



FedFin Daily Briefing

Tuesday, May 10, 2022

HFSC Looks at NSRO Competition, Insurance Ratings

The HFSC Investor Protection Subcommittee hearing on bond markets reopens debate about the credit rating agencies that is unlikely to end in substantive action despite continuing Democratic displeasure with these agencies and the SEC standards mandated for them by the Dodd-Frank Act ([see Client Report RATINGS49](#)). According to the staff [memo](#), witnesses tomorrow will come from both the ratings agencies and insurance industry users, offering testimony on S&P's 2021 proposed approach to rating insurance and reinsurance risk-based capital weightings. The concern here is that S&P's approach consolidates its market power by downgrading the ratings assigned by other NSROs, building on a recent DoJ inquiry on this point. The subcommittee will also look at whether Dodd-Frank provisions requiring the SEC to study randomly-assigned ratings should be revised, with the session also using this opportunity to criticize the extent to which all of the NSROs have in fact withdrawn from Russia as promised.

FinCEN Under Still More Beneficial-Ownership Pressure

Picking up on a theme at a recent HFSC [hearing](#), Sens. Warren (D-MA), Grassley (R-IA), and over a dozen bipartisan senators sent a [letter](#) to Treasury demanding faster action on stalled beneficial-ownership disclosure rules. Acknowledging that FinCEN lacks the resources it needs, the senators nonetheless demand action in part to ensure effective anti-Russia sanctions enforcement. As noted [yesterday](#), Treasury is now using a novel approach via U.S. accountants and advisers to sanction shell companies and other entities that may be affiliated with Russian oligarchs. FinCEN is asked to accelerate its work and provide a detailed implementation timeline by May 23.

IMF Head Calls for New Global Payment-System Infrastructure

In remarks [today](#), IMF Managing Director Kristalina Georgieva identified financial-market fragmentation in the wake of Russian sanctions as the threat to the global order also discussed in a recent Petrou [op-ed](#). Focusing on the payment system, Ms. Georgieva called for creation of a public infrastructure to connect and regulate cross-border payments using state-of-the-art digital technology to expand the public-good concept of the payment system from finality also to offering a standardized programming interface. Because this would increase the risk of currency substitution and sudden capital flows, a new governance system for the payment system would, she said, also be required along with decisions about who has access to the new system and how the private sector interacts. She does not elaborate on how to address these challenges or if the IMF would take on the governance role she advocates.

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](#).

- [FSOC26](#): Today's Senate Banking Committee hearing with Secretary Yellen renewed calls for federal legislation based on recent algo-coin losses and resulting digital-currency market volatility.
- [SYSTEMIC93](#): In this report, we assess the new Federal Reserve financial-stability [report](#).
- [CRA31](#): The FDIC today led the way with release of a long-awaited inter-agency [proposal](#) updating

decades-old CRA regulation.

- **CLIMATE13**: The FSB's report is aimed at establishing global standards that prevent fragmentation along national or regional lines as well as ensuring that regulatory and supervisory actions mitigate climate risk to the greatest extent possible in the face of an array of data and measurement challenges.
- **INTERCHANGE9**: As anticipated, bankers and card networks squared off with merchants at today's Senate Judiciary hearing addressing credit-card interchange fees.
- **GSE-042822**: In this note, we expand on our analysis of the CFPB's new campaign against [nonbank financial institutions](#) to look more deeply at its impact on residential-mortgage finance.
- **CONSUMER42**: Today's HFSC hearing with CFPB Director Chopra plowed much ground broken yesterday before the Senate Banking Committee ([see Client Report CONSUMER40](#)), but several new furrows were also unearthed.
- **CONSUMER41**: Using what it describes as "dormant" authority, the CFPB is seeking comment on a rule setting the procedures under which it expands its authority to nonbank financial companies it believes pose consumer-protection risk.
- **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.