



FedFin Daily Briefing

Friday, February 17, 2023

Senate Dems Frame FRB-Nomination Demands

In conjunction with a bill spearheaded by Sen. Jack Reed (D-RI), Banking Chairman Brown (D-OH) joined other Democrats yesterday in introducing S. 496, legislation to require that the Federal Reserve Board have a governor dedicated to worker interests much as the seat now held by Gov. Bowman is by law required to focus on community-bank considerations. The measure was also introduced in the last Congress and was then as now intended more to send a signal to the White House about the candidates Senate Banking will view with the greatest favor rather than as a serious effort to change the law. The statement accompanying the bill emphasizes the importance of inclusive FRB policy, requiring that one governor have demonstrated experience supporting or protecting workers, a term that could be interpreted generally or as a requirement that the governor actually be part of the labor movement. The bill also requires this governor then to lead new fed initiatives focused on worker equity and opportunity. The measure does not directly address diversity, but this issue too will surface within the White House working to find a successor to Vice Chair Brainard – Sen. Menendez (D-NJ) [yesterday](#) renewed his demand that the Board have more Hispanic representation via the nominee to this post.

Swiss Bank Role In SEC Crypto Action Sure To Hike Pressure On Banking Agencies

We draw to your attention the reference to a Swiss bank in the SEC's enforcement [order](#) against Terraform Labs and its founder, Do Kwon. Although criticized today by [Republicans](#) as an example of the SEC's prior regulatory failures, the order itself is unsurprising given that Mr. Kwon is a fugitive and the algorithmic stablecoin's collapse shocked previously complacent crypto markets and regulators. The SEC's order says only that \$100 million was illegally transferred into a "Swiss bank," not naming the institution. However, the SEC will surely have apprised the appropriate U.S. banking agency of the identity of this institution. If it has any U.S. operations – and even small, specialized Swiss banks generally must – an investigation ahead of an enforcement action is likely under way on a quick schedule designed to make the banking order public before Sen. Warren (D-MA) or others on the Hill demand to know whether one is forthcoming. As we have [noted](#), Sen. Warren is leading an inquiry into how crypto companies have made use of banking organizations. This to date has focused on Silvergate, which appeared most unfavorably yesterday in [reports](#) that it was used in what appears to be improper financial transfers by Binance's owner, Changpeng Zhao. As more of these sanctions and orders advance, more demands will be made on the banking agencies and there may be still more preemptive enforcement actions along with demands for some form of statutory action. Any releases indicating that the Swiss bank in question in the Terraform Labs case facilitated money laundering will also renew scrutiny on Swiss banks in this often-unflattering context.

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](#).

- **CRYPTO39**: Although Chairman Brown (D-OH) remained non-committal on the need for crypto legislation, he emphatically called for reform to protect consumers and investors.
- **GSE-021323**: Following our [initial report](#), we turn here to a more detailed analysis of what's in store for the Home Loan Banks following the [Brookings high-impact forum](#) on Home Loan Banks that are also facing far more unflattering public attention than has been their fate for years.
- **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.