



FedFin Daily Briefing

Thursday, June 23, 2022

Treasury Tries Transparency

Treasury and its inter-agency working group today advanced its earlier findings ([see Client Report TMARKET2](#)) with a public [consultation](#) on data transparency. The RFI notes significant changes in Treasury-market issuers beyond traditional market intermediaries as well as the technology on which the market rests, suggesting that greater transparency will spur both stability and heightened competition. However, the manner in which data is disclosed needs to be carefully considered to protect market liquidity and prevent arbitrage, with the request for information thus outlining several possible approaches to transparency and seeking views on these or other approaches. Comments are due sixty days after *Federal Register* publication.

House Ag Subcommittee Advances CFTC Digital-Asset Authority

Advancing proposals to give the CFTC jurisdiction over aspects of the crypto market as proposed in the Lummis-Gillibrand bill ([see FSM Report CRYPTO28](#)), the House Agriculture Subcommittee on Commodity Exchanges, Energy, and Credit today advanced statutory changes that not only give the CFTC this authority, but also expand the committee's jurisdiction. Subcommittee Chairman Maloney (D-NY) praised digital asset financial inclusion potential, arguing also that – without proper regulation – investors face risk of loss and fraud. Full Committee Ranking member Thompson (R-PA) and Subcommittee Ranking Member Fischbach (R-MN) strongly supported legislation to do so known as the Digital Asset Exchange Act (H.R. 7614), arguing it provides needed regulatory clarity and investor protection. Testifying for the CFTC, Director of Market Oversight Vincent McGonagle denied under questioning from Rep. Fischbach that the CFTC is a light touch regulator, affirming statements from her and other Members about the scope of the CFTC's rules and enforcement standards.

OCC Targets Macro Risks

The OCC [today](#) released its latest analysis of risks to federally-chartered institutions, reiterating longstanding operational-risk concerns now heightened by the challenges facing banks seeking to retain or hire specialized personnel. The report also goes beyond prior discussions of interest-rate risk to note challenges to bank earnings as inflation and downside economic risk rise. Credit risk is found to be moderate even though the agency worries about longer-term stress due to increased economic strain, with the report also emphasizing the importance of climate-risk management in the context of its proposed high-level principles ([see FSM Report GREEN12](#)). No action on any of these risks is likely beyond more attention to them by examiners.

House Republicans Craft New Data-Privacy Regime

HFSC Ranking Member McHenry (R-NC) and panel Republicans today [released](#) a draft bill establishing consumer-data privacy rights with an eye on emerging financial providers and products. A detailed analysis is necessary to assess its impact, but the measure appears to apply both to banks and nonbanks and gives consumers greater authority over how their data are used. The bill allows consumers to opt out of certain data collections but does not give consumers

express data-ownership rights as President Biden demanded ([see Client Report MERGER6](#)) nor does it prohibit consumer-data uses as CFPB Director Chopra has [urged](#). It sets its standards via federal preemption, among the provisions Democrats will oppose if Mr. McHenry presses this bill forward should Republicans gain control of the House in the next Congress.

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](#).

- [FEDERALRESERVE71](#): At today's HFSC hearing, Chairman Powell encountered the same political headwinds evident at yesterday's Senate Banking session ([see Client Report FEDERALRESERVE70](#)), reinforcing and even heightening his commitment to fighting inflation in concert with hopes that a soft landing may still be possible.
- [GSE-062322.pdf](#): Following a sharp critique of GSE capital standards earlier today [from the Urban Institute](#), FHFA Director Thompson [today acknowledged](#) Fannie and Freddie's new 50 bps fees when one of the GSEs guarantees the other's collateral for UMBS purposes.
- [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](#)).