



FedFin Weekly Alert

Monday, January 30, 2023

❑ FHLBS FACE THE FOOTLIGHTS

FHFA Director Thompson will shortly take questions about the future of the Federal Home Loan Banks after a series of recent revelations cast these GSEs out of the obscurity they have long enjoyed at considerable advantage. Karen Petrou recently pointed to developments such as the System's decision to serve as a wide-open window for downward-diving and arbitrage-seeking [banks](#) and she'll talk more about it this Tuesday on a podcast with [Rob Blackwell](#). Among the questions Mr. Blackwell asked was whether FHFA intends seriously to tackle FHLB reform after three hearings last year. [As we noted at the time](#), these hearings were largely opportunities for FHLB fans to show their appreciation and FHFA to bide its time. Director Thompson may well wish to do the same, but she likely didn't accept the invitation to speak just to say nothing. We'll thus post a note to clients after the event, listening for possible agency actions to:

- demand more from the Banks in terms of mission compliance;
- review the extent to which the Banks meet their statutory affordable-housing mission;
- whether the System will be enlisted in FHFA's equitable-housing campaign;
- the extent to which the safety-and-soundness implications of recent Bank activities will be directly addressed; and
- in this vital regard, if FHFA will allow the FDIC to take losses at insured depositories taking undue risks enabled by FHLB funding.

Headlines From the Past Week's Daily Briefings

[January 23](#)

- **BIS: How Low Can Central-Bank Equity Go?** - An historical examination of central-bank negative equity was [published](#) by the BIS.
- **Bank Big-Bank Merger Opponent Joins Justice Antitrust** - With Jeremy Kress now in place as senior counsel to Jonathan Kanter in the Department of Justice's Antitrust Division, it seems likely that pending big-bank mergers will get still more skeptical scrutiny.

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January 24

- **FSB Chair Presses Need to Finalize Global Crypto Standards** - In [remarks](#), FSB Chair Klaas Knot reiterated FSB's 2023 priorities regarding NBFI, crypto, and climate change risks, also emphasizing that the FSB seeks to improve financial resilience rather than predicting the cause of the next financial crisis.
- **McHenry, Hill Suggest Crypto Action Plan** - In a new [tweet](#), HFSC Chairman McHenry (R-NC) emphasized the crypto plan he discussed earlier in a media [interview](#).
- **Brown, Van Hollen Press Tough TLAC, Regional-Bank Resolvability Rule** - Senate Banking Committee Chairman Brown (D-OH) and Sen. Van Hollen (D-MD) sent a [letter](#) to FDIC Chairman Gruenberg and FRB Vice Chair Barr praising the agencies' recent ANPR on large bank resolution standards ([see FSM Report RESOLVE48](#)), calling for TLAC that prevents taxpayer bailouts in the event of failure.
- **CFPB Kicks Off Credit Card Regulatory Rewrite** - Following its credit card late-fee notice of proposed rulemaking ([see FSM Report CREDITCARD35](#)), the CFPB [sought comment](#) on the credit card sector as a whole for its biennial review of the industry.

January 25

- **SEC Re-Proposes Rule Targeting ABS Conflicts of Interest** - The SEC voted 5-0 to re-propose a controversial 2011 rule required under the Dodd-Frank Act ([see FSM Report ABS17](#)) barring the kinds of conflicts of interest all too evident before the great financial crisis related to asset-backed securitizations (ABS).
- **FinCEN Targets CRE Sanctions Evasion** - Building on its sanctions evasion [alert](#), FinCEN issued an [alert](#) detailing red flags that may signal potential sanctions evasion via U.S. CRE investment.

January 26

- **Effective Date Set for LIBOR Termination** - The *Federal Register* [includes](#) the FRB's final rule Implementing the Adjustable Interest Rate (LIBOR) Act, setting the rule's effective date as February 27.
- **Fed Study Finds Card Rewards Result in \$15 Billion Wealth Transfer** - A new Federal Reserve staff [study](#) finds that credit-card rewards annually redistribute approximately \$15.1 billion a year to more financially-sophisticated consumers.
- **ISDA Lays Groundwork for Crypto Rules, Law** - The self-regulatory body for global derivatives, ISDA, released a contractual [framework](#) for digital-asset derivatives.

January 27

- **IOSCO Report Calls for More Hedge-Fund Liquidity Data, Studies Continue on MMFs/OEFs** - IOSCO released its Investment Funds Statistics [Report](#), consisting almost entirely of data on matters such as leverage, portfolio liquidity, and fund exposures.

- **Fed Takes Tough Stand Against Wyoming Crypto Charter** - The Federal Reserve took two policy-making actions cracking down on non-traditional charters.
- **Fed Not Only Quashes Custodia, But Also Constrains Non-Traditional Charter Powers** - In addition to rejecting Custodia's member application (see prior FedFin alert), the Fed issued a sweeping policy [statement](#) scuttling efforts to use uninsured state member banks for activities impermissible for state IDIs and, in most cases, those allowed for national banks.
- **White House Expands Crypto Legislative Demands** - In a new White House crypto "[roadmap](#)," National Economic Council Director Brian Deese largely reiterated actions such as those by the Fed and ongoing efforts to block AML and sanctions violations in this volatile sector.

This Week

No meetings of note.

Future Events of Note

No meetings of note.

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](#).

- **[CONSUMER49](#)**: Using one of its controversial edicts to set what some consider a new rule, the CFPB has opined that negative-option or "subscription" marketing of consumer-financial products or services may be unfair, deceptive, or abusive (UDAAP) and thus subject to significant sanction for both the provider and any third parties with which it works.
- **[GSE-012323](#)**: Under Director Thompson, FHFA's top policy priority is [equitable housing](#).
- **[CONSUMER48](#)**: Building on its proposed nonbank registry related to enforcement orders, the CFPB is now also proposing a public registry requiring posting of provisions in consumer-finance contracts the agency believes threaten consumer legal or free-speech rights when issued by supervised nonbanks.
- **[GSE-011923](#)**: We will shortly send clients an in-depth analysis of the CFPB's latest controversial [proposal](#) which would establish a public registry on which supervised nonbanks would file a lot of data on any form contracts they require which includes covered provisions the Bureau thinks unfairly and even dangerously lead consumers to abandon important protections.

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- **[CRYPTO38](#)**: Karen Petrou's [memo](#) earlier this week and her comments to the [American Banker](#) about Silvergate have sparked many client questions.
- **[GSE-011123](#)**: As the Fed has hiked interest rates, mortgage rates have of course also gone up, sending a sudden chill through the residential market and putting home ownership even more out of reach for all but those for whom the home equity they still have after prices correct suffices for long-term wealth accumulation.
- **[GSE-010523a](#)**: FHFA's latest [scorecard](#) for Fannie, Freddie, and CSS reiterates Director Thompson's overarching objectives for Fannie and Freddie in the new era of equitable finance, CRT, and capital compliance.
- **[GSE-010523](#)**: As we previously [noted](#), the U.S. banking agencies will finally, finally, finally get around to proposing their version of the Basel IV capital rules more recently dubbed the "end-game" standards.
- **[CRYPTO37](#)**: The Basel Committee has finalized its second try at global standards governing bank cryptoasset exposures, laying out a path that U.S. agencies plan quickly to implement even as Congress continues to wrestle with this fast-changing sector.
- **[DEPOSITINSURANCE117](#)**: In the wake of increasing instances in which customers are confused and even misled about the extent to which fintech and cryptoasset holdings are insured deposits, the FDIC is proposing new standards addressing this problem as well as ways to modernize IDI representations of their own FDIC-insured offerings in branches and through the fast-changing array of retail banking delivery channels.