



FedFin Weekly Alert

Monday, February 6, 2023

□ ARTILLERY HEADING TO THE CHINA FINANCIAL FRONT

As we noted [last week](#), the House Financial Services Committee plans a wide-ranging hearing on Tuesday establishing a legislative history for seventeen bills that would in one way or another attack China by limiting its access to U.S. and global financial markets. The hearing comes at a time of tensions heightened first by alarming memos from senior U.S. military commanders and then reports of a Chinese espionage balloon surveilling key U.S. facilities. It also comes in concert with creation of a House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party designed to hold hearings and recommend U.S. policy across the financial, military, trade, and intelligence arenas in which Republicans believe China is already engaging in “soft” warfare against Taiwan and the U.S. So far, the HFSC hearing features only private-sector witnesses and the bills we have seen so far generally carving a careful path between harsh words about China and mandatory actions with minimal adverse consequences to the flow of finance, goods, and even diplomacy. Going forward, Congressional actions are sure to grow in intensity and force if events lead to still more heightened concerns. FedFin will thus keep China on our [watch list](#), alerting clients ASAP to actions akin to those regarding Russia with grave consequences for cross-border payments, access to the U.S. financial system, and/or what’s left of globalization.

Headlines From the Past Week's Daily Briefings

January 30

- **FDIC Sets New Comment Deadline For Advertising NPR** - The FDIC [extended](#) the comment deadline for its NPR modernizing restrictions on the agency's official sign and logo, advertising statement, and misrepresentations of deposit insurance coverage by 45 days until April 7.
- **Banking Agencies Report No Material Differences in Capital, Accounting Rules** - Ahead of efforts later this winter to rewrite large-bank capital [standards](#), the banking agencies submitted their annual [report](#) to HFSC and Senate Banking assessing the differences between the agencies' accounting and capital standards.
- **HFSC Lays Out Initial Action Plan** - HFSC Chairman McHenry (R-NC) is moving forward, announcing [plans](#) for a meeting to set the committees' rules and near-term oversight priorities.

- **Controversial CFPB Initiatives Advance** - The *Federal Register* includes the CFPB's nonbank enforcement action [registry proposal](#) as well as its [circular](#) regarding negative option marketing practices.
- **FHA Expands Loan-Mod Options, Incentives** - The FHA [announced](#) it will extend incentive payments to mortgage servicers that complete COVID-Recovery loss-mitigation options, also releasing several other changes to help struggling borrowers avoid foreclosures regardless of the nature of repayment hardship.

January 31

- **BIS Finds Digital Payments Have Yet to Conquer Cash** - In a [brief](#), the BIS Committee on Payments and Market Infrastructures (CPMI) found that digital payments, while rapidly growing, have not supplanted cash.
- **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 by Sens. Kennedy (R-LA) and Marshall (R-KS) in sending another [letter](#) to the CEO of Silvergate Bank.

February 1

- **CFPB Set To Quash Credit-Card Late Fees** - Taking action as anticipated following its June ANPR ([see FSM Report CREDITCARD35](#)), the CFPB [released an NPR](#) that would curtail credit card late fees the Bureau calls "excessive," moving ahead also with one aspect of the White House competition agenda.
- **Comment Deadline Set For CFPB Contract Registry Proposal** - The *Federal Register* includes the CFPB's [form-contract registry proposal](#).
- **Brown, Democrats Press Thompson On Enterprise Loan Sale Programs** - Ahead of a housing hearing as soon as next week, Senate Banking Chairman Brown (D-OH) and four other Democrats sent a [letter](#) to FHFA Director Thompson requesting a review of Fannie and Freddie's nonperforming and reperforming loan-sales programs.
- **McHenry Confirms Privacy, Crypto Priorities; Rewrites HFSC Rules** - At an HFSC organizational meeting, Chairman McHenry (R-NC) emphasized that he wants to work with Democrats, but much of what he said is unlikely to facilitate this.

February 2

- **Scott Seeks Innovation, Competitiveness, Responsibility, Administrative Neutrality** - Announcing his priorities for this [Congress](#), Senate Banking Ranking Member Tim Scott (R-SC) struck the guarded stance in favor of bipartisan cooperation [expressed](#) by HFSC Chairman McHenry (R-NC).
- **GAO Presses Need For MMF Reform** - As required by the CARES Act, the GAO issued a [study](#) on the March 2020 MMF runs that led the SEC to propose reforms last February ([see FSM Report MMF19](#)).

February 3

- **House GOP Bill Sanctions Digital Yuan** - Ahead of a major HFSC anti-China push, Chairman of the Subcommittee on National Security, Illicit Finance, and International Financial Institutions Luetkemeyer (R-MO) introduced [H.R. 804](#) to bar money servicing businesses from engaging in any transaction involving Chinese CBDC.
- **HFSC Plans Wide-Ranging China Attack** - Emphasizing the priority Republicans have placed on U.S.-China policy, HFSC's [staff memo](#) for the full committee hearing details numerous initiatives the panel may advance to isolate China and the Communist Party from the U.S. and global financial system.
- **HFSC Anti-Woke Group Targets SEC, Proxy Voting** - Following his [promise](#) to go after "woke" policies during the HFSC organizational meeting, Chairman McHenry (R-NC) [announced](#) the formation of a Republican ESG working group.

This Week

Tuesday, February 7

HFSC Hearing entitled: "Combatting the Economic Threat from China." [10:00 am, 2128 Rayburn House Office Building]. Witnesses: **Mr. Clete Willems**, Partner, Akin Gump Strass Hauer & Feld; **Mr. Tom Feddo**, Founder/Principal, The Rubicon Advisors LLC; **Mr. Eric Lorber**, Former Senior Advisor, Under Secretary for Terrorism and Financial Intelligence, Department of the Treasury; and **Mr. Rich Ashoooh**, Corporate Vice President, Global Trade and Government Affairs, Lam Research Corporation.

Wednesday, February 8

HFSC Subcommittee on Financial Institutions and Monetary Policy Hearing entitled: "Revamping and Revitalizing Banking in the 21st Century." [10:00 am, 2128 Rayburn House Office Building]. Witnesses: TBD.

Thursday, February 9

Senate Banking Hearing entitled: "The State of Housing 2023." [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **Dr. Christopher Herbert**, Managing Director, Harvard Joint Center for Housing Studies; **Dr. Robert Dietz**, Chief Economist and Senior Vice President for Economics and Housing Policy, National Association of Home Builders; and **Mr. Lance George**, Director of Research and Information, Housing Assistance Council.

Friday, February 10

FSOC Closed Meeting. Matters to be discussed: the Council's priorities for 2023; the upcoming Treasury report on cloud services adoption in the financial sector; and the

Council's options for assessing and responding to financial stability risks, including nonbank financial company designations.

Future Events of Note

Tuesday, February 14

Senate Banking Hearing entitled: "Crypto Crash: Why Financial System Safeguards are Needed for Digital Assets." [10:00 am, webcast]. Witnesses: TBD.

Tuesday, February 28

Senate Banking Hearing entitled: "Advancing National Security and Foreign Policy through Sanctions, Export Control, and Other Economic Tools." [10:00 am, webcast]. Witnesses: TBD.

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](#).

- **[CHARTER29](#)**: In conjunction with rejecting an uninsured crypto bank's application for Federal Reserve membership, the Federal Reserve issued a policy statement conforming state member bank powers only to those authorized for national banks even if the state member is an uninsured depository institution.
- **[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.