



FedFin Weekly Alert

Monday, August 1, 2022

❑ NO SUMMER SOJOURN

As noted later in this weekly, Congress is almost completely out of town this week in one sense – the House is all the way gone and most Senate committees are clearing up old business. We expect Senate Banking’s civil-rights hearing to be [ornery](#) and the others to be mostly rhetorical, but neither this nor the other evidence of seeming somnolence means nothing much will happen in August.

For one thing, the Fed now finally has a supervisory vice chair, Michael Barr. The long-awaited release of the Fed’s LIBOR proposal ([see FSM Report LIBOR8](#)) is just initial evidence of more long-delayed proposals to come along with final action in the still nearer term on the long-delayed M&A policy framework and decisions based thereon. And, for several other things, there’s the growing furor over U.S. monetary policy – we expect the Fed’s lagging market credibility quickly to be echoed on Capitol Hill as hearings resume if only to give the Democrats someone to blame as Republicans try to pin all the problems on their mid-term opponents. The final shape of House [stablecoin legislation](#) will also be revealed with short-order action on it by House Financial Services and perhaps even by the rest of the Congress during the lame-duck.

We’ll also be closely watching what does or doesn’t travel with the Senate Democrats’ agreement on fiscal policy even if Democrats manage to hold together as the outlines of the new measure take shape and more and more is added to it. Volatile markets and geopolitical relations also make August a more tumultuous month than usual. We’ll thus remain on watch, monitoring, analyzing, and forecasting as developments transpire, policymakers talk and temporize, and much else defines the strategic shape of U.S. financial policy for the rest of 2022 and beyond.

Headlines From the Past Week’s Daily Briefings

[July 25](#)

- **Stablecoin Bill Still in Limbo** - As we [noted](#), the fate of stablecoin legislation at this week’s HFSC mark-up has been uncertain.
- **OCC Seeks Fintech, Nonbank Analyses** - The [OCC](#) calls for academic and policy-focused papers on the impact of fintech and nonbanks on banking and the markets for lending, deposit-taking, and payment services.

- **Stablecoin Rules – or Lack Thereof – Likely to Remain** - As noted in media, HFSC will in fact not mark up a stablecoin bill on Wednesday.

July 26

- **Fed Encounters Tough New Complaints re Governance, Security** - Sen. Rob Portman (R-OH) released a [report](#) from the Republican Members of the Senate Homeland Security Committee not only alleging repeated Chinese attempts to infiltrate the Federal Reserve, but also Fed laxity ahead of and in response to this threat.
- **SEC Official Seems to Doubt Swing Pricing** - In [remarks](#), the head of the SEC's investment management division, William Birdthistle, seems to cast doubt on the agency's MMF swing-pricing proposal ([see FSM Report MMF19](#)).
- **Brown, Sanders, Dems Introduce Bill to Extend Full Range of Civil Rights - Protections to Financial Services** - Sen. Brown (D-OH) and seventeen Senators introduced [legislation](#) that explicitly prohibits financial institutions from discriminating against customers based on race, color, religion, national origin, sex, gender identity, or sexual orientation.

July 27

- **Waters: Stablecoin Bill Would Authorize CBDC** - At the opening of HFSC markup, Chairwoman Waters (D-CA) and Ranking Member McHenry (R-NC) announced that they were close to a bipartisan draft of stablecoin legislation and hope to complete one by the August recess.
- **Revised Overdrafts, Credit Data Bills Advance** - The HFSC, although postponing recorded votes, lightly approved H.R. 4277, Rep. Maloney's (D-NY) overdraft protection bill.

July 28

- **End-August Deadline Set for LIBOR Comments** - The *Federal Register* includes the Fed's proposal to implement the LIBOR Act. Comments are due by August 29.
- **HFSC Votes in On Key Bills** - Turning to recorded votes from [markup](#), the HFSC approved several bills including reforms to overdraft fees and credit reporting.
- **FSOC Agency Heads Report Climate-Risk Progress** - At FSOC open meeting, member agency heads reported their climate-risk progress following the President's [executive order](#).

July 29

- **Credit-Card Routing Expansion Introduced, Faces Long Odds** - As anticipated, Sens. Marshall (R-KS) and Durbin (D-IL) have introduced S. 4674, legislation to extend routing-system requirements to credit cards.

- **FDIC, Fed Crack Down on IDIs Working with Crypto Companies** - In addition to joining the Fed in sending a stern [warning](#) to Voyager about misrepresenting FDIC insurance, the FDIC issued an advisory instructing IDIs as to how best to partner with crypto companies to prevent future misunderstanding and ensure compliance with the agency's new rule.
- **BIS Lays Out Risks to Central Bank Green Assets** - The BIS Consultative Group on Risk Management released a [report](#) detailing the data and methodological challenges faced by central banks implementing climate risk into their reserve-management frameworks.
- **FTC Takes on Payment Processing** - The FTC unanimously reached a settlement with the nation's largest payment processor, First American, related to what some call "trick-and-trap" practices.
- **BIS Advances Cross-Border PVP Payment Options** - Hoping to speed the introduction of payment versus payment (PvP) systems to reduce frictions in cross-border payments, the BIS released a call for information that details previous PvP proposals and asks for comment on them.
- **HFSC Republicans Expand CFPB Attack to State-AG Partnerships** – Continuing their campaign against CFPB Director [Chopra](#), HFSC Republicans have sent him a [letter](#) accusing the Bureau of intimidating companies by pursuing duplicative enforcement actions with state regulators.

This Week

Tuesday, August 2

Senate Banking Hearing entitled: "The Rent Eats First: How Renters and Communities are Impacted by Today's Housing Market." [10:00, Dirksen Senate Office Building 538]. Witnesses: **Professor Matthew Desmond**, Maurice P. Daring Professor Of Sociology And Director Of The Eviction Lab, Princeton University; **Ms. Laura Brunner**, President And CEO, Port of Greater Cincinnati Development Authority; **Ms. Rosanna Morey**, Small Property Owner; **Mr. Darion Dunn**, Managing Partner, Atlantica Properties; **Ms. Dane Yentel**, President And CEO, National Low Income Housing Coalition.

Thursday, August 4

Senate Banking Hearing entitled: "Borrowed Time: The Economic Costs of Climate Change." [10:00, Dirksen Senate Office Building]. Witnesses: **Mr. Joe Florida**, Executive Director, Power a Clean Future Ohio; **Mr. Dan K. Eberhart**, CEO, Canary, LLC; **Mr. David Butterworth**, Northeast Regional Business Agent, Pipeliners Local Union 798; **Dr. Shalini Vajjhala**, Executive Director, Founder And CEO, San Diego Regional Policy & Innovation Center (SDRPIC), re: focus partners.

Future Events of Note

No events 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](#).

- **[LIBOR8](#)**: Moving belatedly but now expeditiously to implement legislation governing legacy-contract benchmarks when there is no contractual fallback rate, the Fed has proposed a new framework for derivatives, consumer loans, certain GSE contracts, and any other legacy contracts without clear LIBOR-replacement provisions and a “determining person” to effectuate them.
- **[GSE-072122](#)**: We yesterday 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](#).