FedFin Daily Briefing

Wednesday, September 14, 2022

Pressure Mounts for Basel Finales

The Basel Committee's oversight body of central bankers and top supervisors has pressed nations quickly to finalize the Basel III "end-game" rules referenced not only in FRB Vice Chairman Barr's maiden speech, but also in a statement shortly before this meeting by all of the U.S. banking agencies. The panel also demanded that Basel halt work on new rules and projects related to the pandemic's impact until the capital rules are fully in place. It also signaled that the crypto proposal (see FSM Report **CRYPTO29**) will be finalized "around" the end of this year, also approving Basel's work to date on climate risk.

FSB Continues Work on FMI Resolvability

The FSB today announced a survey to gather feedback on its FMI Intermediary information framework to judge how to best ensure resolvability, seeking views from FMI service providers, firms subject to resolution planning, and bank resolution authorities. The survey asks stakeholders how they have used the Framework, if it has improved the quality of interactions with FMI intermediaries, and if portions of the Framework are irrelevant or missing. The deadline for responses is October 9.

CFPB, FTC Press for Furnisher Accountability

The CFPB today joined the FTC in filing an amicus brief taking strong issue with the position that furnishers of credit information have legal discretion over their investigations of indirect credit disputes (i.e., those with debt collectors acting on the furnisher's behalf). It specifically argues against the notion that furnishers are only obligated to investigate "bona fide" indirect disputes and that they may choose not to investigate disputes deemed frivolous. The brief also argues that such exemptions are unnecessary because credit reporting agencies must already determine the authenticity of disputes before forwarding them to furnishers. Echoing these arguments in a release accompanying the brief, the CFPB describes the FCRA as "unambiguous" in this area, stating not only that furnisher discretion over frivolous investigations contradicts congressional intent but also that it would harm consumers by sending their complaints into a "black hole."

SEC Proposes Treasury-Market Conversion to Central Clearing

Moving to adopt its preferred solution to Treasury-market fragility, the SEC today voted 5-0 to issue a proposal requiring that market clearinghouses – i.e., FICC, require their members (generally clearing banks) to submit certain secondary-market transactions for clearing along with the small percentage now already centrally-cleared. Covered transactions include all cash transactions as well as repos and reverse repos secured by Treasury obligations, all inter-dealer transactions, and other transactions such as those with MMFs and hedge funds and leveraged accounts held at broker-dealers. Any transactions in which a central bank serves as counterparty – i.e., the ONRRP – are exempt, possibly increasing market reliance on the central bank under ordinary circumstances if this is a less-costly channel and perhaps creating run risk to the standing-repo facility to the Fed under stress. Numerous changes would also be made to margin requirements that would bar netting a dealer's own transactions against those of its customers. Margins could also be rehypothecated to the clearinghouse, which the SEC thinks will add market liquidity, with the rule also submitting clearinghouses to an array of new safety and-and-soundness, market-access, and liquidity requirements.

Although agreeing to issue the proposal, Commissioner Hester Peirce questioned the extent to which it is appropriate to mandate central clearing, risks resulting from concentrating the market in one company, higher clearing costs, and whether proposed restrictions on clearinghouse rules changes limit flexibility in crisis situations. Comment will be due sixty days after *Register* publication, with Commissioner Mark Uyeda urging a longer period given the complexity and systemic impact of this proposal.

Gensler Stands by Tough Crypto, MMF, Climate Policy

Ahead of testimony tomorrow before the Senate Banking Committee, SEC Chairman Gensler's testimony reaffirmed the chairman's strong stand on its crypto jurisdiction, reiterating that crypto markets should be subject to like-kind capital rules and that registration is necessary for most crypto tokens and stablecoins. The testimony also describes the pending MMF rule (see FSM Report **MMF19**) as critical to systemic stability without indicating when or how it will be finalized. It also reiterates the Chairman's request to staff to lay out recommendations to enhance open-end fund liquidity, pricing, and resiliency during periods of stress. The testimony also includes a strong defense of climate-risk disclosures, sure to evoke the same tough GOP questioning evident the last time Mr. Gensler came before the panel (see *Client Report* **PUSH-OUT14**). We will provide clients with an in-depth analysis of the hearing as quickly as possible.

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.

- **INSURANCE61:** Chairman Brown (D-OH) convened a hearing today focused on the insurance industry largely focusing on the extent to which private-equity takeovers endanger insurance solvency and threaten pensioners following risk transfers.

- **GSE-090722:** Reinforcing the sharp turn-around in housing markets evident since the Fed surprised markets with its first 75 bps hike, a new working paper from the San Francisco Fed provides the first hard evidence of how monetary-policy shocks in the U.S. hit listing prices hard and fast.

- **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.

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- **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.

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