



FedFin Daily Briefing

Wednesday, May 25, 2022

Hsu Renews, Heightens Crypto Criticism

Late yesterday, Acting Comptroller Hsu [pointed](#) to recent stablecoin collapses to reaffirm his crypto skepticism, arguing that – until a better regulatory construct is established in this sector – strict controls such as those recently instituted for [national banks](#) are necessary and appropriate. Although crypto may offer benefits for both innovation and inclusion, Mr. Hsu described fundamental challenges made evident by recent events. These include illiquidity and uncertain custody and ownership rights along with contagion risk only contained, he said, by virtue of strict rules on the banking sector. The speech provided no insight into near-term regulatory actions on stablecoins along lines laid out in the PWG report ([see Client Report CRYPTO21](#)), although it is clear that proposals such as those forthcoming for Basel for strict bank prudential standards will find favor with the OCC.

Treasury to Revisit Investment-Adviser AML/CFT Standards

In [remarks](#) today, Treasury Under-Secretary of Terrorism and Financial Intelligence Brian Nelson underlined Treasury's commitment to working with the private sector to maximize sanctions impact, mentioning the long-delayed beneficial ownership rule only in passing and without providing any timeline. However, Mr. Nelson did provide additional insight into Treasury's latest [priority](#) relating to investment advisers. Specifically, he indicates that Treasury will revisit a 2015 proposed rule on investment advisers and will determine if a final rule is necessary from the information it will gather from the private sector, law enforcement, FINRA, and the SEC. The Under-Secretary noted that a lack of consistent AML/CFT standards has led to potential regulatory arbitrage, the segmented nature of the sector can lead to firms not knowing the identity of their clients, and a recent increase in the number of registered investment advisers and a decrease in registered broker dealers could signal a move by oligarchs towards firms with less stringent AML/CFT requirements.

CFPB Calls Out Credit Card Lenders for Payment Data Reporting Practices

Combining its campaign against credit-card [lenders](#), the CFPB today [sent](#) strongly-worded letters to large credit-card lenders inquiring about the alleged practice of suppressing or neglecting to report the actual payment-amount field. The Bureau is concerned that this makes it more difficult for consumers to obtain optimal products, phrasing its [release](#) as a direct appeal to consumers. The agency thus asks lenders to advise it within thirty days on issues including the company's rationale for excluding the field and any plans to redress this. Answering the letter is not mandatory, but the Bureau doubtless intends additional action if companies do not either satisfy the agency by quickly changing policy or mount a formidable defense to these charges.

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](#).

- **[DEPOSITINSURANCE113](#)**: Using a new approach to issuing enforcement edicts – a circular – the CFPB has made use of its controversial decision to bring nonbanks under its ambit to bolster the FDIC's efforts to enhance consumer understanding of which funds are entrusted to FDIC-insured depositories and which may be at greater risk in other hands.
- **[CRYPTO27](#)**: Sharp disruptions in cryptoasset markets, and especially those for stablecoins, have energized calls for rapid U.S. statutory and regulatory action along lines initially laid out by the President's Working Group on Financial Markets (PWG).
- **[CRA32](#)**: Following much talk about the need to update Community Reinvestment Act (CRA) rules since this was last done in 1995, federal banking agencies have finally agreed on a proposed redesign of standards essential to banks that wish to expand or acquire as well as those seeking strong community ties and the policy and political benefit these afford.
- **[GSE-051622](#)**: As we [noted](#) last week, the federal banking agencies sighed a mighty sigh and heaved up a massive inter-agency [proposal](#) rewriting decades-old standards detailing which activities earn the Community Reinvestment Act (CRA) points essential for any bank's strategic objectives and national reputation.
- **[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.