



FedFin Daily Briefing

Tuesday, August 9, 2022

Dems Demand Tougher CRA Standards

HFSC Chairwoman Waters (D-CA) today released the comment [letter](#) she and 76 Democrats filed on the CRA proposal ([see FSM Report CRA32](#)). As anticipated, it strongly supports community-group comments on issues such as the need for express CRA recognition of a bank's demographic record. The letter also supports the proposed, tougher approach to scoring, although it argues that it should be made still more stringent via component scores that emphasize LMI and community-of-color performance largely on a facilities-based methodology. The letter also argues that banks should not get CRA credit only for contributions or for investing in subsidized projects. We are monitoring for other Congressional comment letters and will advise as these are released. As before, we expect the agencies to speed a final CRA rule to avoid the risk of Congressional intervention, but protests by banking organizations may lead the agencies now to conclude that the risks related to Congress are less than those associated with litigation risk if speed empowers arguments that the final rule violates administrative-procedure requirements.

BoE Staff: Regulators Must Tackle Cryptoassets Before They Pose Systemic Risks

Echoing concerns now troubling the [Financial Stability Board](#), a [new article](#) from the Bank of England concludes that growth of an open and decentralized metaverse could augment existing cryptoasset risks and trigger systemic financial stability consequences. The article first describes volatility, hacking risks inherent to oracles and smart contracts, transaction front-running and potential negative effects on market confidence, and leverage. More cryptoasset use and interconnectedness – especially for household investments, payment, and bank and non-bank financial institutions – might exacerbate existing risks via new vulnerabilities to macroeconomic shocks, balance-sheet losses, fire-sales, and declines in bank profitability. The BoE staff therefore calls for robust consumer-protection and financial-stability regulatory frameworks, advising regulators to address current risks before cryptoassets become systemically important. The paper also notes that stablecoins are vulnerable to run risks in the event that investors lose confidence in backing asset liquidity, an issue addressed by U.S. regulators ([see Client Report CRYPTO21](#)) and now pending before the [House Financial Services Committee](#).

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.