



FedFin Daily Briefing

Wednesday, November 2, 2022

SEC Turns to Swing Pricing, Structural OEF Redesign

As [anticipated](#), the SEC today voted 3-2 to advance swing pricing and other structural changes to open-end funds (OEFs). Key to this proposal is to the Commission's controversial MMF draft ([see FSM Report MMF19](#)) is swing pricing, with [Chairman Gensler](#) laying out how he believes swing pricing would end first-mover advantage and thus improve fund stability. The proposal also imposes stiff new liquidity standards, with Commissioner Uyeda dissenting from this and the rest of the proposal on grounds that only bank-loan funds have proven to be demonstrably illiquid under stress. Also dissenting, Commissioner Peirce argued that OEFs failed to adopt swing pricing when allowed to do so in the mid-2010s because its EU adoption reflects structural differences. Commissioner Crenshaw supported the proposal but expressed interest in comments on swing-pricing alternatives as well as on the hard-close option to prevent sudden, systemic market volatility. Another contentious question is the proposal's timing. Comments are due sixty days after publication in the *Federal Register* and the proposed effective date of July 1, 2024 comes, as GOP commissioners said, at the same time as other SEC initiatives become effective and thus poses too much burden. We will shortly provide clients with an in-depth analysis of a proposal with sweeping implications not only for the future of asset management, but also for the competitiveness of bank lending.

BIS Announces DeFi Foreign Exchange Pilot for CBDCs

Continuing its CBDC [pilots](#), the BIS today [announced](#) the launch of Project Mariana, a system seeking to use DeFi protocols to automate CBDC foreign-exchange settlements. Project Mariana will operate in Switzerland, France, and Singapore, exchanging wholesale CBDCs. The BIS is interested in exploring the application and design of automated market makers in wholesale CBDC exchanges, the effectiveness of a supra-regional network for cross-border settlement, and potential governance models of wholesale CBDCs. The pilot aims to deliver a proof of concept by mid-2023.

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](#).

- [OVERDRAFT11](#): In conjunction with a Presidential speech and new White House initiative against "junk fees," the CFPB has accelerated its own efforts in this arena with two new policy directives.
- [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.