



Tuesday, October 17, 2023

Bowman Opposes Global Unified Ledger, Cautious re Cross-Border CBDCs

FRB Gov. Bowman today sharply [differed](#) with BIS managing director Agustín Carstens on the future of central banks in wholesale payments. Mr. Carstens as [recently](#) as three weeks ago pressed again for central bank “unified ledgers,” placing central banks wholly into payment streams not only for commercial banks, but also across most other payment, settlement, and clearing assets. Gov. Bowman supports wholesale CBDC in that she notes the U.S. already has one as banks tokenize wholesale assets and the Fed provides payment services related to them. However, she also encourages policymakers to be mindful of the reasons why cross-border wholesale and currency payments cannot always be moved seamlessly by more ambitious CBDCs. Again, rebuking an array of BIS efforts, Ms. Bowman notes that barriers to cross-border transactions are often necessitated by national priorities such as personal privacy or payment-system integrity. Gov. Bowman also reiterated her opposition to CBDC absent far more research and called again for balanced federal stablecoin regulation.

Basel Proposes Extensive Crypto Disclosure Templates

[As anticipated](#), Basel released a [consultative document](#) today providing a standardized template for crypto exposure disclosures, with a proposed implementation date of January 31, 2025. Basel proposes qualitative disclosures, including listing all crypto business activities, how they interact with the bank’s risk profile, the most significant current and emerging risks, and the bank’s approach to assessing classification conditions for group 1 cryptoassets. Basel also lays out quantitative templates for capital, accounting classifications, and liquidity. Basel seeks comment on whether more detail is needed for group 1 classification conditions, if it needs to address window-dressing, and whether it should define material exposure. Comments are due by January 31.

Bipartisan Pressure Grows on White House for Iran, Other Sanctions

Led by Rep. Gottheimer (D-NJ), over one-hundred bipartisan lawmakers today sent a [letter](#) to President Biden calling for maximum enforcement of all U.S. Iran sanctions as well as immediate implementation of snapback sanctions on Iran at the UN Security Council. The letter also calls on the Administration to do its best to end Iran’s oil trade with China, apply significant pressure on Qatar and Türkiye to cease their support for Hamas, and provide additional support for Israel. The letter follows a new [measure](#) from Senate Banking Ranking Member Scott (R-SC) and twenty-two other Republican senators as well as Sen. Sinema (I-AZ) that would freeze \$6 billion of Iranian assets and prevent Iran from accessing its Qatari-held funds. The bill would also require Treasury to report to Congress on global high-value Iranian assets blocked by current U.S. sanctions doubtless with an eye to secondary sanctions or other interventions. Sen. Brown (D-OH) and thirteen bipartisan senators also recently sent bipartisan [letter](#) to Secretary of State Blinken calling for a freeze on \$6 billion of Iranian assets even though Treasury and State have already frozen them. As previously [noted](#), numerous House bills are pending in this area; a hearing and even mark-up is likely as soon as the House is able to resume ordinary business.

Community-Bank Liquidity Shows Significant Stress

Providing worrisome data on small-bank resilience, a new community banking [bulletin](#) from the Federal Reserve Bank of Kansas City finds that community banks have decreased their holdings of highly-liquid assets over the past year to fund what it calls “outsized” loan growth despite deposit run-off. Liquid assets declined to sixteen percent of community-bank total assets as of June 30, with high levels of unrealized losses in investment portfolios adversely affecting securities-portfolio liquidity. Almost fifty percent of community bank securities are now pledged as collateral for borrowing options (e.g., the Fed’s TBFP). Liquid assets are defined as unpledged investment securities, interest-bearing bank balances, federal funds sold, and securities purchased under repo agreements.

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](#).

- [GSE-101723](#): [As we noted](#) earlier this month, the Federal Reserve inserted a significant capital provision for credit-linked notes in an otherwise-obscure FAQ.
- [GSE-101623](#): The White House today rolled out a [new housing plan](#) that smacks mightily of many old housing plans.
- [GSE-101323a](#): With smaller lenders [today](#) joining MBA, NAR, and HomeBuilders’ [campaign](#) to squeeze the 30-10 spread, we take a look at the odds the White House, Fed, or Treasury will do as hoped.
- [GSE-101323](#): As we noted yesterday, OMB’s Office of Information and Regulatory Affairs (OIRA) has pronounced a new pro-competition standard for all existing and prospective federal regulations.
- [CONSUMER52](#): Using its advisory process to issue guidance that may lead to enforcement actions, the Bureau has for the first time set standards for the obligations of large banks and credit unions to respond to certain consumer inquiries.
- [REFORM228](#): As we [noted](#) yesterday, the Basel Committee’s October meeting concluded not only with plans for new disclosure consultations, but also a [report](#) on lessons learned from the 2023 crisis.
- [GSE-100223](#): As we noted earlier today, the FRB has issued a seemingly technical [FAQ](#) liberalizing the treatment of certain credit-linked notes.
- [GSE-092523](#): In her Congressional [testimony](#) last week, FedFin managing partner Karen Petrou focused on the unintended consequences wrought by new banking proposal based on their cumulative impact.
- [GSE-092023](#): Or maybe it is, but not everyone has heard.

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