



# *FedFin Daily Briefing*

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Friday, February 10, 2023

## **Waller Reiterates Fed's Wary Cryptoasset Policy**

In [remarks](#) today, FRB Governor Waller reiterated the Fed's wary approach to cryptoassets, repeating the Fed's requirements ([see FSM Report CRYPTO31](#)) for banks that wish to engage with crypto customers or activities. Following the collapse of FTX and its ripple effect on banks such as Silvergate ([see Client Report CRYPTO38](#)), Mr. Waller stressed that banks engaging with crypto customers must have a thorough understanding of their client's business models, risk management systems and corporate governance. Additionally, he emphasized the importance of AML requirements for banks wishing to conduct their own crypto-related activities. This position also echoes recent interagency crypto [policy](#).

## **Hsu Reprises, Expands Bank Merger Reform**

In [remarks](#) today, the OCC Chief Counsel on behalf of Acting Comptroller Hsu stressed the need to update competition metrics, financial stability considerations, and community assessments in bank merger reviews, but gave no indication of when new merger policy may be finalized. Mr. Hsu argued that while HHI is an objective and transparent metric, it is no longer suitable for measuring competition because its deposit share-based approach fails to capture the competitive effect of nonbanks and online banking. Citing his prior [remarks](#), he reiterated that there is a "resolvability gap" for large regional banks, prompting the need for greater financial stability considerations in merger reviews. Mr. Hsu also argued that CRA ratings should only be a starting point for assessing how a bank serves its community, noting the value of community reinvestment plans and public feedback.

## **FHFA Outlines Substantive FHLB Reform Agenda**

As [anticipated](#) earlier this week, FHFA Director Thompson today called the status quo of the FHLB system unacceptable and said that FHFA will make "meaningful" recommendations to improve the sector. This will take shape in a report following completion of FHFA's [roundtable series](#) concluding in March. FHFA's report will make statutory recommendations to Congress and lay out its own regulatory objectives, perhaps starting with an ANPR and/or regulatory guidance or supervisory actions. Director Thompson also argued that the FHLBs' prior-lien remains important for lending activity, but that the agency will work with troubled banks' primary regulator to strengthen supervision of institutions and better define expectations. She also stated that the FHLBs are fulfilling their liquidity purpose but not their community investment and affordable housing missions, noting that bank advances are not being used sufficiently to promote community investment. Further, FHFA may "encourage" banks to exceed their 10% community investment statutory floor. Asked for her opinion on controversial FHLB executive compensation packages, Director Thompson said her views would be made clear in FHFA's forthcoming report.

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## Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **CREDITCARD36**: Following on a controversial advance notice of proposed rulemaking, the CFPB has now released an NPR setting specific standards for credit-card late fees that also eliminates the inflation adjustments established by the Federal Reserve when implementing the 2009 credit-card law.
- **GSE-020623**: A new [post](#) from the Federal Reserve Bank of Atlanta summarizes key findings from recent pandemic-era mortgage refinancing research, reiterating [prior findings](#) that more White mortgage borrowers got lower refinancing interest rates in 2020 compared to Blacks.
- **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.