



# FedFin Weekly Alert

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Monday, August 29, 2022

## ❑ CBDC COUNTDOWN

If Administration officials abide by the timeline demanded of them in President Biden's executive order ([see Client Report CRYPTO26](#)), the next two weeks will prove critical not just for crypto, but also for CBDC. We are monitoring and analyzing all these developments, giving top priority to two: what the Department of Justice says about the extent to which the Fed needs new laws to issue CBDC and whether the House Financial Services Committee can get it together to float legislation establishing at least the beginnings of a federal construct for stablecoins along with CBDC.

As noted [last week](#), Treasury also has a lot of reports set for imminent release laying out the Administration's conclusions about crypto's consequences across numerous dimensions. Historically, these reports make interesting reading but have little policy consequence and we expect that also be the fate of Treasury's efforts this time around. However, the President also demanded FSOC consideration of these reports within a month. Historically FSOC deliberations have also been consequence free – see some [comments](#) from Karen Petrou on this count focused on another systemic risk concern, private funds. Still, we're watching and hopefully not waiting too long before the U.S. addresses critical breaches in the regulatory perimeter that pose an array of stability, sanctions, compliance, and consumer-protection challenges.

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## Headlines From the Past Week's Daily Briefings

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### August 22

No news of note

### [August 23](#)

- **Life Insurers Depend on FHLB Advances for Stress Liquidity, Long-Term Funding** - Reflecting longstanding fears about life-insurance run-risk ([see Client Report SYSTEMIC92](#)), a new research note from the [Federal Reserve](#) finds that life insurers were quick to establish liquidity buffers when Covid hit in 2020, largely doing so via FHLB advances and interest-rate derivative margins.
- **JEC Financial Inclusion Report Calls for Postal Banking, Crypto Regulation** - The Joint Economic Committee released a [report](#) on the barriers that people of color and low-

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income communities face accessing financial services, concluding that traditional banks discriminate, new nonbank offerings may prove predatory, and policy solutions are essential.

- **OFR: Lower-Risk Hedge Funds Lead to Higher Treasury-Market Stress** - A new [OFR working paper](#) finds that changes in aggregate hedge fund exposures are related to Treasury yield changes in economically and statistically significant ways, with managed futures and multi-strategy funds having the highest impact on Treasury prices.
- **FHFA Advances Equity Campaign with New Committee** - Building on its equitable housing [campaign](#), FHFA [announced](#) an advisory committee on affordable, equitable, and sustainable housing.

### August 24

- **Treasury Official Announces Series of Crypto Reports** - Continuing to implement the President's crypto executive order ([see Client Report CRYPTO26](#)), Julia Smearman, Director of International Financial Markets at Treasury, said that the Department is releasing a series of the reports demanded by the President.

### August 25

- **KC-Fed: Data Aggregation Requires Rules Before Mass Adoption** - The Kansas City Fed released a [briefing](#) on data aggregators concluding that they can improve the efficiency and quality of consumer financial services if proper regulation protecting data security and privacy is enacted.
- **SEC Prioritizes Enforcement, Disclosure, Working-Families and Systemic Risk** - The SEC's new [strategic plan](#) through 2026 speaks to Chairman Gensler's focus on fairness, economic opportunity, and enforcement.
- **FSI Report: Bigtech, Third Party Vendors Pose Operational Risk** - The BIS Financial Stability Institute [released](#) a study examining operational resiliency through a macroprudential lens, offering recommendations on how to address systemic risks presented by critical third-party service providers and bigtech.

### August 26

- **GAO Presses for Better Data on SAR Value Add** - Reflecting longstanding industry hopes for analysis of the actual law-enforcement value of complex and costly SAR findings, GAO issued [recommendations](#) to the DoJ that it improve its BSA data-collection and annual reports.
- **SEC Expands Whistleblower Awards to Actions Brought by Banking Agencies** - The SEC [announced](#) new whistleblower incentives that may encourage whistleblowing also on offenses subject to banking-agency enforcement.

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## This Week

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No meetings of note.

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## Future Events of Note

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No events of note.

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## Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **[CRYPTO31](#)**: Reflecting the concerns voiced in a recent executive order from President Biden and a subsequent request for views from Treasury, the Federal Reserve has joined the OCC in demanding prior notice from banking organizations that wish to undertake cryptoasset activities.
- **[GSE-082222](#)**: A new Federal Reserve Bank of Cleveland [study](#) validates forbearance as a mortgage-market buffer, reinforcing the likelihood that policymakers and servicers will turn quickly to it if current mortgage-market conditions turn ugly under the combined stress of higher rates and slow to no growth.
- **[GSE-081922](#)**: We look here at an interesting [idea](#) from three senior Fannie Mae officials: an index to measure a Single-Family MBS's social impact.
- **[PAYMENT25](#)**: Following considerable controversy surrounding how Federal Reserve Banks grant master accounts, it has finalized a somewhat more explicit set of guidelines along lines proposed the second time the Fed attempted to set guidelines via a "supplemental" proposal earlier this year amending its 2021 effort.
- **[GSE-081722](#)**: [FHFA](#) and [Ginnie Mae](#) today let loose their long, long delayed standards for eligible seller-servicers.
- **[INFOSEC28](#)**: Using another of its tools to set policy without prior public comment, the CFPB has released a circular stating that inadequate consumer-data safeguards may constitute a breach of the unfair, deceptive, or abusive acts or practices (UDAAP) protection standards subject to Bureau enforcement action.
- **[FINTECH30](#)**: Continuing its practice of setting sweeping policy by administrative action without prior notice or comment, the CFPB has issued an interpretive rule sharply curtailing the extent to which digital advertising and market strategies are exempted from the legal and compliance obligations associated with most parties directly providing consumer financial products or services and those acting as servicers to these entities.
- **[GSE-081222](#)**: [FHFA](#), [Fannie](#), and [Freddie](#) yesterday released the results of FHFA's latest stress test, focusing on the severely-adverse scenario in order – or so FHFA says – to push the GSEs

to the limit.

- **INTERCHANGE10**: Two senators have reopened questions about the manner in which card-related payments are handled, tackling those applicable to credit cards with a bill mandating that merchants must be given a network choice that is not either Visa or Mastercard in order to, the sponsors argue, increase competition and lower credit-card transaction costs.