



# *FedFin Daily Briefing*

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Friday, June 10, 2022

## Treasury Emphasizes Crypto BSA Compliance

Treasury Deputy Secretary Wally Adeyemo [today 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. Treasury's top priority is ensuring BSA compliance in this sector, followed by addressing illicit-finance risk posed by unhosted wallets. Mr. Adeyemo also reiterated Treasury's stablecoin-regulation objectives ([see Client Report CRYPTO21](#)), reiterating that some of Treasury's goals may require legislation. Treasury is not opposed to cryptocurrency, with Mr. Adeyemo noting its importance delivering relief in Afghanistan, but it is also fearful that it will prove a major route for illicit finance related to Russia's Ukraine invasion.

## 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](#)). The Democratic [memo](#) acknowledges that many banks have reformed or eliminated overdraft and related fees, but says some continue to charge pernicious fees and others could resume this practice without new law. The bill not only reiterates numerous protections included in the prior legislation and current rules ([see FSM Report OVERDRAFT10](#)), but also gives the CFPB authority to declare a 24-month fee moratorium. Rep. Garcia (D-IL) will also try again to advance ILC-reform legislation (H.R. 5912) ([see FSM Report ILC13](#)), blocked at the panel's last [session](#); the bill seeks to tighten the regulation of grandfathered ILCs without so limiting their operations as to moot the grandfather as was feared with the prior version of this measure. The mark-up will also consider Waters (D-CA) legislation to authorize a \$100 billion down payment-assistance program and Green (D-TX) legislation to expand fair-housing enforcement and consider reparations. As always, we will analyze action on key measures as it concludes.

## GAO Recommends Fed Improve Alternative-Data Use, Stress Testing

The GAO [today](#) issued several recommendations to the Fed on alternative data use and improving stress testing. The alternative data recommendations reiterate a prior call to the [FDIC](#) related to working with fintechs and vendors, calling for the Fed in coordination with other banking regulators and the CFPB to provide clear written guidance to banks who engage with third-party fintech lenders on the appropriate use of alternative underwriting data. The report also recommends that the Fed staff tell the Board about sources of uncertainty surrounding post-stress capital ratio estimates, as well as design a process for the Board to communicate uncertainty surrounding stress testing tolerance levels for key risks and the degree of uncertainty in projected estimates. The GAO report does not indicate to whom the information should be communicated, but presumably means to banks subject to supervisory stress tests.

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### 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](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](#).

- **[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.
- **[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](#).