



FedFin Weekly Alert

Monday, July 25, 2022

❑ STABILIZING STABLECOINS?

On Wednesday, the House Financial Services Committee will mark up an array of bills that may or may not include as-yet-unintroduced legislation to rewrite the federal framework governing stablecoins. As we noted ([see Client Report FSOC27](#)), the sector's travails have concentrated Congressional attention on the action first outlined in November by the President's Working Group ([see Client Report CRYPTO21](#)), with any legislation brought to a vote this week sure to reflect the latest thinking from both the PWG and at least some of the rest of the Financial Stability Oversight Council. It only leaked revisions to the PWG [plan](#) and it's far from clear if the CFTC agrees with these, but HFSC gives scant thrift to the CFTC. It falls outside the Committee's jurisdiction and thus what it wants must be advanced by the Agriculture Committee for it to have any bearing on floor deliberations.

We'll advise you as soon as we know what the HFSC final agenda looks like and of course analyze its results. At this point, we think any House bill will be different in key respects from both the Toomey draft ([see FSM Report CRYPTO27](#)) and Lummis-Gillibrand bill ([see FSM Report CRYPTO28](#)). For example, it will not allow nonbank stablecoin issuers to operate with far fewer rules than Treasury and the Fed think advisable and banks think desirable. Both of these bills do, though, lay out a reserve construct for stablecoins not all that different from that proposed for favorable capital treatment by global bank regulators ([see FSM Report CRYPTO29](#)).

However, Democrats will try to give the CFPB additional jurisdiction over issuers, including with regard to reserving practices, even if the Fed – as we hear – would be charged with yet another regulator duty for these nonbanks. This provision will be anathema to Republicans and may well be struck if there's a chance for bipartisan legislation, but whether there's a chance has yet to be seen as negotiations proceed.

Headlines From the Past Week's Daily Briefings

July 18

- **HFSC Set for Consequential GSE-Reform Review** - As [noted](#), HFSC convened a hearing with FHFA Director Thompson. Although Republicans sought this session, the majority-staff memo ahead of the hearing unsurprisingly reflects Democratic views on matters such as the GSEs' [equitable-finance plans](#).
- **Comment Period Extended on Consequential Credit-Card Proposal** - The *Federal Register* provides a ten-day comment period extension for the CFPB's ANPR on Credit Card Late Fees and Late Payments ([see FSM Report CREDITCARD35](#)).

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- **G20 Ministerial Dissolves Over Sanctions, Climate Risk** - Reinforcing fears of global fragmentation, the G20 finance ministerial was unable to agree on a joint communique even though these are historically anodyne pronouncements that mask considerable disagreement.
- **CFTC Presses for Commodity-Originator Climate-Risk Comments** - The CFTC [extended](#) the comment deadline for its climate-risk RFI from August 8 to October 7. Chairman Rostin Behnam said the Commission did so to encourage feedback from farmers and other small entities critical to the Commission's mission.

July 19

- **Fed Seeks to Bring Order Out of Looming LIBOR Chaos** - Fighting the end-September deadline demanded in the new law ([see FSM Report LIBOR7](#)), the Federal Reserve Board [unanimously proposed](#) the formulas by which benchmark-rate compliance will be judged in LIBOR-based legacy contracts without rate-fallback contractual clarity.
- **House Advances Sanctions, Cash-Access, Credit-Union, Mortgage Legislation to Uncertain Senate Fate** - Chairwoman Waters (D-CA) released an [accounting](#) of all the HFSC measures included in the massive National Defense Authorization Act (NDAA) approved by the House late last week.
- **House Judiciary Damns Bigtech, Skirts Financial Services** - House Judiciary Committee Democrats tried to reinvigorate antitrust legislation focused on bigtech companies with a [report](#) concluding that stronger antitrust and merger enforcement is needed for Google, Amazon, Facebook, and Apple.
- **CFPB Presses SPCs** - The CFPB issued a [staff statement](#) reiterating key points in February's inter-agency statement encouraging special-purpose credit (SPC) [programs](#).
- **OFR Details Commercial Real Estate Recovery, Emerging Risks** - OFR released a [study](#) detailing how the commercial real estate (CRE) market weathered the 2020 recession, also describing CRE's future risks.

July 20

- **Fed Study: Mortgage Churning for CRA Adversely Affects LMI Mortgage Market** - A new Fed [staff paper](#) revisits one of the longstanding questions with CRA regulation: whether allowing equal CRA credit for mortgage originations and purchases increases LMI-focused mortgage finance.
- **Comment Deadline Extended for CFPB Relationship Banking RFI** - The [Federal Register](#) provides a 30-day comment period extension for the CFPB's Relationship Banking RFI ([see FSM Report CONSUMER43](#)).
- **CFPB Blog: Overdraft/NSF Policy Changes Reduced Fees** - Expanding on its December 2021 [report](#), a CFPB [blog post](#) concluded that overdraft and NSF policy changes led to significant reductions in the amount bank customers incur from various account fees.

July 21

- **Housing Prices Session Ignites Familiar Partisan Debates** – The Senate Banking Committee’s Hearing on Housing Price Increases was another session of partisan discussion of the housing market and how to address it.
- **Senate Banking Republicans Demand FHFA Reverse Racial Equity Plans** - Following HFSC’s hearing ([see Client Report GSE147](#)), Sen. Thom Tillis (R-NC) and eleven other Senate Banking Republicans sent a [letter](#) to Director Thompson strongly objecting to what they call “affirmative-action” subsidies, calling them unconstitutional and beyond the FHFA’s mandate and the Enterprises’ charters.
- **BIS CPMI Identifies Benefits, Barriers to Multilateral Payment System Platforms** - The BIS Committee on Payments and Market Infrastructures published an [article](#) arguing that multilateral platforms can alleviate some payment system frictions, but several challenges remain.
- **CFPB Sure Now to Tackle Zelle Scams** - Following [media coverage](#) suggesting near-term CFPB action, the majority of Senate Banking Democrats have called on the Bureau to do exactly what it appears to contemplate: take action to make banks offering Zelle responsible not only for fraud, but also scams to which consumers give initial consent.

July 22

- No news of note.

This Week

Tuesday, July 26

Senate Banking Hearing entitled: “Fairness in Financial Services: Racism and Discrimination in Banking.” [10:15 am, Dirksen Senate Office Building 538]. Witnesses: **Mr. Steven Nesmith Esq.**, Vice President And Director/Head Of Federal Policy, Center for Responsible Lending; **Mr. Devon Westhill**, President And General Counsel, Center for Equal Opportunity; **Mr. Jacob William Faber**, Associate Professor Of Sociology And Public Service, New York University.

Wednesday, July 27

HFSC Markup. [10:00 am, 2128 Rayburn House Office Building]. Matters to be discussed: TBD.

Thursday, July 28

FSOC Open Meeting and Executive Session. [11:20 am, webcast]. **Preliminary Executive Session Agenda:** the Council’s report being prepared in response to the Executive Order on Ensuring Responsible Development of Digital Assets; the Office of Financial Research’s non-centrally cleared bilateral repo data collection; and updates from the Council’s Hedge Fund Working Group and Climate-related Financial Risk Committee. **Preliminary Open Session Agenda:** the Council’s work towards climate-related financial risk.

Senate Banking Hearing entitled: "Protecting Investors and Savers: Understanding Scams and Risks in Crypto and Securities Markets." [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **Ms. Melnie Senter Lubin**, President, North American Securities Administrators Association; **Ms. Gerri Walsh**, Senior Vice President Of Investor Education, Financial Industry Regulatory Authority.

Future Events of Note

No meetings of note.

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-072122](#)**: We provided a complete assessment of Sandra Thompson's sojourn on HFSC's [griddle](#), noting the lack of any insights into essential issues such as conservatorship's end or the full scope of CRT's new beginning.
- **[GSE147](#)**: At her first hearing as confirmed FHFA Director, Sandra Thompson made it clear to House Financial Services that she is committed to expanding credit-risk transfer (CRT), encouraging equitable finance via new GSE activities, and recapitalizing Fannie and Freddie as quickly as possible.
- **[GSE-071922](#)**: As noted earlier today, the Fed has finally brought forth its LIBOR-transition [proposal](#) specifying permissible benchmarks for legacy contracts without contractual fallback rates.
- **[CRYPTO30](#)**: As part of its response to the President's digital-asset executive order, the Department of the Treasury is seeking views on the broad policy questions on which it believes answers might guide the Administration's next steps.
- **[GSE-070822](#)**: A new Fed staff [note](#) contains startling statistics on how much the housing market has changed in just a few months at grave cost to lower income households.
- **[CRYPTO29](#)**: Global banking regulators are trying a new, but still stringent, approach to governing bank exposures to certain types of crypto assets, revising an initial consultation to focus more on supervisory limitations than on extremely punitive capital requirements for what are deemed to be lower risk cryptoassets.
- **[CREDITCARD35](#)**: Taking the first concrete action following its new policy on "junk fees," the CFPB has sought public comment on whether and how to govern credit-card late fees and broader practices related to late payments.
- **[GSE-070122](#)**: FHFA today essentially conceded after its initial polite rebuff to an Urban Institute critique of the capital rules adverse impact on [UMBS](#).

- [**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.