



FedFin Daily Briefing

Monday, December 19, 2022

JEC Report Calls for Crypto Regulation

The Joint Economic Committee (JEC) released a [report](#) late Friday arguing that recent contraction in the digital-asset market demonstrates the need for more regulation. While it does not outline specific policy changes, the report asserts that new regulations must strive to keep digital assets separate from the broader economy to prevent contagion, as well as ensure that investors are properly informed on digital asset's individual risks. It also concludes crypto's popularity among LMI and minority groups stems from a lack of access to traditional pathways to financial security, stating that policies addressing income inequality will also dampen crypto's popularity.

KC Fed Discounts SLR Relief as Solution to ONRRP Growth

A Friday [brief](#) from the Kansas City Fed concludes that limited money-market investment opportunities, policy uncertainty, and ONRRP changes such as easier eligibility better explain the sharp increase in ONRRP than bank-capital shortages as deposits flowed to MMFs. As a result, the paper concludes that reinstating SLR exemptions for central-bank deposits and Treasury obligations would not materially affect bank use of the ONRRP and thus facilitate Fed balance-sheet reduction. Given this, the paper also explores other solutions to heightened ONRRP use such as making the ONRRP less attractive, finding that doing so might cause the Fed's target rate to dip blow desired ranges and thus frustrate monetary policy.

McHenry Tees Up Fintech Action for New Congress

Incoming Chairman McHenry (R-NC) today reintroduced [legislation](#) designed to facilitate financial innovation, kicking off his chairmanship's focus on fintech, crypto, and other financial technology related matters. The bill does not address priority policy questions in this contentious arena, instead creating a pathway for financial innovators to request information on whether they are eligible for exemptions from relevant regulations from the banking agencies and CFPB. The goal here is to restore sandboxes so that regulatory dispensations allow innovation at possible cost to consumer protection and thus opposed by consumer advocates.

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](#).

- **FSOC28: As promised**, this FedFin report provides an in-depth analysis of FSOC's 2022 [annual report](#), focusing on findings with near-term policy implications.
- **GSE-121922: As promised** Friday when FSOC's [annual report](#) was released, we here go into depth on its implications for residential housing.
- **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.