



# *FedFin Daily Briefing*

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Thursday, November 10, 2022

## Inter-Agency Treasury-Market Rewrite Progresses

Treasury's Inter-Agency Working Group on Treasury Market Surveillance (IAWG) today [released](#) a progress report on its efforts to guide action to stabilize the Treasury marketplace. The report builds on guiding standards established in IAWG's initial report last year ([see Client Report TMARKET2](#)), which laid out principles centered on Treasury market elasticity, liquidity, and transparency, well-designed and efficient infrastructure, and preventing leverage posing a systemic threat. IAWG, which is comprised of Treasury, FRB, FRB-NY, SEC, and CFTC, will convene to further review Treasury market resilience efforts on November 16.

## Fed Reg Report Highlights Future Priorities

The Fed today released its semiannual Supervision and Regulation [Report](#), reiterating that banks entered 2022 in historically sound financial shape and outlined its priorities based on the potential risks of changing market conditions. As usual, the report is mostly retrospective, laying out the Fed's actions during the previous year. However, it does note that Fed supervisors will be focusing on the remediation of outstanding supervisory findings and monitoring risks such as exposure to leveraged positions in interest rate sensitive markets, changes in liquidity, capital, and deposits, increases in borrowing costs, and others as market conditions continue to change.

## FSB NBFi Report Highlights Liquidity, Systemic Risk

The FSB today released a progress [report](#) on improving the resilience of non-bank financial intermediation (NBFi), recommending a number of enhancements to the current policy toolkit to better mitigate liquidity and financial stability risk. To reduce liquidity demand spikes, the report recommends promoting the use of liquidity management tools for open-end funds and increasing transparency and participant preparedness in centrally cleared markets to address margining practices. It also recommends that authorities reform bond markets to increase supply resiliency by increasing the availability of central clearing for cash and repo transactions, using all-to-all trading, and enhancing market transparency and urges authorities to tailor these solutions to the specific market context. To enhance systemic risk monitoring, the report recommends developing metrics to measure liquidity mismatch and other NBFi vulnerabilities. These priorities were also addressed in a [meeting](#) today among the FSB's Regional Consultative Group for Europe, which reviewed the Board's recent cryptoasset work ([see FSM Report CRYPTO34](#)) and stressed the urgent need for a DeFi regulatory framework.

## CFPB Spotlights Cryptoasset Complaints

The CFPB today published a [bulletin](#) analyzing cryptoasset complaints the Bureau has received since 2018, observing a large spike in these complaints over the past two years and concluding that fraud, theft, hacks, and scams are widespread problems affecting participants in crypto markets. The bulletin also notes poor customer service, transaction and transfer execution problems, platform failures, identity verification issues, and security holds as common themes among complaints. Though it only advises consumers to beware of scams and report suspicious activity to the Bureau, Director Chopra [promised](#) further work on payment system safety.

## CFPB Continues Furnisher Accountability Campaign

The CFPB today continued its [campaign](#) for furnisher accountability by issuing a [circular](#) upholding the Bureau's belief that consumer credit reporting agencies and furnishers must conduct a reasonable investigation of non-frivolous consumer disputes and that failure to do so may subject them to CFPB enforcement under the FCRA. Citing inaccurate information and failures to investigate as the two most common consumer reporting complaints, the Bureau claims that reporting agencies evade the obligation to investigate disputes by ignoring the results of investigations and requiring consumers to submit additional information not required by statute, both of which the circular affirms is illegal. The circular also argues that reporting companies must provide all relevant consumer information – including electronic images of primary evidence – to the entity that originally furnished it, which then must reasonably investigate the consumer complaint.

## CFPB Modifies Nonbank Financial-Company Standards

The CFPB [today](#) acted again by fiat to amend what it calls its procedural rule ([see FSM Report CONSUMER41](#)) revising its “dormant” authority and, as we noted in our analysis, creating a sweeping new framework for nonbank consumer-finance companies. The final rule codifies a standard to govern information that will not be included in the public release of a designation decision and extends the time for respondents to provide input on the Bureau's public release determinations from 7 to 10 business days. We will shortly provide clients with an in-depth analysis of the rule.

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### Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [PAYMENT26](#): Although the Fed characterized its final payment-system access guidelines as “transparent,” FedFin's analysis and other assessments concluded that the Federal Reserve Banks retained considerable discretion to pick and choose those granted master accounts and there would be no ready way to identify which institutions had or lost this essential status for any provider of retail or wholesale deposit-taking services or their equivalent.
- [GSE-110822](#): In its latest blast on racial equity, the Treasury Department's Office of Economic Policy has issued a [blog post](#) cataloguing racial disparities in residential-mortgage finance.
- [SYSTEMIC94](#): As we noted [Friday afternoon](#), the Federal Reserve then released its semi-annual [financial-stability report](#) in an effort not only to comply with its protocols, but likely also to attract as little attention as possible, with the release and even the report saying only as much about growing risk as the Fed thinks is essential to preserve its credibility.
- [GSE-110722](#): In its latest financial-stability [report](#), the Fed is at pains to provide dozens of pages of helpful data with the few systemic-risk conclusions the Board ventures couched in careful prose designed to assure critics that the Fed knows well what's going on without expressing any views that

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might suggest serious trouble looms or hint that any of what it surveys will alter the Fed's course in terms of monetary policy, regulatory actions, or systemic considerations.

- **DATA3**: Beginning a long-awaited rulemaking process on the extent to which consumers have rights to their own data and how these rights may be exercised, the CFPB is seeking views on an array of ideas and questions to guide future action.
- **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.