



Friday, December 22, 2023

President Imposes Sweeping Secondary Sanctions

Responding to ongoing evidence that sanctions are not working as hoped despite recent Treasury [assurances](#) they are, the President today issued a sweeping [executive order](#) and Treasury laid out secondary [sanctions](#) for financial institutions found to facilitate Russian Federation finances related to its “war machine.” We will shortly provide clients with an in-depth analysis of these actions which pose significant threats to dollar-clearing access for financial institutions that have so far been largely outside the reach of existing sanctions. Financial entities are now at risk of sanctions if they directly or indirectly facilitate “significant” transactions that would otherwise be sanctioned. Treasury is also issuing a list of critical goods and services covered by these sanctions, with financial institutions found to have conducted or facilitated them at risk of full blocking sanctions or loss or restrictions on access to U.S. correspondent financial services. As our in-depth analysis will detail, U.S. banks will also need to ensure that they readily identify foreign financial entities at risk of correspondent-banking restrictions. The scope of all these sanctions is also broadened by lists both issued today and to come of newly sanctioned imports, exports, and activities.

Treasury Requests Feedback for Financial Inclusion Strategy

Following a statutory directive, Treasury today issued an [RFI](#) to develop a national strategy for financial inclusion. We will shortly provide clients with an in-depth report on the RFI. Noting significant disparities in banking-system access for LMI, low-wealth, Black, and Hispanic households as well as discrepancies in rates of stock and business ownership between white, Black, and Hispanic households, the RFI invites recommendations for policy, government programs, financial products, technology, and other tools and market infrastructure. Questions are posed on policy priorities, measures of financial inclusion, the scope of financial inclusion products and services, and key inclusion barriers. Comments are due by February 20.

Brown Prioritizes Housing, ILC Bill, AI in 2024

The Senate Banking Committee today [released](#) its policy outlook entering 2024 prioritizing affordable housing, enacting the ILC-powers bill ([see FSM Report ILC17](#)), and AI financial-sector policy (likely here picking up the Warner-Kennedy bill we will shortly assess in depth). Chairman Brown (D-OH) will also focus on illicit finance, defending the CFPB, and cryptoassets. “Standing up to China” is also on the to-do list.

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](#).

- [ILC17](#): Senate Banking Committee Chairman Brown (D-OH) is now leading a renewed bipartisan charge to limit the ability of nonbanks to use industrial loan companies (ILCs) to gain access to bank privileges without the parent-company supervision required of all other domestic IDI parents.
- [GSE-121923](#): The CFPB yesterday released a fascinating research [blog](#) looking at cash-out refis.
- [FSOC29](#): This year’s [FSOC report](#) trods much old ground with two exceptions. The first pertains to a new focus on artificial intelligence, machine learning, and new, generative technologies.
- [GSE-121423](#): In a blog post [today](#), Fannie quietly renews its quest for alternatives to traditional title insurance.

- **[GSIB23](#)**: The agencies' capital proposal ([see FSM Report CAPITAL230](#)) unsurprisingly dominated discussion at today's Senate Banking hearing with big bank CEOs.
- **[FINTECH33](#)**: At today's HFSC Digital Assets Subcommittee hearing on banking agency financial innovation, Republicans raised concerns about the Fed's novel activities guidance ([see FSM Report FINTECH32](#)), interagency guidance on third-party risk management ([see FSM Report VENDOR10](#)), and the SEC's predictive data analytics [proposal](#).
- **[CONSUMER54](#)**: Today's Senate Banking hearing with Director Chopra was even more cordial than yesterday's HFSC session ([see Client Report CONSUMER53](#)) even though Republicans continued to criticize the Bureau's recent rulemakings.
- **[GSE-113023](#)**: A new FRB-NY [study](#) confirms that 83% of loans from 2000-2022 went to first-time homebuyers, compared to 56% for the GSEs and 57% for private lenders.
- **[CONSUMER53](#)**: In sharp contrast to most recent HFSC hearings with CFPB Director Chopra, today's session was relatively calm.
- **[GSE-112723](#)**: The most significant thing in FHFA's final capital [rule](#) is not what is to be done, but what FHFA left out: ending the GSEs' advanced-approach requirement.