



## **HFSC to Tackle FinCen, Sanctions**

The HFSC [memo](#) on the National Security Subcommittee's Tuesday hearing makes it clear that Republicans have not wavered in their criticism of FinCEN's beneficial-ownership standards ([see FSM Report AML134](#)). As before, the GOP's principal concern is small-business burden, with bills to be considered including H.R. 4035 by Chair McHenry (R-NC) extending the small-business compliance deadline and a bill by Rep. Nunn (R-IA) to ensure at least a two-year compliance period. However, other measures on the docket address completely different matters – e.g., primary and secondary sanctions on China for purchasing Iranian oil, another from Rep. Himes (D-CT) to sanction anyone trading in spyware (apparently including legal spyware), additional sanctions for Russia and Belarus (Sherman D-CA), and a Waters (D-CA) bill to improve international narcotics-trafficking AML-related reports.

## **Global Regulators Strengthen Crypto, Stablecoin Standards**

The FSB today [finalized](#) its “same-activity/same-rule” standards for cryptoassets and stablecoins ([see FSM Report CRYPTO34](#)). We will soon provide clients with an in-depth analysis of the recommendations, which are effective immediately. As with the proposal, the final principles mandate adequate customer-asset safeguards, now expressly recommending asset segregation and stronger conflict-of-interest restrictions for affiliated service providers undertaking a variety of functions such as settlement and clearing and market-making. The final FSB principles also promote stronger cross-border cooperation and information-sharing, especially when issuers and service providers are in financial or operational distress. The global stablecoin report now also requires reserve-based stablecoins to ensure safe custody and proper record-keeping of reserve assets and that ownership rights of reserve assets are protected at all times. The FSB will review implementation of the standards by year-end 2025 and seek to reduce regulatory arbitrage by monitoring non-member jurisdictions. As we have frequently noted, Congress is battling over new U.S. cryptoasset and stablecoin standards, with an HFSC mark-up possible on July 26<sup>th</sup>. Any new federal law would of course trump U.S. regulations derived from the new FSB framework, but the odds of enactment are most uncertain.

## **Gensler Sounds AI Systemic Alarm**

In [remarks](#) today, SEC Chairman Gensler echoed his longstanding concern about [predictive analytics](#) and AI-related problems recently [highlighted](#) by CFPB Director Chopra and the banking [agencies](#). He also cautions public issuers to ensure their AI-related disclosures are accurate, noting that AI-spawned market fraud is still fraud the SEC will vigorously pursue. However, the heart of Mr. Gensler's comments focuses on macro challenges and systemic issues. Here, he flags AI's likely herding effects and inter-connections which combined with network effects may lead to runs or other systemic challenges not captured in the current regulatory framework. The SEC chairman calls for updated model risk management guidelines that go beyond institution-specific risks as well as for new thinking on system-wide or macro-prudential policy interventions.

---

### **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](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](#).

- **[GSE-071123](#)**: As we detailed [yesterday](#), FRB Vice Chair Barr laid out what he called a holistic view of bank capital standards that encompasses [end-game rules](#), stress testing, post-SVB lessons, GSIB restrictions, and resolvability.
- **[CAPITAL228](#)**: FRB Vice Chairman Barr's speech [today](#) outlines near-term U.S. regulatory-capital policy, confirming our [earlier assessment](#) that a sweeping proposal will soon be released.
- **[GSE-070523](#)**: As an in-depth FedFin analysis today addresses ([see FSM Report REALESTATE25](#)), the banking agencies and NCUA late last week issued far-reaching [guidance](#) encouraging loan accommodations and even forbearance for troubled commercial real estate (CRE) projects, including multifamily obligations.
- **[REALESTATE25](#)**: The banking agencies and NCUA have agreed on a final policy statement providing guidance for how financial institutions are to handle troubled commercial real estate loans, giving banks considerable latitude to forbear when borrowers are unable to meet their obligations but are deemed to be able to pay at least some of it over time.
- **[GSE-063023](#)**: In non-public remarks ahead of a presentation by FedFin managing partner Karen Petrou, Sen. Jack Reed (D-RI) laid out what he thinks banking agencies will do next, doubtless based on what they've told him that they'll do next.
- **[COMPENSATION37](#)**: The Senate Banking Committee has overwhelmingly approved bipartisan legislation to reform executive compensation following larger insured-depository institution (IDI) failures, with parent-company executive compensation also at risk in some circumstances.
- **[ESG4](#)**: Late Friday, GOP HFSC Members issued a withering [report](#) criticizing the Biden Administration for using financial regulators to do its political bidding on ESG objectives that it believes "contort" financial regulators into political instrumentalities that put retail investors at risk.
- **[GSE-062223](#)**: A [Bloomberg article](#) tells a fascinating tale of high-flying personal real-estate investment and other alleged acts of self-dealing at the expense of the seemingly-hapless Federal Reserve Bank of San Francisco.
- **[FEDERALRESERVE74](#)**: Chairman Powell's HFSC appearance today led to unusually substantive discussion of pending financial-policy actions.