



FedFin Daily Briefing

Tuesday, October 25, 2022

Setting Stage for US Action, UK Regulators Target Bigtech Consumer-Finance Market Power

Focusing principally on competition, the UK's Financial Conduct Authority (FCA) today released a [discussion paper](#) investigating bigtech's entry into payments, deposit, consumer-credit, and insurance. Although the FCA notes that bigtech products may offer numerous consumer benefits, it warns that bigtech's size and access to consumer data could be harmful to consumer outcomes. Here, the FCA reiterates the concerns recently raised by the [CFPB](#) especially with regard to digital marketing ([see FSM Report FINTECH30](#)). Unlike the CFPB, the FCA has considerable authority not only to focus on competitive impact, but also to do something about it other than via direct over-arching standards covering large consumer-finance providers. The FCA also has insurance authority that is expressly off-limits to the CFPB, with the agency here noting that Big Tech's preferred method of entry is now via partnerships with established financial firms, but as their position grows, mergers and direct competition could become more viable. The FCA seeks comment on Big Tech's potential competitive benefits and harms in each of the four sectors, likely sector entry scenarios, and whether the British financial system will mirror the Big Tech experiences in other countries. Comments are due by January 15.

With Yellen Backing, SEC Central-Clearing NPR Advances

The [Federal Register](#) today includes the SEC's proposal requiring that market clearinghouses submit certain secondary-market transactions for clearing along with the small percentage now already centrally-cleared. The comment deadline is December 27. As [noted](#), 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. The proposal also includes exemptions for transactions in which a central bank serves as counterparty, possibly creating run risk to the standing-repo facility. In her [speech](#) yesterday, Secretary Yellen praised this SEC initiative, noting it is part of a broader Treasury effort to ensure Treasury-market liquidity and govern MMFs and open-end funds. In a paper last week, the [FSB also indicated](#) that it is also pushing central clearing for government bonds, but suggests going farther by focusing on repo central clearing and advancing all-to-all government-bond markets.

FDIC Reports Significant Financial Inclusion Progress

Showing significant improvements in financial inclusion, the FDIC today released its biennial under- and unbanked household [survey](#). Despite the pandemic, a record 96% of U.S. households were banked in 2021, although fourteen percent of all households still reported as underbanked. Minority, disabled, or single-mother households were significantly more likely to be under- or unbanked, citing a lack of funds to meet minimum balance requirements, lack of trust in the financial system, or prohibitively high fees. Nonbank online payments services were much more common among the banked, while the unbanked often resorted to prepaid cards. The report also finds that online banking innovations helped mitigate health-related barriers to accessing credit during the pandemic, facilitating the increase in banking access.

CFPB to Require Almost-Open Banking

At long last and as [recently promised](#), the CFPB later this week will start a rulemaking process that would ultimately require financial institutions to share personal data with a consumer upon his or her request. Director Chopra announced this [today](#), noting that the new standard will not mandate open banking akin to that in the EU, but brings the U.S. far closer to that model. Mr. Chopra believes data rights enhance market competition by facilitating account portability and new scoring methodologies while ending “data moats” and intermediary “gate-keepers.” Mr. Chopra also expects the new rule will circumscribe cross-selling, sharply increasing market competitiveness. The agency will accomplish this by limiting the extent to which banks can pick and choose data available to aggregators, and also apparently by tightening security by holding all parties liable for security standards related to data sharing. How this works in practice will be among the most contentious aspects of the new framework. The CFPB’s standards will also address data misuse, creating new penalties related to scams and, thus, indirectly addressing longstanding concerns about [Zelle](#). Data rights would initially cover providers of deposit and other transaction accounts and those who offer prepaid cards and digital wallets, extending to additional consumer-finance products over time. The next step for this proposal will be consideration by the CFPB’s mandatory small-business committee followed by public notice and comment, with all of this taking place in 2023 with an eye towards a final rule in 2024.

Democrats Get Ready To Blame The Fed

Continuing progressive [critiques](#) of the FOMC’s anti-inflation fight, Senate Banking Chairman Brown (D-OH) has [written](#) to FRB Chairman Powell sharply protesting current Fed policy. He does so on grounds that potential job losses resulting from monetary-policy over-tightening will cause additional hardship for working class families and that full employment reduces many kinds of discrimination. The letter makes no specific demands of Mr. Powell nor does it ask him any direct questions. Instead, it appears to position the Fed as a possible fall-guy should Democrats lose the midterm as well as build more pressure for a rewrite of the Fed’s mandate regardless of the low odds that progressive Democrats would be able to enact it.

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-102522](#): As we noted [yesterday](#), FHFA has decided not only to [unbundle](#) second and high-dollar loans from its flat-fee paradigm, but now to do the same for about one in five conventional conforming purchase loans outside these categories.
- [DEPOSITINSURANCE116](#): The FDIC has finalized its proposal largely unchanged to raise base Deposit Insurance Fund (DIF) assessments by two basis points (bps) to replenish the DIF by the statutory deadline to reflect deposit inflows that the FDIC no longer expects to be temporary.
- [RESOLVE48](#): The FRB and FDIC have moved beyond the resolution-planning requirements mandated

in the Dodd-Frank Act then implemented over the years to what could be a new resolution regime for banking organizations considered category II or III companies under the inter-agency tailoring rules.

- **MERGER11:** [As promised](#), this analysis focuses on the [OCC](#) and [FRB](#) approvals of the acquisition by U.S. Bancorp of MUFG's Union Bank in California.
- **DEPOSITINSURANCE115:** The FDIC board today voted 3-0 to increase DIF assessment rates by 2bps, finalizing its proposal ([see FSM Report DEPOSITINSURANCE114](#)) and rejecting industry arguments on grounds that a small DIF premium increase now would make a more damaging procyclical assessment increase under adverse economic conditions less likely.
- **CRYPTO34:** Speaking for global banking, securities, and insurance regulators, the Financial Stability Board has taken its firmest stand to date on cryptoassets and outlined high-level and often principles-based global standards to govern them going forward.
- **INTERCHANGE11:** Leaving its interchange-fee restrictions intact – at least for now – the Federal Reserve has finalized its proposal expanding on its existing requirement that all debit- card transactions must be enabled for processing on at least two unaffiliated payment-card networks for card-not-present transactions.
- **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.