



FedFin Daily Briefing

Friday, July 8, 2022

Treasury Opens Digital-Asset Framework to Public Comment

Following yesterday's international crypto [framework](#), Treasury today advanced its work pursuant to the President's executive order with a request for [comment](#) on how best to ensure digital-asset responsible development. We will shortly provide clients with an in-depth analysis of the consultation, which seems more designed to check the public-comment box than to seek views on specific policy options. The request does not lay out any new policy objectives, instead asking for comment on matters such as how consumers and businesses use digital assets, what might spark mass adoption, risks to financial markets and consumers, and potential impact on the most financially vulnerable. Treasury also seeks comment on digital asset's potential benefits, specifically cross-border payments, DeFi, and wealth building. Comments are due by August 8.

Fed's Brainard Affirms CBDC Views, Details Crypto Regulatory Priorities

In remarks [today](#), Fed Vice Chair Brainard reiterated her tentative support for CBDC outlined at a recent Congressional hearing ([see Client Report CBDC13](#)). She did so on grounds that even well-regulated private stablecoins might either fragment the payment system or unduly concentrate power. She also detailed concerns about bank interconnections with crypto assets, stating that regulatory standards for the crypto financial system are needed before digital assets pose systemic risk. The Fed vice chair's views also track the FSB's same-risk, same-rules construct most recently evident in Basel's proposal for bank crypto exposures ([see FSM Report CRYPTO29](#)). Based on these comments, it seems likely that the Fed will favor standards at least as stringent as those detailed by the Basel Committee. The talk also outlines other criteria for effective crypto regulation. These are protecting retail investors from undisclosed conflicts of interest and market manipulation; addressing noncompliance gaps; instituting AML, anti-terrorism, and sanctions adherence; and governing DeFi regulatory gaps by adapting regulatory approaches to novel technologies. No timeline for U.S. action is noted nor does Ms. Brainard address the global issues tackled in yesterday's Treasury [framework](#) beyond commenting on the need for global coordination.

GOP demands FHFA Action to Stem New GSE Ventures

Housing Subcommittee Ranking Member French Hill (R-AR) and nine other HFSC Republicans [today](#) sent a letter to FHFA Director Thompson demanding tougher treatment and transparency for new GSE ventures. As we noted, Fannie and Freddie's [equitable-housing plans](#) include an array of pilots for new mortgage products and ancillary services. Noting that the 2008 law requires a still-unfinished rule, they call for final action on a [2020 FHFA proposal](#) requiring prior approval of new products even in the early, "pilot" stage, a request echoing longstanding private-sector fears that the GSEs' market power gives them significant competitive advantage in any field they enter. Director Thompson is sure to be quizzed on this when she appears before an HFSC oversight hearing later this month, perhaps prompting action in the interim to blunt GOP demands.

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-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.
- [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.