



FedFin Daily Briefing

Thursday, August 4, 2022

Global Regulators Tackle CCP Operational, Liquidity Risk

Although no new standards are planned, IOSCO and the CPMI nonetheless today [released](#) a request for views on how CCPs can best manage operational and other risks unrelated to default events. This discussion paper seeks to foster industry discussion and, we expect, also action in key jurisdictions to increase CCP resilience to cyber-attacks and other challenges to viability unrelated to counterparty clearing and margining. Questions on which views are sought include remaining challenges to an orderly wind-down following non-default events and low-probability, high-impact event risk management. Comment is due by October 4.

Senate Climate Change Session Yields Familiar Talk, Little Action

Today's Senate Banking hearing on the economic costs of climate change yielded familiar climate, energy, and financial-stability arguments along party lines. Chairman Brown (D-OH) called out big oil companies, lambasting what he called record profits at a time of economic uncertainty and highlighting the financial-stability risks posed by climate change. Ranking Member Toomey (R-PA) attacked Biden Administration fiscal policy before excoriating the SEC's climate-disclosure [proposal](#). Sen. Reed (D-RI) unsurprisingly brought this up in a different light, asking one witness if the economic benefits of the rule outweigh its costs and if investors need this data. Sen. Cramer (R-ND) asked another witness if China and Russia will require like-kind climate disclosures.

Toomey Demands Fed Transparency, Presses Reform

In a Bloomberg interview [today](#), Senate Banking Ranking member Toomey (R-PA) disclosed that a conservative group pressing the Fed for Reserve Trust information determined that there are at least a dozen pages germane to the question of how this firm obtained payment-system access. This has further angered Sen. Toomey, who reiterated comments Republicans directed to Chairman Powell ([see Client Report FEDERALRESERVE70](#)) and went further to describe the Fed's refusal to answer to Congress during confirmation proceedings as an insult to the legislative branch to which the central bank is directly accountable. As we noted at the time of the [hearing](#), Sen. Toomey's concerns are shared on a bipartisan basis and the senator today reiterated this, also saying that legislation to force Fed transparency could pass in this Congress. Still, as evident at today's climate-risk hearing, relations between Sen. Toomey and Chairman Brown are strained, making common action a challenging proposition.

CFPB Plans to Combat Bigtech in Payments and Commerce

The CFPB today released a [report](#) laying out more details of how it plans to proceed on at least one bigtech concern: the integration of payments and commerce. The report details numerous risks in this arena, including those related to security and privacy and the ability of bigtech to quickly gain a dominant market share. The remedies the Bureau plans are not detailed, but the report reiterates that it will propose rules on financial data rights and now states that it will also investigate lending models integrated with payments and apparently address bigtech's competitive threat.

Brown, Other Dems Demand USB Consumer-Account Data

Sens. Brown (D-OH), Warren (D-CA), and three other Banking Committee Democrats [today](#) demanded information from U.S. bank regarding a recent [CFPB enforcement action](#) related to improperly-opened consumer accounts. Harkening back to Wells Fargo's longstanding problems in this high-profile arena, the letter demands a staff briefing and demands answers by September 6 to questions such as the extent to which the board and senior management became aware of this problem and actions taken thereafter. Although the panel's annual hearings with large-bank CEOs have historically included only selected GSIBs, the letter also indicates that U.S. Bank's CEO will be called to appear. No legislation in this area is suggested, but the issue is raised at a time when U.S. bank hopes to conclude a long-pending acquisition.

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.