



FedFin Daily Briefing

Thursday, May 12, 2022

Basel Heading Towards Tough New Crypto Standards

In remarks [today](#), Basel Committee Director Pablo Hernández de Cos reiterated that Basel's latest cryptoasset consultation will be out in "coming months," going on to say that while global negotiations have yet to resolve various controversies raised in the consultation ([see FSM Report CRYPTO19](#)), he emphasized that he is not persuaded by comments urging lenient capital treatment to prevent crypto activity from migrating outside banking. Indeed, Mr. Hernández de Cos stated that a "shadow crypto market" poses significant risks that should be prevented by direct regulation rather than encouraging banks to engage in risky activity. Mr. Hernández de Cos also described global discussions regarding broader digitalization and DeFi concerns and pressed hard for quick action on the market, operational, leverage, and credit-risk revisions to Basel III.

House Codifies Sanctions for Subsidiaries

The House yesterday passed H.R. 7066, legislation sponsored by Rep. Sherman (D-CA) to tighten secondary sanctions against Russia and its allies. Approved on a 418-2 vote, the bill stands high odds of inclusion in the omnibus Ukraine and sanctions legislation wending its way through Congress. Although the measure largely codifies existing rules about the responsibility of U.S. institutions, its provisions tighten current law to make it still more clear that foreign subsidiaries controlled or owned by U.S. financial institutions must also comply with applicable sanctions. The most likely near-term impact of this bill is to subsidiaries of U.S.-domiciled foreign banks in areas such as the British Virgin Islands who may not in the past have thought U.S. sanctions governing direct U.S. operations applied to their subsidiaries. However, the measure also ends any uncertainties on this point by U.S. financial institutions, including digital-wallet entities and others who may not be as attuned to sanctions as regulated banks and broker-dealers.

GOP Takes on Hsu, Merger Policy

Republicans today made it clear that the blame they directed for what they called the "FDIC coup", so far directed only to CFPB Director Chopra, has now ensnared Acting Comptroller Hsu. In a scathing letter [today](#) to Mr. Hsu, HFSC Ranking Member McHenry (R-NC) and fellow Republicans demanded answers regarding not only Hsu's actions in the course of issuing the bank-merger RFI Mr. Chopra and now-Acting Chairman Gruenberg targeted against then-Chair McWilliams ([see FSM Report MERGER9](#)), but also his own position on bank mergers. The letter takes strong issue with Mr. Hsu's speech earlier this [week](#), saying that taking stands such as his on resolvability are only appropriate for a confirmed Comptroller. The letter demands an array of documents and a formal interview without mandating a timeline for this clearly adversarial process. Although we doubt this letter will alter the FDIC's or Mr. Hsu's views on bank mergers or pending merger policy, it presages a difficult confirmation process should the President nominate Mr. Hsu to serve as Comptroller.

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](#).

- **[FSOC27](#)**: With stablecoin markets even more distressed than earlier in the week, today's HFSC hearing with Secretary Yellen was even more emphatic than senators two days before on the need for action ([see Client Report FSOC26](#)).
- **[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.