



FedFin Daily Briefing

Thursday, October 6, 2022

OSTP Establishes AI User Rights, Privacy Protections

The White House Office of Science and Technology Policy (OSTP) has released a little-noticed AI [“Bill of Rights”](#) that establishes AI user rights and data privacy principles. Although nonbinding, this framework now sets policy that individual agencies are likely to follow even if they are nominally independent, as is the case with the FRB, OCC, and FDIC. The CFPB is no longer independent and is in any case already committed to like-kind [principles](#); the banking agencies so far have only issued an RFI ([see FSM Report AI](#)).

The OSTP framework states that all automated systems should be provably safe and tested for discriminatory outcomes, firms should clearly notify customers of AI usage, and – potentially the most complex and impractical “right” – all consumers should be able to opt out of any AI process in favor of working with a human. In the blueprint’s appendix, OSTP lists automated systems covered by the AI Bill of Rights, including loan-allocation algorithms, credit-scoring systems, automated interest-rate determinations, and financial algorithms that apply penalties.

OCC Tightens Fintech, Payment, Crypto Supervisory Screws

The OCC today released its Bank Supervision Operating [Plan](#) for FY2023, highlighting the Office’s supervisory issues based in part on policy considerations. The agency is prioritizing cybersecurity; third-party service providers with a particular focus on fintechs; consumer-protection and AML compliance; new product risk, such as payment systems technology and digital assets; and climate risks. The OCC will also conduct industry outreach during 2023 to better understand climate risks and will provide periodic updates on supervisory priorities and emerging risks as they evolve.

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-100622](#): FHA’s [request for input](#) on small-dollar loans could mean much for this equality-essential product or little beyond a lot more public debate.
- [CRYPTO33](#): In this report, we build on our [initial assessment](#) of FSOC’s conclusion that cryptoassets now pose systemic risk and the Council’s recommendations about what should be done to curtail it.
- [GSE-100422](#): Although one witness at the FHFA listening session on the Home Loan Banks took strong issue with their mission and meaning, another who called them the “most successful program of the last hundred years” pretty much summed up today’s testimony.
- [GSE-100322](#): Our take on the first two days of FHFA’s FHLB “listening session” last week is that battle lines are shaping up much as we expected with the exception of a couple of powerful groups with new ideas about how the System could be put to better use for themselves and/or the public interest.
- [MORTGAGE121](#): The CFPB has asked for views on the extent to which it can facilitate certain

refinancing (refi) products it believes enhance economic justice.

- **[GSE-092622](#)**: As will be evident in our forthcoming in-depth analysis, the CFPB's fusillade [last week](#) on mortgage-finance could have far-reaching implications for the entire market based on how far it takes its new campaign for equitable housing finance and whether the market is willing to come along on at least some of the agency's new ideas.
- **[AML136](#)**: Treasury is seeking comments on issues raised by the President's executive order (EO) on digital assets to guide further work curbing illicit-finance and national-security risks in this sector.
- **[REFORM213](#)**: Senate Banking's hearing with big-bank CEOs proved much more combative than HFSC's session yesterday ([see Client Report REFORM212](#)).
- **[GSE-092222](#)**: In this report, we follow our earlier analysis of Treasury's CBDC recommendations and [housing finance](#) with an analysis of another Treasury report in response the President's [executive order](#) focused on the overall construct of cryptoassets in the U.S.
- **[REFORM212](#)**: At today's big-bank oversight HFSC hearing, Committee Democrats focused on each bank's progress on social issues, such as internal diversity, unionization, and historic roles in financing slavery.
- **[GSE-092122](#)**: In this analysis, we drill down in Treasury's high-impact reports to the President on the future of digital assets to identify key considerations and strategic implications for housing finance.
- **[CRYPTO32](#)**: We follow our prior in-depth analysis of Treasury's CBDC and payments report ([see Client Report CBDC14](#)) with a detailed assessment of the Department's [assessment](#) of overall cryptoasset policy.
- **[SANCTION19](#)**: Today's Senate Banking hearing on Russian sanctions showcased bipartisan concern that anti-Russian sanctions have yet to have meaningful impact and doubts about the extent to which oil-price caps will reverse this.
- **[CBDC14](#)**: In this in-depth report, we follow through as promised on our initial analysis of key sections in last Friday's Treasury report on CBDC and changes to the payment system.
- **[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.