



FedFin Daily Briefing

Thursday, June 30, 2022

OFAC Updates Counter-Terrorism Sanctions

OFAC [today](#) adopted a final rule that amends the Global Terrorism Sanctions Regulations to implement a 2019 executive order and make several minor technical changes. The order consolidated various counter-terrorism sanctions, blocking access to all property interests and accounts in the United States from individuals or leaders of entities determined by the Secretary of State, with a focus on terrorist activities seeking to disrupt the Middle East peace process. The rule takes effect upon publication in the *Federal Register* on July 1.

Basel Crafts Stringent New Regime for Crypto Exposures

[As promised](#), the Basel Committee today tried again to craft a global prudential regime for bank crypto exposures. We will shortly provide clients with an in-depth analysis of the new consultation, which replaces a controversial first round ([see FSM Report CRYPTO19](#)) with one that continues add-on capital requirements for higher-risk digital assets (now redefined for stablecoins). The new approach also includes a capital add-on and concentration a limit related to higher-risk crypto exposures along with limited recognition of hedging for these positions. It also clarifies accounting treatment and operational risk, as well as refining liquidity requirements to cover bank-issued coins. Climate-related risks are deferred for action under the more holistic global efforts to reckon with it, but Basel does indicate that it might consider this issue specifically for cryptoassets at a later date. Reflecting all the compromises, the release accompanying the proposal reserves Basel's right to toughen final standards if continuing developments in the troubled cryptosphere warrant doing so during the leisurely pace set for final action. Comments are not due until September 30, doubtless reflecting the long summer holidays to which global financial regulators outside the U.S. are accustomed. Final standards are anticipated by year-end.

FSB Frets About Commodity, Resilience Risk

The FSB's plenary [today](#) is far more pessimistic about both macroeconomic and financial conditions than it was just [a month ago](#). Although it then worried about commodity-market volatility, these concerns now are heightened by large margin calls, "undetected" leverage, and concentrated exposures. However, global regulators appear to believe that they can do little but worry still more about nonbank financial intermediaries and better track leverage in this sector. The new statement also indicates that current strains may test financial resilience, noting in particular high sovereign, non-financial corporate, and household indebtedness, which may be exacerbated by "embedded leverage and liquidity mis-matches" in the financial system. Where these lie is left unsaid other than with regard to emerging markets, but it seems likely that the FSB is particularly worried about investment funds. A report on Covid exit strategies will be published in October, with today's statement also reviewing ongoing work on cryptoassets, climate risk, and the payment system.

CFPB Pledges Guidance on Wage Access Products

The CFPB [today](#) terminated the Sandbox Approval Order for Payactiv, an earned wage access company, removing an exemption for some of the company's products from liability under the Truth in Lending Act. Payactiv requested the termination in order to make changes to its fee model, as

changes to its products would require modifications to the order. The termination is effective immediately, but the action has a broader impact – the Bureau also pledged to release soon guidance on earned wage access products. These are likely to redefine a product about which the Bureau has become increasingly skeptical.

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](#).

- [GSE-063022](#): The Federal Reserve Bank of Philadelphia's latest [report](#) on foreclosure risk includes a worrisome finding: the sharp rise in interest rates means that most loan-mod recipients won't actually get much relief.
- [GSE-062922](#): In response to a request from its [Inspector General](#), FHFA renewed the commitment to fourth-party supervision.
- [DEPOSITINSURANCE114](#): The FDIC is proposing to raise base Deposit Insurance Fund (DIF) assessments by two basis points (BPS) to replenish the DIF by the statutory deadline to reflect deposit inflows that the FDIC no longer expects to be temporary.
- [GSE-062722](#): A new Fed [paper](#) analyzes the striking differences between mortgage-market liquidity – or the dramatic lack thereof – in the great financial crisis of 2008 and the pandemic crisis of March, 2020.
- [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.