



FedFin Daily Briefing

Friday, September 16, 2022

Treasury Presses For CBDC, Fast Payments With Nonbank Access

We will shortly provide clients with an in-depth analysis of each of the Administration's policy-setting crypto [reports](#), but draw your attention now to key payment-system recommendations. Most notably and as anticipated ([see Client Report CRYPTO26](#)), these bring the Administration as close as possible to directing the Fed to initiate a U.S. CBDC. The Fed is only directly asked to continue its decision-making and technical work, but the benefits of CBDC spelled out in the report combined with a working group focused on high-level issues such as national security suggests strongly that Treasury and the White House want a CBDC ASAP. The report also calls for nonbank participation not only in a CBDC, but also in an expanded instant-payment system that includes new portals for low-tech access. New rules are to accompany this access, with the report laying out key consumer-protection requirements sure to give the CFPB greater say in this sector. The report also presses for tougher AML/BSA standards and for greater U.S. focus on improving cross-border payments.

Treasury Presses Crypto Reg Framework, New Role for CFPB

Continuing our series on the Administration's crypto policy reports, we turn now to the [paper](#) on overall cryptoasset regulation. It generally calls for all federal agencies to use their existing authority to issue rules and guidance addressing the risks also detailed in the report. This is to some degree an indirect swipe at the SEC's enforcement-oriented approach ([see Client Report INVESTOR20](#)), but the phrasing is gentle and the Commission will in any case proceed as Chairman Gensler dictates. The paper appears to take no stand on the CFTC/SEC jurisdictional battle, calling only for action as it also demands much tougher law enforcement to battle the many types of crypto scams also addressed. The report also encourages the CFPB and FTC to monitor for UDAAP in digital assets and expand their consumer-protection efforts. A separate [report](#) also details broader illicit activities endemic in the cryptoverse, again emphasizing the importance of law enforcement and interestingly calling for monitoring of CBDC and payment systems in other nations to identify AML and related risks. A report on illicit-activity risk specific to DeFi is due in February of next year.

Administration Also Plans Focus on Crypto Crime, Market Risk

In addition to the reports assessed in earlier alerts on CBDC, the payments system, and cryptoasset regulation, the administration today released numerous other digital asset policy actions. These principally address energy, law-enforcement, international and competitiveness concerns, but also tackle additional financial sector priorities. The [report](#) from the Justice Department details regulatory revisions to increase the penalties for money laundering, along with express FinCEN coverage. The DoJ also announced the creation of the Digital Asset Coordinator (DAC) Network that will develop best practices for investigating digital asset crimes and identify criminal risk in emerging technology such as DeFi, smart contracts, and token-based platforms. In addition, the White House [Fact Sheet](#) said the Treasury will work with other agencies and certain international bodies to address emerging digital-asset market strategic risk. The Administration has not yet decided if it will seek express amendments to the BSA and other laws in order to ensure that digital-asset development does not increase AML risk.

Warren Demands Treasury Address Crypto's Financial Stability, Sanctions Risk

Even as the White House released numerous cryptoasset reports today and Treasury called for action on several [fronts](#), Sen. Warren (D-MA) demands [more](#). Citing her long record of criticizing crypto, she pressed Treasury to consider alternatives to self-disclosure regarding sanctions enforcement and to assess and limit cryptomining's environmental harm. She also wants FSOC to address crypto as a financial-stability risk, although she does not detail what steps she wishes FSOC to take. Whether all of the plans announced today suffice is not addressed, but it does seem clear that Sen. Warren is looking to regulatory intervention rather than any near-term statutory change.

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](#).

- [INVESTOR20](#): The Senate Banking hearing with Chairman Gensler today went as [expected](#): Democrats generally praised his work while Republicans strongly opposed it on both substantive and procedural grounds.
- [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.
- [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.