



FedFin Daily Briefing

Thursday, July 7, 2022

IOSCO Releases 2022-2023 Crypto Roadmap

IOSCO [today](#) released its Crypto-Asset Roadmap for 2022-2023, outlining two work plans on crypto- and digital assets on DeFi. Although this work is on a relatively expedited schedule for a global agency, it lags behind work in many regimes, including the U.S. As a result, its policy impact remains to be seen. The cryptoasset working group, led by the British Financial Conduct Authority, will investigate fair trading and transparent markets (set for conclusion by 4Q 2022) and will conduct an assessment of safekeeping, custody, and soundness to be concluded by 1Q 2023. Headed by the SEC, the DeFi working group will explore market integrity, investor protection, and financial-stability risks and how IOSCO principles could apply to DeFi, potentials areas where regulation could support innovation, and links between DeFi and stablecoin/cryptoasset platforms. This work is due 4Q 2022. By 1Q 2023, the DeFi working group also plans to issue public report. Both working groups will also publish their full reports with policy recommendations in 4Q 2023.

Basel Reaffirms Proportionate Policy

The Basel Committee today released high-level ["considerations"](#) on proportionality – i.e., how to apply its standards taking account of a bank's size and complexity. We do not expect these standards to have any impact in the U.S. where banking agencies have formally adopted the "tailoring" system to account for these considerations ([see FSM Report SIFI34](#)). Nothing in the new principles alters Basel's longstanding policy that its standards should apply at the least to internationally-active banks and may be made more stringent by national regimes as desired.

CFPB Demands Tighter Reporting-Data Controls

Using another advisory to issue what some may consider a rulemaking, the CFPB [today](#) threatened to pursue criminal penalties if credit-report data are not used for permissible purposes (i.e., for credit, housing, employment or insurance decisions). Credit-reporting companies are advised to ensure that they provide report data only to entities using it for these purposes, now expressly telling them not to use "name-only" data or other techniques that do not ensure that only one person's data is transferred only for a permissible purpose. Users are also told only to use credit-reporting data for permissible purposes.

FSB Report Promotes LEI Adoption for Cross-Border Payments

The FSB today issued a [report](#) recommending that G20 members promote Legal Entity Identifier (LEI) adoption, aiming particularly at cross-border payments. Building on an FSB survey and market outreach event, the report finds that potential benefits of LEI include strengthening data standardization, supporting STP and KYC processes, and sanctions screening. Obstacles to LEI adoption – which have so far been paramount in the U.S. – include legacy system costs and lack of perceived adoption incentives among market participants. The FSB will publish a progress report on LEI implementation by 2024.

Treasury Releases International Crypto Engagement Framework

As demanded by President Biden's digital asset executive order ([see Client Report CRYPTO26](#)), Treasury in consultation with the State Department, Commerce, and USAID today released a framework for international engagement on digital assets. We will shortly provide clients with an in-depth analysis of the new framework should it provide more indication of concrete action and specific policy objectives than evident in Treasury's [fact sheet](#). It emphasizes consumer and investor protection, mitigating systemic risks, reinforcing American financial leadership, and supporting responsible innovation. It also lists all of the organizations with which the U.S. Government is working across an array of digital-asset issues without providing insight into specific U.S. objectives or future work products.

Democratic Senators Demand More from Zelle on High-Profile Fraud Allegations

Sens. Menendez (D-NJ), Warren (D-MA), Reed (D-RI) and five Democratic colleagues today ramped up their attack on the extent to which Zelle properly handles payment fraud. In a letter to the largest [banks](#), they lay out dissatisfaction with a response by Zelle's operating company to a prior letter and assert that fraud issues cited in a growing number of press reports are not isolated occurrences. The senators are particularly unhappy with distinctions drawn between "fraud" and "scams" in terms of Zelle's obligations, noting that there is little difference here in terms of consumer harm. The letter poses a series of detailed questions to the banks without setting a deadline for response, an omission that may be just an accident or – as seems often the case – the starting gun for action by the CFPB.

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](#).

- [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.
- **[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.