



# *FedFin Daily Briefing*

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Tuesday, April 26, 2022

## **Dems Demand Answers re Zelle Fraud Risk**

Although not yet publicly circulated, a [letter](#) sent by Sens. Warren (D-MA) and Menendez (D-NJ) takes sharp issue with Zelle and banks that own the payment service regarding consumer fraud risk. Stating that Zelle is now the "preferred tool" for consumer-payment fraud, the letter rejects statements that at least some of this fraud results from consumer transaction authentication over which Zelle has neither control nor liability. Answers are demanded by May 9 to questions on the scale of fraud on Zelle remediation, doubtless laying pipe for near-term intervention by the CFPB in light of Mr. Chopra's statements today about the need to ensure a safe, competitive payment system. An in-depth client report on the Senate Banking hearing will follow shortly.

## **Basel Tries Again on Crypto Prudential Standards**

The Chair of the Basel Committee on Banking Supervision, Pablo Hernández de Cos, today confirmed that [Basel](#) is working on a second consultation addressing crypto assets to succeed the tough proposal ([see FSM Report CRYPTO19](#)) that led to stiff criticism in 2021, with this release due out in the next "couple of months." A "holistic" analysis is also under way regarding climate risk, with Mr. Hernández de Cos noting how difficult it is to craft global standards given data challenges and financial-risk uncertainties. Pressing hard for rapid action to implement Basel IV, the Committee's director also emphasized that the Basel III rules and public support strengthened the banking system in 2020, but Basel is also looking at how capital and liquidity buffers function under stress and the extent to which some rules have proven to be procyclical.

## **FSB, SEC Turn Focus on Open-End Funds**

Reflecting the systemic risks highlighted during the [IMF meeting](#), the FSB [today](#) issued a report on emerging-market economy (EME) exposures in USD-funding markets. Going beyond analysis showing the scope of this highly interconnected risk and its growing scope as the dollar's value and U.S. rates rise, the report also accelerates FSB work on open-end funds. This was among its NBF1 priorities ([see Client Report NBF1](#)) but the FSB and SEC have until now prioritized work on MMFs. Now, the FSB is turning to open-end funds, a priority emphasized also today by Chairman Gensler in broader [remarks](#) on bond-market vulnerabilities.

The FSB's primary open-end fund concern is liquidity mismatches and it thus plans to report to the G20 in November about the need to recraft global standards for this sector and those governing asset management more generally. Tools under review include requiring fund managers to have prepositioned liquidity tools including liquidity matching or asset-eligibility requirements. Additional leverage-related disclosures and supervisory tools are also under review. In the near term, global regulators urge investors to avoid simple reliance on credit ratings and tell index funds to avoid "mechanistic" ratings use, especially with regard to fund rebalancings under stress scenarios.

## **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](#).

- [CONSUMER40](#): The Senate Banking Committee's hearing today with CFPB Director Chopra was a

sharply partisan session with little immediate impact on what Mr. Chopra plans to do to achieve his sweeping new vision.

- **[GSE-042122](#)**: In our last CRT [analysis](#), we looked at transaction viability under the Basel IV rewrite set for rapid release once key Fed nominees are finally confirmed.
- **[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.