



FedFin Weekly Alert

Monday, June 13, 2022

❑ SOME ACTUALLY LIKE IT HOT

Friday's [inflation numbers](#) are nothing but distressing for the Fed, Treasury, and the White House, exacerbating the political risks to each of them which Karen Petrou detailed in a client memo earlier this [month](#). Anyone paying at the pump, grocery store, or rental office is also having no fun at all, but there are a few folks quietly enjoying themselves: Congressional Republicans.

Most of the action on Capitol Hill this week will revolve around Democrats trying to raise other issues or deflect blame and Republicans pushing back hard because inflation is proving to be a political game-changer very much in their favor. With Chairman Powell set to take a very hot seat when he comes before Congress next week, we'll be watching for:

- **Efforts to change the subject:** Fed officials can't talk publicly this week, but lots of others can and will do so not so much on the Fed's behalf, but on their own. The White House put the President out front on inflation just a week ago. Now, they'll try to reposition him on popular issues such as gun control and populist proposals wherever he can find them on his side of the aisle;
- **Congressional Democratic demands for companies to reduce the cost of living:** Secretary Yellen's penchant for straight talk scotched one popular Democratic line blaming inflation on [corporate greed](#), but that's not to say that Sen. Warren (D-MA) will hold off or hold back. Indeed, they may not only redouble pressure on oil companies, but also start in earnest to demand that banks raise deposit prices to reward savings and thus restore family economic resilience. It wouldn't surprise us if Democrats also go back to blaming big banks for so many things that they won't trifle at putting inflation into the reckoning; and
- **Republican demands for rapid inflation-cutting action even though most Republicans know none of these will work:** No matter what the Fed does this week, Republicans will demand that it should have done more as well as sooner. Some will pillory Mr. Powell and his colleagues, especially when they have the Fed chairman at the witness table and the TV lights are on. Most know that they aren't running against Mr. Powell, but against President Biden and his coattails. They will thus redouble opposition to the spending packages Democrats think might just pull off some midterm wins and go very, very hard against all the Democrats' "green" proposals and programs. Republicans will also deploy inflation whenever they think

Democrats might be striking a responsive chord on the January 6 hearing or any other topic before the nation, Ukraine increasingly included.

Headlines From the Past Week's Daily Briefings

June 6

- **US Sanctions Bosnians for “Destabilizing Action”** - In an unusual move, Treasury [sanctioned](#) two officials from Bosnia and Herzegovina for “destabilizing behavior.”

June 7

- **New Crypto Bill Empowers Digital Assets, Faces High Hurdles** - After months of negotiation and public discussions, Sens. Lummis (R-WY) and Gillibrand (D-NY) [introduced](#) a comprehensive crypto-reform measure designed to promote the proverbial “responsible-innovation” on which all sides agree despite wide differences in how each defines this goal.
- **CBDC Adoption Has Compelling Rationale Even Though CBDC Not Essential** - A new [article](#) from the Federal Reserve Bank of Richmond weighs the pros and cons of US CBDC adoption.
- **Brown Wants FSOC to Quell Consumer-Data Sales** - Senate Banking Chairman Brown (D-OH) [renewed](#) his campaign against consumer-data sales, directing his requests to FSOC but doubtless also firing up CFPB action in a newly-high profile arena.
- **HFSC Dems Demand More on Historic Patterns of Slavery Finance, Insurance** - HFSC Chairwoman Waters (D-CA) and all of the panel's subcommittee chairs sent a letter to the ten largest U.S. [banks](#) and five largest life insurers demanding more data on the financing of slavery.

June 8

- **CFTC Contemplates Broad Climate-Risk Action Plan** - Acting on the President's executive order ([see FSM Report GREEN8](#)), the CFTC is [seeking comments](#) on how climate risk affects the derivatives market, underlying commodities markets, the entities it regulates, and financial institutions that might be directly affected by climate risk in this sector.
- **CFPB Plans Fit-for-Purpose Data-Privacy Regime** - When we [predicted](#) that Sen. Brown's comments about data privacy would spark CFPB action, we didn't expect that it would come.
- **Board Soon to Get Barr** - The Senate Banking Committee [voted](#) 17-7 to advance Michael Barr's nomination for Vice Chairman for Supervision at the Federal Reserve to a

full Senate vote. Given Sen. Toomey (R-PA)'s support for Mr. Barr, rapid confirmation is almost certain.

June 9

- **FSB, IMF Close One Data-Gap Project, Open Next Phase** - In a joint [report](#), the FSB and the IMF reported progress on closing financial data gaps, closing the second phase of the Data Gaps Initiative called for by the G20 in 2009.
- **IMF Staff Assess Green CBDC Options** - A new IMF [paper](#) concludes that Proof of Work-based DLT applications should not define any payment system transformation prioritizing reduced energy consumption, including CBDC.
- **BIS Officials Caution re “Green Bubbles”** - In an [article](#), top BIS officials highlighted the potential risk of “green bubbles” and stressed the limits of the financial industry’s ability to reduce climate risk.

June 10

- **Treasury Emphasizes Crypto BSA Compliance** - Treasury Deputy Secretary Wally Adeyemo [outlined](#) his agency’s digital-asset priorities not only in adherence to the President’s executive order ([see Client Report CRYPTO26](#)), but also recent developments.
- **HFSC to Advance Overdraft, ILC Legislation** - The schedule for Tuesday’s HFSC mark-up includes a revised version of H.R. 4277, long-pending Maloney (D-CA) legislation to restrict overdrafts ([see FSM Report OVERDRAFT4](#)).
- **GAO Recommends Fed Improve Alternative-Data Use, Stress Testing** - The GAO [issued](#) several recommendations to the Fed on alternative data use and improving stress testing.

This Week

Tuesday, June 14

HFSC mark-up of the following bills: H.R. 68, The Housing Fairness Act of 2021; H.R. 3111, Grandfamily Housing Act of 2021; H.R. 4277, Overdraft Protection Act; H.R. 4495, Downpayment Toward Equity Act of 2021; H.R. 4586, Risk-Based Credit Examination Act; H.R. 5912, Close the ILC Loophole Act; H.R. 6528, Housing Temperature Safety Act of 2022; H.R. 6814, Small Business Fair Debt Collection Protection Act; H.R. 7195, to provide for certain whistleblower incentives and protections; H.R. 7245, PCAOB Whistleblower Protection Act of 2022; H.R. 7977, Promoting Opportunities for Non-Traditional Capital Formation Act; and H.R. 7981, Public and Federally Assisted Housing Fire Safety Act of 2022. [10:00 am, 2128 Rayburn House Office Building].

Senate Banking Hearing entitled: “Considering the Index Fund Voting Process.” [10:00 am, Dirksen Senate Office Building 538]. Witnesses: The Honorable Dan Sullivan, United

States Senator, Alaska; Professor John C. Coates IV, John F. Cogan, Jr., Professor of Law and Economics, Harvard Law School; and Professor Caleb Griffin, Assistant Professor of Law, University of Arkansas School of Law.

Future Events of Note

Wednesday, June 22

HFSC Subcommittee on Consumer Protection and Financial Institutions hearing entitled: "Better, Together: Examining the Unified Proposed Rule to Modernize the Community Reinvestment Act." [10:00 am, 2128 Rayburn House Office Building]. Witnesses: TBD.

Senate Banking Hearing entitled "The Semiannual Monetary Policy Report to the Congress." Time: TBA. Witnesses: The Honorable Jerome H. Powell, Chairman, Board of Governors of the Federal Reserve System.

Thursday, June 23

HFSC Hearing entitled: "Monetary Policy and the State of the Economy." [10:00 am, 2128 Rayburn House Office Building]. Witnesses: TBD.

Tuesday, June 28

HFSC Subcommittee on Oversight and Investigations Hearing entitled: "Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America's Neighborhoods." [12:00 pm, 2128 Rayburn House Office Building]. Witnesses: TBD.

Wednesday, June 29

HFSC Hearing entitled: "Boom and Bust: Inequality, Homeownership, and the Long-Term Impacts of the Hot Housing Market." [12:00 pm, 2128 Rayburn House Office Building]. Witnesses: TBD.

Thursday, June 30

HFSC Task Force on Financial Technology Hearing entitled: "Combatting Tech Bro Culture: Understanding Obstacles to Investments in Diverse-Owned Fintechs." [12:00 pm, 2128 Rayburn House Office Building]. Witnesses: TBD.

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](#).

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- **[GSE-060922](#)**: When Sandra Thompson earlier this year enunciated a new equitable-finance mission, we [forecast](#) that Fannie and Freddie would undertake an array of new activities that significantly expand their footprint along with their equity and equality impact.
- **[GSE-060722](#)**: FHFA released its first-ever [report](#) on the extent to which Fannie, Freddie, and the FHLBs meet their statutory mission.
- **[GSE-060222](#)**: Following on the heels of new [capital disclosures](#), FHFA has [finalized](#) a planning process designed to ensure that GSEs have something good to say when they post these reports, reassuring markets and perhaps even speeding the way out of conservatorship.
- **[GSE-060122](#)**: As detailed in our [new in-depth report](#), the CFPB has issued another sweeping rule by way of a seemingly innocuous circular not subject to public notice and comment.
- **[FAIRLEND11](#)**: Continuing its use of novel rulings that preclude public notice and comment, the CFPB has issued a landmark ruling on artificial intelligence (AI) and other forms of algorithmic underwriting stipulating lender responsibility for sending out the adverse action notices required under the Equal Credit Opportunity Act (ECOA).
- **[GSE-052722](#)**: FHFA has [finalized](#) its October [proposal](#) to create a new qualitative capital and governance disclosure regime, going well beyond the disclosures initially mandated in the final capital [rule](#) to instill market discipline long associated with private companies, not conservatorships.
- **[CBDC13](#)**: Newly in place as Fed Vice Chair, Lael Brainard today made it clear at an HFSC full committee hearing that her prior statements laying out CBDC benefits are still her thinking despite the considerably more ambivalent approach outlined in the Fed's discussion draft ([see FSM Report CBDC10](#)).
- **[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.