



FedFin Weekly Alert

Monday, September 5, 2022

☐ SUMMER'S OVER

Last week marked the end of meteorological summer and this week the end of Congressional recesses and the bit of downtime global and U.S. regulators and other officials allow themselves. We're gearing up for a busy session ahead of the midterms in which U.S. regulators will try to finalize as much as they can as fast as they can to avoid political obstacles should the GOP gain Congressional control and members of Congress position bills for possible enactment in the lame-duck or, should anything occur before then, as riders to a must-pass bill. Last week did include an important announcement of a new initiative assessing the future of the Federal Home Loan Banks which, [as we noted](#), raises big issues about a little-noticed GSE with big implications for housing policy, funding strategy, and much more. We also sent you alerts re U.S. and global analyses of cryptoassets intended to drive decisions at G20 ministerial and heads-of-state meetings in the fall – all of these detailed below with numerous other analyses we sent to you and your colleagues. Onward we go!

Headlines From the Past Week's Daily Briefings

August 29

- **FedNow Set for Soon** - Vice Chair Brainard [announced](#) that the Fed's instant-payment "FedNow" system will achieve its hoped-for opening in mid-2023 ([see FSM Report PAYMENT20](#)).

August 30

- **FRB-Atlanta: Cardless Consumers Pay More Per Transaction** - After the Fed announced imminent FedNow [liftoff](#), the Federal Reserve Bank of Atlanta [issued](#) a release summarizing research that concludes that lower-income consumers pay considerably more per each payment transaction due the use of cash and debit cards that do not provide credit-card rewards and the overall price increase that merchants charge to compensate for interchange fees.

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- **Oversight Subcommittee Chair Presses Agencies on Crypto Oversight, Jurisdictional Warfare** - The Chairman of the House Oversight Committee's Subcommittee on Economic and Consumer Policy, Rep. Raja Krishnamoorthi (D-IL), [sent letters](#) to Treasury, the SEC, the CFTC, the FTC, and several major crypto exchanges demanding information and documents showing what each is doing to combat cryptocurrency-related fraud. Calling for improved regulation and guidance, the Chairman criticizes regulators for their insufficient coordination in response to escalating risks.

August 31

- **Fed Study Highlights DeFi Risks** - The Federal Reserve released a staff [study](#) concluding that DeFi regulation poses unspecified but unintended consequences even as it reiterated and expanded on potential risks.
- **FSB's Domanski Reinforces Calls for Holistic Crypto Framework** - Dietrich Domanski, the FSB's Secretary General, [today reiterated](#) global regulators' call for a holistic crypto framework to rationalize digital payments so that innovation remains well governed.
- **Fed Study Details Need For, Challenges to Crypto Regulation** - Another Fed study repeats some of the DeFi study's concerns noted earlier today, but goes on to a broader examination of digital-asset risk based on the Fed's financial-stability methodology ([see Client Report SYSTEMIC93](#)).
- **FHLB System Opened for Possible Reform** - Acting on Director Thompson's [promise to Congress](#), FHFA [announced](#) a sweeping review of the Federal Home Loan Bank System. This will begin at a late-September "listening" session, proceeding then to additional national and regional discussions.

September 1

- **FTC Tackles Credit-Card Digital Marketing** - In an action with implications for all credit-card issuers, the FTC [ordered](#) Credit Karma to pay \$3 million to consumers allegedly harmed by the company's marketing misrepresentations.
- **Hsu Presses for Responsible Innovation** - In [remarks](#) generally focused on community banks, Acting Comptroller Hsu also focused on ways to ensure that small banks safely enter digital finance.
- **IMF Stakes Out New Stablecoin Standards** - The IMF released a flurry of articles outlining the benefits and risks of DeFi and digital assets, with one article warning against regulating stablecoins like banks.

September 2

No news of note.

This Week

Thursday, September 8

Senate Banking Hearing entitled: “Current Issues in Insurance.” [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **The Honorable Kathleen A. Birrane**, Maryland Insurance Commissioner on behalf of the National Association of Insurance Commissioners; and **Mr. Steven Seitz, Director**, Federal Insurance Office, U.S. Department of the Treasury.

HFSC Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets Hearing entitled: “Accounting and Auditing Standards in the 21st Century.” [12:00 pm, webcast]. Witnesses: TBD.

Future Events of Note

Wednesday, September 14

HFSC Hearing entitled: “When Banks Leave: The Impacts of De-Risking on the Caribbean and Strategies for Ensuring Financial Access.” [10:00 am, 2128 Rayburn House Office Building]. Witnesses: TBD.

Senate Agriculture Hearing on S. 4760. Time and Location: TBA. Witness: The Honorable Rostin Behnam, Chairman, Commodity Futures Trading Commission.

Thursday, September 15

Senate Banking Hearing. Time and Location: TBA. Witness: SEC Chairman Gary Gensler.

Tuesday, September 20

HFSC Subcommittee on National Security, International Development, and Monetary Policy Hearing entitled: “Under the Radar: Alternative Payment Systems and the National Security Impacts of Their Growth.” [10:00 am, 2128 Rayburn House Office Building]. Witnesses: TBD.

HFSC Subcommittee on Diversity and Inclusion Hearing entitled: “A Review of Diversity and Inclusion at America’s Largest Insurance Companies.” [2:00 pm, 2128 Rayburn House Office Building]. Witnesses: TBD.

Wednesday, September 21

HFSC Hearing entitled: “Holding Megabanks Accountable: Oversight of America’s Largest Consumer Facing Banks.” [10:00 am, 2128 Rayburn House Office Building]. Witnesses: TBD.

Thursday, September 22

HFSC Subcommittee on Housing, Community Development, and Insurance Hearing entitled: "State of Emergency: Examining the Impact of Growing Wildfire Risk on the Insurance Market." [9:00 am, 2128 Rayburn House Office Building]. Witnesses: TBD.

Thursday, September 29

FHFA Listening Session entitled: "FHLBank System at 100: Focusing on the Future." [12:30 pm, FHFA Constitution Center Auditorium]. Matters to be discussed: FHLBanks' general mission and purpose in a changing marketplace; FHLBank organization, operational efficiency, and effectiveness; FHLBanks' role in promoting affordable, sustainable, equitable, and resilient housing and community investment; addressing the unique needs of rural and financially vulnerable communities; member products, services, and collateral requirements; and membership eligibility and requirements.

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-090122](#)**: As seems always the case, FHFA Director Thompson is as good as her word to Congress earlier this [summer](#), announcing [yesterday](#) a review of the extent to which the Home Loan Banks and their System meet the mission assigned to them and, regardless, if that mission still makes sense.
- **[GSE-083022](#)**: BofA's new no-down payment [mortgage](#) is another innovative product in which banks use their balance sheets to address their CRA obligations by offering down payment assistance or, as here, flat out nothing down.
- **[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.