduced or advanced it in the current Congress. The report also urges greater DOJ and FTC antitrust enforcement and updated merger guidelines, as well as greater unionization and progressive taxation.

We see little of interest to or impact on the financial industry in the report's discussion of climate risk, although the report's call for direct federal investment in "clean-energy solutions" will surely prove controversial. The extensive discussion of climate risk otherwise does not address financial concerns, including those germane to disclosure or scenario analysis.

## **GSE Strategic Plans Demands Equity, Sustainability**

FHFA [today](#) released the final version of its forward-looking strategic plan for Fannie, Freddie, and the FHLBs. As we noted when the proposal was released in [February](#), the plan redirects all of the GSEs to focus not only on safety-and-soundness and more traditional mission criteria, but also on equity and sustainability. We will shortly provide clients with an in-depth analysis of the new plan, which now includes an opening statement from Acting Director Thomson that reiterates her belief that these new goals ensure housing-market security and growth. She also reiterates plans to act forcefully to ensure fair lending and FHLB affordable-housing and community-lending performance. On initial review, the most substantive change in the final plan omits FHFA's initial statement that it has "no" authority over third-party GSE counterparties to say only that it lacks "adequate" authority, thus giving it some leeway to take actions it may wish with regard to mortgage banks, MIs, and other third parties to the extent possible via mandates to the GSEs.

## **EXIM Enters Domestic C&I Finance**

The U.S. Export-Import Bank [today](#) announced a fundamental shift in its decades-long function, going beyond export finance now to fund or guarantee domestic manufacturing companies even if they are only "export-focused" and do not use EXIM funds for export-related activity. The program was demanded in President Biden's supply-chain [executive order](#) to promote domestic projects and increase U.S. competitiveness, especially against China. Reflecting GOP opposition such as that voiced this morning by [Senate Banking Ranking Member Toomey \(R-PA\)](#), the final EXIM program now includes transparency and reporting provisions related to transactions over \$50 million. In his [statement](#), Banking Committee Chairman

Brown said that this program was demanded in the 2019 charter reauthorization for the Bank and that he strongly supports it.

## DOJ Equity Report Quiet on Mergers and Fair-Lending

Our review of the Department of Justice's [report](#) implementing President Biden's [equity order](#) indicates no discussion of bank-merger policy ([see FSM Report MERGER10](#)) or fair-lending enforcement, despite the high-priority focus given to these issues and the link drawn from them to equity outcomes in Mr. Biden's competition order ([see Client Report MERGER6](#)). Instead, the report focuses on ensuring that federal grants enhance equity considerations, taking a community-based approach when engaging with stakeholders, and lowering language barriers.

## FinCEN Targets Kleptocrats, Corrupt Public Officials

FinCEN [today](#) implemented provisions in the President's anti-corruption [order](#), issuing an advisory laying out how financial institutions are to monitor for and report on corrupt financial transactions. The advisory outlines "red flags" indicators of kleptocrats and public corruption, telling financial institutions to use risk-based methods to determine which transactions are most likely to involve bribery, embezzlement, or other relevant activities. With this advisory, financial institutions and others in the AML framework are now under a formal policy statement enhancing FinCEN authority to take enforcement action if suspect transactions go unreported. Although kleptocratic behavior is often compatible with home- and even host-country law, FinCEN cites the new Treasury/DOJ anti-kleptocracy task force to stipulate that suspicious proceeds laundering from a U.S. perspective may warrant SAR reporting.

## Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [CBDC11](#): Progressive Democrats in the House have introduced an alternative digital-dollar proposal ("e-cash") to the "FedAccount" construct urged by Senate progressives that mandates an electronic currency created by the Treasury Department to devise an electronic substitute for physical fiat currency.
- [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.