



FedFin Daily Briefing

Monday, July 11, 2022

FSB Highlights Crypto, Stablecoin Risk

The FSB today issued an unusual [statement](#) warning of cryptoasset risk. Rejecting the BIS's more sanguine view that stablecoins and other digital assets have yet to [prove](#), the FSB warns that interconnectivity with the financial system already poses grave hazard. The warning reiterates the FSB's overarching "same risk, same rules" construct as outlined in last year's consultation ([see FSM Report CRYPTO20](#)), going on to demand that service providers must ensure that activities comply with those in the relevant jurisdiction before commencing a relationship related to cryptoassets. The statement also includes a stern warning about stablecoins on the same day the ECB demanded fast-acting [rules](#), stipulating that all of its members are committed to effective regulation and meaningful enforcement. Still, the FSB is moving at due and deliberate speed, stating that its plans continue to be an October statement to the G20 ministerial on stablecoin standards and a subsequent consultation on international consistency and cooperation. Basel is planning faster action on its crypto proposal ([see FSM Report CRYPTO29](#)) with work now more seriously under way in the U.S. also to CRA stablecoin rules and a broader federal framework. The SEC is also leading aspects of IOSCO's DeFi [work](#), likely moving this more quickly than any finalized FSB framework, at least in the U.S.

HFSC to Consider CRA Reform, Rewrite

As [noted](#), the HFSC Consumer Protection and Financial Institutions Subcommittee on Wednesday will consider the inter-agency CRA rule ([see FSM Report CRA32](#)). Witnesses are principally from community advocacy groups sure to both support the proposal and urge tougher action in areas such as M&A review. The committee [memo](#) also notes that advocates are pressing for express consideration of race in CRA judgments and broader calls to bring fintechs and nonbanks under CRA-like standards. Legislation on the hearing record includes H. R. 2768 which, among other things, would bring nonbank mortgage companies under CRA and toughens and codifies certain CRA-evaluation standards. One draft bill would give the CFPB and SEC CRA regulatory authority and another would require banks to meet with stakeholders to discuss their lending activities, promote small-dollar short-term loans, and toughen penalties related to fair-lending or consumer-protection violations. Mark-up on at least H.R. 2768 is possible later this month, but the odds for enactment in this Congress are virtually nil.

Basel Committee Will Be Slow to Advance Climate-Risk Capital, Disclosure Standards

The head of the Basel Committee, Pablo Hernández de Cos, [today](#) reiterated that global bank regulators are dedicated to a cautious but determined set of climate-risk standards. These include not only recent draft risk-management principles ([see FSM Report CLIMATE14](#)), but also possible Pillar 1 capital standards. Mr. de Cos is open to these but also highlights the "[green bubble](#)" risk recently targeted by the BIS and "fundamental conceptual" challenges to any near-term capital standards. He is also wary of near-term disclosure standards due to problems such as the need first to craft a common risk taxonomy.

BIS Group Charts Course to Cross-Border CBDC

As part of the G20 cross-border payments roadmap, the BIS, IMF, and World Bank released a joint [report](#) today urging governments working on a CBDC to coordinate their designs and account for cross-border functionality early in their process. Additionally, it calls for central banks to identify which stages of domestic CBDC planning require decisions on cross-border payments to ease cooperation and avoid unintended payment barriers. The report also presents three paths to achieve CBDC interoperability: the development of common standards, an interlinked network of separate CBDC systems, or a single technical infrastructure and rulebook. Although the BIS has conducted several cross-border CBDC exercises it deemed [successful](#), most major central banks have not made the go/no-go CBDC decision. This is the case in the U.S., where Vice Chair Brainard seems to [favor](#) a CBDC, but the Board's discussion draft ([see FSM Report CBDC10](#)) was decidedly neutral.

FRB Atlanta Blog Refutes Dem's Zelle Allegations

Coming in the wake of a [letter](#) sent by Senate Democrats alleging Zelle of mishandling fraud, FRB Atlanta today published a blog post defending the payments industry in cases where customers willingly authorize a fraudulent payment. The post argues that, under current regulation, customers only have no liability when transactions are made without their consent, thus indirectly refuting arguments in the senators' letter stating that frauds and scams are the same for purposes of liability provisions in the Electronic Fund Transfer Act. However, the post's author asks if this line needs to be redrawn given that the industry as made a good-faith effort to educate consumers on how to avoid fraud.

Chopra Promises to Promote Fierce Competition

CFPB director Chopra [today](#) reasserted his agency's authority over ensuring financial-market competitiveness, describing recent actions against credit-card companies ([see FSM Report CREDITCARD35](#)), [bigtech](#), and "junk fees" ([see FSM Report CONSUMER38](#)). Mr. Chopra also indicates that the Bureau intends to ensure "fierce competition" in this sector but provides no detail on what else may be contemplated.

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.