



FedFin Daily Briefing

Tuesday, January 31, 2023

BIS Finds Digital Payments Have Yet to Conquer Cash

In a [brief](#) today, the BIS Committee on Payments and Market Infrastructures (CPMI) found that digital payments, while rapidly growing, have not supplanted cash. CPMI does report a record high value and volume of cashless payments, crediting this to changing consumer preferences, increasing prevalence of fast payments systems, and COVID, noting that cashless options may also bolster financial inclusion. However, the brief also finds a deceleration in the decline of cash withdrawals, concluding there is still a significant ongoing, if diminishing, demand for cash. CPMI also argues that it is imperative for international payments systems to prioritize interoperability due to the variability in each member states' consumer preferences and habits, calling for the harmonization of technical, legal, and regulatory payment frameworks.

Warren, GOP Allies Grill Silvergate on FHLB Loan, Fed Supervision

Signaling bipartisan plans to take on crypto banking and now also the FHLBs as quickly as possible in the new Congress, senator Warren (D-MA) was joined yesterday by Sens. Kennedy (R-LA) and Marshall (R-KS) in sending another [letter](#) to the CEO of Silvergate Bank. Following an earlier [inquiry](#) which they said led to an insufficient response, the letter now focuses on the bank's use of a \$4.3 billion FHLB loan as a liquidity backstop. As in Karen Petrou's [recent memos](#) and today's [podcast](#), the letter focuses on the System's prior lien ahead of all other creditors (including the FDIC) and the extent to which this puts taxpayers at risk. The senators also chastise the bank for its "miserable" risk management and due diligence processes, now also pointing fingers at the Fed for what they deem its failure to detect the bank's inadequate controls. Detailed questions are posed the bank will surely find difficult to answer due to examination confidentiality, with the deadline for a reply set at February 13.

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.
- **[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.