FedFin Daily Briefing

Tuesday, January 30, 2024

FinCEN Estimates High Bank-BOI Reporting Costs

FinCEN via the *Federal Register* today requested comment on the estimated total annual reporting and recordkeeping burden for new Access Rule beneficial ownership information (BOI) reporting requirements (see FSM Report **AML135**). The RFC estimates that banks will collectively incur an estimated annual cost of approximately $686 million in the first year and $203 million per year thereafter. FinCEN attributes these costs largely to the burden of developing administrative and physical safeguards in the first year and submitting BOI certifications for each request in future years, but does not make clear if it has considered alternatives that reduce possible burden. Comments are due by April 1.

Brown Puts More Pressure on Powell

Following Sen. Warren's rate-cut demands and affordable housing concerns yesterday, Senate Banking Committee Chairman Brown (D-OH) today sent a letter to FRB Chair Powell also calling for less restrictive monetary policy on grounds that elevated rates negatively impact home affordability, limit the housing supply, restrict small business growth, and dampen wages. Chairman Brown also sharply criticizes what he calls corporate price-gouging, a factor he states is the underlying cause of inflation. As noted, the letter is likely to apply even more political pressure to FOMC decision-making this election year. No questions are posed nor is a response requested.

HFSC Targets China Sanctions, Outbound Investments

Today's HFSC National Security Subcommittee Hearing focused on China sanctions and restrictions on outbound investments. There was bipartisan support for President Biden's August Executive Order 14105 which screens US investments in China that involve sensitive technologies, but partisan differences over the best approach moving forward. Full Committee Chairman McHenry (R-NC) stressed the importance that the committee build consensus on the right approach to China sanctions without harming US capital markets or unduly limiting American companies. Full Committee Ranking Member Waters (D-CA) stated that she supports efforts to codify Mr. Biden's executive order, extending to cover existing investment contracts. Republicans, including Subcommittee Chair Luetkemeyer (R-MO) voiced support for fellow Subcommittee Chair Barr's (R-KY) bill H.R. 760 which takes an entity-based approach that used OFAC to impose sanctions on Chinese entities of concern, while Democrats generally supported H.R. 6349, a bill by Meeks (D-NY) and McCaul (R-TX) which instead takes a sector-based approach. Subcommittee Ranking Member Beatty (D-OH) voiced concerns regarding the lack of transparency for outbound investments, praising the Committee for considering multiple legislative "options" to address the issue. Ranking Member Beatty also pressed for supply-chain resiliency, worker interest, climate risk, and hidden fund transparency as issues to consider in this context. In Q&A, Subcommittee Chair Luetkemeyer discussed the recent weakening of the Chinese economy and expressed concerns that US efforts to weaken China may lead them to turn to Iran or Russia, or become more hostile to Taiwan. House Intelligence Committee Ranking Member Himes (D-CT) argued that the US should prefer American investors who can provide information on Chinese firms over angel investors from countries the US doesn't trust, and claimed that closing the opportunity for American capital to go to China would be counterproductive. Financial Institutions Subcommittee Ranking Member Foster (D-IL) raised concerns about foreign investors not being able to get their money out of China after investing.

GOP Demands Retraction of CFPB Tech-Payment Proposal

Reiterating their opposition to the Bureau's pending digital-payment rule (see FSM Report **PAYMENT27**), HFSC Chairman McHenry (R-NC) alongside Digital Assets Subcommittee Chairman Hill (R-AR) and Rep. Flood (R-NE) sent a letter today urging the CFPB to reopen and extend the comment period and reconsider finalizing the rule as proposed. The Republicans take issue with what they consider the proposal's unclear guidance for third-party service providers, unknown impact on digital assets, the uncertain need for intervention regarding large tech firms in this arena, and short comment period.

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.

- **CONSUMER55:** The CFPB has followed up a controversial proposal to set prices for larger-bank overdrafts exempt from certain consumer standards with a proposal to simply ban certain non-sufficient fund (NSF) fees when banks decide in real time to decline a consumer-payment request.

- **GSE-012424:** In this report, we build on our previous analyses of the mortgage implications of the pending capital rules, forecasting what's next for mortgage assets as the FRB, FDIC, and OCC wrestle with the mess Karen Petrou has elsewhere argued they brought upon themselves by careless analytics and political misjudgment.

- **OVERDRAFT12:** Building on a bulletin and circular from late 2022 warning banks about certain overdraft practices, the CFPB has now proposed a rule that would sharply and expressly limit fees for extensions of credit related to overdrawn transaction accounts unless the account comes under an array of consumer-protection requirements.

- **GSE-012224:** A new Fed staff study uses models to conclude that government-backed mortgage securitization exacerbates financial crises, contradicting conventional wisdom that – GSE blow-ups notwithstanding – properly-regulated GSEs create a liquid, diversified asset pool for an otherwise illiquid, risky asset class.

- **GSE-011224**: A new staff paper from the Federal Reserve Bank of New York assesses the tender topic of bank mortgage lending to minority borrowers.

- **GSE-010924:** Based on recent dialogue with institutional investors and regulators, a new FRB-NY Teller Window article concludes that robust data collection, loan standardization, and higher volume could improve CDFI secondary market sales.

- **GSE-010824:** It's not news to observe that things that change at the GSEs then change a lot of other things.

- **INCLUSION3:** As required by law, the U.S. Treasury is working to set policy enhancing financial inclusion.

- **NBFI3:** The banking agencies have proposed significant changes to call-reporting data illuminating how banking organizations are inter-connected with nonbank financial intermediaries and to implement pending requirements for long-term debt (LTD) issuance.

- **DEPOSITINSURANCE123:** In the wake of increasing instances in which customers are confused and even misled about the extent to which fintech and cryptoasset holdings are insured deposits, the FDIC has finalized its proposal setting disclosure standards as well as modernizing IDI representations of their own FDIC-insured offerings in branches and through the fast-changing array of retail banking delivery channels.

Federal Financial Analytics, Inc.
2101 LStreet, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

- **GSE-010224:** Shortly before the new year, the banking agencies proposed new call-report requirements that would force banks with over $10 billion in assets to report new data on nonbank mortgage intermediaries and structured GSE-guaranteed positions.

- **AI4:** Bipartisan Senate legislation has been introduced to press FSOC to do more than highlight artificial intelligence (AI) as a potential threat to financial stability.

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