



FedFin Daily Briefing

Friday, February 3, 2023

House GOP Bill Sanctions Digital Yuan

Ahead of a major HFSC anti-China push next week, Chairman of the Subcommittee on National Security, Illicit Finance, and International Financial Institutions Luetkemeyer (R-MO) today introduced [H.R. 804](#) to bar money servicing businesses from engaging in any transaction involving Chinese CBDC. While no federally-licensed MSBs currently do business in digital Yuan, the [press release](#) accompanying the bill stresses the need to preempt its use. Violations could result in fines or imprisonment. The bill likely focuses on MSBs because of their wide-ranging use across the cryptocurrency market, so far not also sanctioning bank transactions in the digital yuan in ways that would raise significant cross-border payment and risk-management challenges.

HFSC Plans Wide-Ranging China Attack

Emphasizing the priority Republicans have placed on U.S.-China policy, HFSC's [staff memo](#) for Tuesday's 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. Legislative proposals subject to the record this hearing creates for additional House action includes measures that would heighten Treasury sanctions now and in the event of a Taiwan invasion, require the U.S. to do what it can to force China off of the Basel Committee and similar global bodies, and require Treasury to use tools at its disposal to sanction export subsidies, a measure similar to Trump Administration efforts via the Commerce Department to "weaponize" the dollar's strength ([see Client Report FOREX9](#)). Measures also would encourage action to strengthen the dollar as the global reserve currency and prohibit use of the Chinese CBDC (see FedFin alert earlier today). Bills also on the agenda include several measures to require the U.S. to use its influence at the IMF to sanction China, punish China for supporting Russian energy trade, and address numerous supply-chain and drug-trafficking concerns. We will continue to analyze and monitor measures with implications for U.S. financial institutions, focusing as always also on challenges to foreign banks doing business the U.S.

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) today [announced](#) the formation of a Republican ESG working group. It has no legislative jurisdiction and will instead combat the "far-left" influence over capital markets by addressing SEC regulatory "overreach," reinforcing the materiality standard for disclosures, and preventing the misuse of the proxy process. As previously [noted](#), Senate Republicans in the last Congress targeted this issue and suggested that asset managers might need to be reconstituted as BHCs if their given what they considered the activist nature of investments. The Fed subsequently [announced](#) that it will look again at its standards related to passive holdings of banking

organizations. Although the ESG Working Group's plans do not at this time include tackling "woke banking," it is sure to be on the panel's agenda.

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.
- **[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.