



FedFin Daily Briefing

Wednesday, November 16, 2022

Treasury Calls for Tough Fintech and Bank-Partnership Protection, Prudential Standards

Treasury has completed a long-pending [study](#) of the extent to which nonbank fintechs compete with banks and how this affects financial stability and consumer protection. We will shortly provide clients with an in-depth analysis of this report, for which Karen Petrou was extensively interviewed as now noted publicly in the appendix. The report was ordered by the Secretary in compliance with President Biden's competition order ([see Client Report MERGER6](#)), finding that nonbank fintechs directly compete with banks and thus may reduce current concentration levels, sure to influence the inter-agency bank-merger policy that remains to be finalized. However, the report concludes that fintechs also create new risks to consumer protection and market integrity, calling for just the type of nonbank surveillance the CFPB [recently](#) set via its procedural "rule" for this sector ([see FSM Report CONSUMER41](#)). The report also calls for a clear, consistent framework for bank/fintech partnerships along lines the banking agencies have discussed but never fully finalized ([see FSM Report VENDOR9](#)). The report also calls for an array of reforms to the credit-underwriting process.

Williams Presses for NBF1 Standards

In remarks [today](#), FRB-NY President John Williams said that the central bank should not adjust monetary policy to address the price-stability challenges of volatile Treasury markets and that financial-stability questions have generally been well-addressed as evident in the sound U.S. banking system. Noting recent findings in the latest staff report ([see Client Report TMARKET3](#)), Mr. Williams also called for structural changes to NBFIs along lines also laid out by the FSB ([see Client Report NBF12](#)), arguing that MMFs and other NBFIs must be a market source of strength, not of vulnerability requiring rescue beyond the Fed's new standing facility.

G20 Blesses FSB, Basel Work Plans

In addition to top-priority concerns such as Ukraine, the G-20 Leader's Declaration [today](#) tackled the usual financial-policy agenda, supporting the FSB's recent NBF1 report ([see Client Report NBF12](#)) and the Basel, IOSCO and CPMI's [response](#) to margining. They also emphasized digital assets, also welcoming the FSB's work on a consistent international approach regarding crypto ([see FSM Report CRYPTO34](#)). Continued exploration of the use of CBDCs for cross border payments was noted with considerable support although no position was taken on CBDC more broadly.

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](#).

- [REFORM215](#): HFSC today largely focused bank regulators on the same range of questions

posed at yesterday's Senate Banking session ([see Client Report REFORM214](#)).

- **REFORM214:** At today's Senate Banking oversight hearing with the banking agencies, Chairman Brown (D-OH) generally applauded the work of regulators, emphasizing the need for tough standards, like-kind rules for bigtech companies, and an inquiry into why depositor interest rates lag Fed rate hikes along lines [posed](#) earlier by Sen. Reed (D-RI); FDIC Acting Chairman Gruenberg concurred, criticizing banks for sluggish rates.
- **TMARKET3:** Building on our [initial assessment](#), this report goes in-depth into the Treasury assessment of the market for its obligations and reforms necessary to avert another dash for cash.
- **NBFI2:** As [promised](#), this FedFin report provides an in-depth analysis of the FSB's latest policy on [nonbank financial intermediation](#).
- **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 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.