



# FedFin Daily Briefing

Friday, December 16, 2022

## GHOS Presses Speedy Bank-Crypto Capital Standards

Basel's governing body, the Governors and Heads of Supervision, today [endorsed](#) the Committee's planned work schedule. As we [noted](#), the Basel Committee prioritizes work on emerging risks, digitalization, climate risk, and ensuring effective Basel III implementation. The GHOS also wants rapid final action on Basel's crypto standards ([see FSM Report CRYPTO29](#)), pledging to implement them by January 1, 2025. GHOS also wants Basel to continue to work on bank exposures related to stablecoins, crypto custody offerings, and broader inter-connections, coordinating this work with other global prudential bodies.

## Fed Finally Finalizes LIBOR Transition Regs

Narrowly ahead of its year-end statutory deadline, the Federal Reserve today [issued](#) a final version of its detailed proposal ([see FSM Report LIBOR8](#)) to implement the LIBOR Act's provisions on replacement rates for existing contracts without fallback language ([see FSM Report LIBOR7](#)). On initial review, we think the Fed's changes to the proposal are minor, clarifying ones, but the final rule does include revisions to covered contracts that are now defined to align the Board's language more closely and clearly with that in the LIBOR Act. The final rule is effective thirty days after *Federal Register* publication.

## Regulators Highlight P2P, Crypto, NBFIs Risks at FSOC Meeting

Although most of the FSOC's discussion today of the LIBOR transition and climate risks was perfunctory, comments on the now-released 2022 Treasury annual report were not. CFPB Director Chopra argued that P2P-payment platforms pose risks similar to those FTX has demonstrated for crypto as a class because many consumers treat their unsecured balances as quasi bank accounts. He did not call for FSOC systemic intervention, leading us to conclude that the Bureau may be contemplating new disclosures in concert with the broader payment-provider "neutrality" he described to Congress earlier this week ([see Client Report CONSUMER45](#)). Acting Comptroller Hsu emphasized NBFIs discussion in the 2022 report, with SEC Chairman Gensler pointing to the Commission's OEF [proposal](#) and FIO Director Seitz indicating that the new report now addresses risks from insurance-company exposures to NBFIs. Following Vice Chairman Barr's review of Fed work to speed the LIBOR transition and the rule released earlier today, Mr. Gensler reiterated opposition to at least one alternative benchmarks, noting that BSBY does not meet developing IOSCO principles. Mr. Barr also updated the FSOC of the Fed's climate-risk work, noting proposed risk-management principles ([see FSM Report CLIMATE15](#)) and pilot scenario analyses. We will shortly provide clients with an in-depth analysis on Treasury's annual report.

## McHenry, Davidson Point to Forex-Clearing Systemic Risk

Picking up a recent BIS [report](#) finding at least \$65 trillion at risk in off-balance sheet foreign-exchange clearing, incoming HFSC Chairman McHenry (R-NC) and the top Republican on the panel's fintech task force, Rep. Warren Davidson (R-OH), [called on](#) Fed Chairman Powell and Secretary Yellen to investigate what they consider a looming risk to U.S. financial stability. Other than detailing the scope of unhedged transactions – called swaps – and daily turnover, the letter

does not lay out what risks concern its authors nor what or when it would like the agencies to do. The issue is, though, to some degree political by virtue of the letter also stating that these risks arise from Fed tightening required by what it calls Democratic-induced inflation. The extent to which HFSC in the next Congress focuses on systemic risks remains to be seen, but this letter at least signals that Rep. McHenry is not the “hands-off” advocate of scant federal regulation some analyses have suggested.

## Chopra Presses Cloud-Service Provider, Stablecoin Systemic Designation

CFPB Chairman Chopra’s written [statement](#) for the FSOC meeting is considerably different than the oral one described in our earlier client alert. Briefly noting his concerns with bigtech cloud service providers, Mr. Chopra goes on to call for FSOC consideration next year of possible systemic FMU designation. He also calls for systemic consideration of stablecoin activities, citing the financial stability risks laid out in Treasury’s crypto report ([see Client Report CRYPTO32](#)). As noted, we will shortly provide clients with an in-depth analysis of the FSOC report, looking in particular at the extent to which it builds out rationales for any systemic designations following the rewrite planned next year for the designation process.

---

### 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](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](#).

- [CONSUMER45](#): Despite early warm goodbyes to outgoing Chairwoman Waters (D-CA), GOP members wasted no time trading blows at a fiery HFSC session today with CFPB Director Chopra.
- [CRYPTO36](#): Senate Banking Committee Chairman Brown (D-OH) today backed away from prior statements about crypto legislation, focusing instead on the prospect of additional investigations into failing crypto firms and ongoing work with Secretary Yellen on a government-wide regulatory framework.
- [CLIMATE15](#): Following the pattern set in 2021 by the OCC, the FRB has now proposed climate risk-management standards as high-level principles to guide banking organizations with assets over \$100 billion.
- [GSE-120522](#): Making an important addition to the ongoing debate about Treasury-market liquidity, a new [paper](#) from the Bank for International Settlements provides sobering data on agency MBS liquidity with significant implications not only for secondary-market liquidity, but also primary-market stability.
- [CRYPTO35](#): In the first Congressional review of crypto since the collapse of FTX, Senate Agriculture leadership largely defended the bill they produced, S.4760.
- [CONSUMER44](#): Reviving what it calls “dormant” authority, the CFPB has finalized a proposed “procedural rule” expressly reiterating its right to govern an array of nonbanks and establishing procedures for making supervisory orders public.
- [GSE-112122](#): As came out into the open [last week](#), FSOC will finally turn to rewriting the Trump

era [rewrite](#) of the Obama Administration's FSOC protocols regarding systemic financial institutions and activities.

- **FINTECH31:** As [promised](#), this report provides an in-depth analysis of [Treasury's report and resulting recommendations](#) to the President's Competition Council on the impact of new nonbank consumer-finance entrants from a competition, consumer-protection, and financial-stability perspective.

---

Federal Financial Analytics, Inc.

2101 LStreet, N.W. – Suite 300, Washington, D.C. 20037

Phone (202) 589-0880

E-mail: [info@fedfin.com](mailto:info@fedfin.com) [www.fedfin.com](http://www.fedfin.com)

© 2022. Federal Financial Analytics, Inc. All rights reserved.