



FedFin Daily Briefing

Wednesday, April 20, 2022

FSB Targets Commodity Markets, Prime Brokers

In his letter [today](#) to G20 ministers, FSB head Klaas Knot observes remarkable financial resilience to date but states that many worrisome concerns remain. These include acute and continuing commodity-market stress resulting in part from margining strains; the FSB is now particularly concerned with market interconnectivity into the financial system through CCPs or via leverage amplifiers (e.g., bank prime brokers). As we noted [yesterday](#), the IMF is also concerned that commodity trading is moving back to OTC markets facilitated by bank dealers at heightened risk. The FSB is now conducting in-depth work on commodity markets and related risks, likely incorporating this into its NBFIs work as well as global reconsideration of CCP margining. Other acute FSB concerns include cyber risk and emerging-market strain; the balance of Mr. Knot's report lays out the workplan released last [March](#) which includes an NBFIs plan due to the G20 this October.

U.S. Expands Demands for New International Financial Order

Building on her comments last week outlining a new [international financial order](#), Treasury Secretary Yellen [today](#) called on the World Bank and its related organizations to go beyond current activities to address the cross border risks resulting from climate change, health, migration, and "fragility." She does not contest the current focus on national-level poverty but argues that these cross-border risks must be addressed as a priority to achieve the World Bank's longstanding objectives. Ms. Yellen also took the opportunity to chastise both the Bank and Fund for poor governance and opacity, indicating that the U.S. will "carefully" monitor how reform recommendations at the World Bank come to be implemented and insisting on improved diversity across World Bank leadership. As before, the secretary committed the U.S. to the IDA replenishment and the IMF's new Resilience and Sustainability Trust, promising to work with Congress also to secure a U.S. contribution to the Trust.

US Expands Sanctions Reach to Payments, Crypto

The U.S. [today](#) took two first-time actions in sanctioning Russia with far-reaching implications for the future of money and payments. It named Transcapitalbank as a sanctioned entity, not so much because it is a Russian bank, but because it has been found to facilitate sanctions evasion by virtue of Russia's effort to create an alternative payment messaging service to get around SWIFT. This suggests that, to the extent Russia is able to advance its payment alternative, additional sanctions will follow to counteract this and cut off trade with Russia via China and other nations so far reluctant to join those opposing the Ukraine invasion. In addition, the U.S. sanctioned a Russia-based crypto mining company BitRiver and various affiliates and associates. Some have suggested that this could not be done because crypto mining is not necessarily a financial activity, but the Treasury did so on grounds that crypto mines take fiat currency and therefore fall within these sanctions. Although officials so far indicate that crypto has been only a minor part of sanctions evasion, today's action makes clear that it will be quickly sanctioned where identified.

GOP Tries Again to Halt Postal-Banking Pilot

Continuing their strong opposition to postal banking, Ranking HFSC Member McHenry (R-NC), Ranking Oversight and Reform Committee Member Comer (R-KY), and Ranking Consumer Protection and Financial Institutions Subcommittee Member Luetkemeyer (R-MO) today sent a [letter](#) to Postmaster General Louis DeJoy slamming USPS for overstepping its statutory authority by extending what they call its "failed" postal-banking pilot program. Observing that the pilot's adoption rate was extremely low – only six gift cards for total revenue of \$35.70 – the letter promises oversight and asks Mr. DeJoy to provide any materials he submits to the Postal Regulatory Commission on a regular basis. Although the letter also asserts that continuing the program is banned by current law, no action to reinforce this is directly threatened.

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-042022](#)**: As we noted [yesterday](#), the IMF's financial-stability [report](#) includes a searing assessment of fintech risk.
- **[CBDC11](#)**: As [promised](#), we turn here to an in-depth analysis of a [paper](#) from global regulators on whether CBDC contributes to financial inclusion – one of the most vital arguments from those advocating CBDC in the U.S. and in many other nations.
- **[GSE-041522](#)**: Cementing her very different vision of Fannie and Freddie, Acting Director Thompson has now finalized a new strategic plan for the FHFA emphasizing the importance of both equitable and sustainable housing finance
- **[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.