



FedFin Daily Briefing

Wednesday, June 22, 2022

Treasury Issues Stern Sanctions Warning to Foreign Banks

In remarks today to UAE [bankers](#), Deputy Treasury Secretary Wally Adeyemo warned that foreign financial institutions are subject to possible sanction if transactions touch sanctioned entities via any U.S.-domiciled point. OFAC has also has authority to sanction foreign financial institutions even if a problematic transaction never touches a U.S. nexus if the transaction provides “material support” to a sanctioned entity, Russia very much included. Mr. Adeyemo also emphasized that failure to exercise due diligence and thus inability to know one’s customers provides no defense against any of these U.S. enforcement actions.

CFPB Follows Threats with Credit-Card Action Plan

Consistent with its promises as recently as [last week](#), the CFPB [today](#) released an ANPR examining ways to govern what it calls excessive late fees charged by credit-card issuers and announced broader initiatives in this sector. The proposal’s immediate goal is data on these fees and other late charges to determine if they are “reasonable and proportionate” or a form of the “junk” fees targeted in a recent CFPB advisory ([see FSM Report CONSUMER38](#)). The Bureau is particularly targeting enforcement immunities in the Fed’s credit-card rule ([see Client Report CREDITCARD34](#)). Following its inquiry into late fees, the Bureau also plans to assess deferred interest payment promotions, the extent to which competition in this sector is “fair,” and whether consumers have fair access to affordable credit. Whether these reviews will result in advisories, interpretive rulings, enforcement actions, or new rules is not made clear.

The ANPR focuses on late fees in part because the Bureau fears that fees may rise as inflation continues in ways that should not afford issuer immunity. Comments on the ANPR are due July 22; an in-depth FedFin analysis will shortly be sent to clients.

CBDC Authorizing Legislation Takes Shape

Building on his HFSC subcommittee’s CBDC hearing record ([see Client Report CBDC13](#)), Rep. Jim Himes (D-CT) today released a [white paper](#) outlining legislation he plans to advance to authorize and define CBDC for the United States. Noting President Biden’s executive order pressing for a CBDC ([see Client Report CRYPTO26](#)), Rep. Himes concludes that CBDC benefits outweigh costs because it would ensure innovative and sound transactions and, as detailed in his own legislation ([see FSM Report CBDC4](#)) reinforce the dollar’s reserve currency status. He also believes a CBDC may improve financial inclusion.

His approach would preserve the role of banks by using CBDC for wholesale payment and allowing them to tokenize reserves to conduct interbank payments and settlement. The white paper also outlines a CBDC regulatory and custody structure, with this section suggesting that CBDC might handle retail transactions despite Rep. Himes’s overall wholesale framework. Nonbanks should, he said, participate in CBDC to enhance inclusion as long as they are appropriately regulated. We expect Mr. Himes to question Chairman Powell about this approach at tomorrow’s hearing and then to move towards legislative introduction, but enactment in this Congress is highly unlikely.

House Set to Report Revised ILC Reform Bill

As [anticipated](#), HFSC seems likely to report H.R. 5912, ILC-reform legislation introduced by Rep. Chuy García (D-IL) ([see FSM Report ILC13](#)). The measure subjects ILCs to bank regulation, rolling back the FDIC's rule during the Trump Administration providing these charters with unique regulatory advantages ([see FSM Report ILC15](#)). It failed to advance at a prior mark-up because the bill's grandfather provisions appeared essentially to allow existing ILC parent companies to avoid Fed regulation. The version presented today refines this without, as nonbanks feared, eliminating grandfather rights. A recorded vote to report the bill will be held shortly along with others for bills under consideration today; we expect favorable action and then House floor approval, with little chance of final enactment in the absence of Senate legislation along similar lines at this late date in the session.

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](#).

- [FEDERALRESERVE70](#): As we [expected](#), today's Senate Banking session with Chairman Powell is a preview of broader national debate ahead of the midterm election.
- [CLIMATE14](#): The Basel Committee has finalized its proposed climate-risk management principles largely unchanged from its proposal, establishing over-arching goals at which both banks and their supervisors are asked to aim.
- [CONSUMER43](#): Combining some of its outstanding initiatives and adding new ones, the CFPB is seeking information on how well larger banks and credit unions serve consumers and what steps may be needed to make them do better.
- [GSE-061522](#): Today's report to Congress is FHFA's first foray into expressing a statutory opinion since Sandra Thompson took over, a change doubtless due to her newly confirmed status and the will to tackle hard questions in which Congress has only nominal interest in the absence of another crisis.
- [CRYPTO28](#): After protracted negotiations and much public attention, bipartisan senators have introduced a far-reaching bill designed to encourage digital-asset use without undue risk to consumers, investors, or the financial system.
- [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](#)).