



Tuesday, March 26, 2024

CBO Flags Long-Term Fiscal Risk to Financial Stability

CBO's latest long-term fiscal forecast [now includes](#) a financial-stability warning absent from the Fed's recent analysis ([see Client Report SYSTEMIC97](#)) and FSOC's annual report ([see Client Report FSOC29](#)): the rising U.S. debt burden. CBO is not focused like these agencies on near-term Treasury-market liquidity shortages or operational failures. Instead, it fears that the amount of debt relative to GDP under its new forecast (reaching 107 percent of GDP by 2029 and 166 percent by 2054) could lead to such sharp drops in Treasury prices as to threaten some businesses and key financial institutions. The analysis does not find a fixed point at which debt/GDP ratios turn toxic nor can it quantify resulting financial-stability risk. Near-term systemic risk is not anticipated but CBO does note the potential for adverse macroeconomic effects along with adverse impacts on the dollar's reserve-currency status.

Chopra Expands CFPB Attack to Card Rewards

Undaunted by a CBA audience suing him on many actions, CFPB Director Chopra today gave a rousing defense of his agency's credit-card late fee rule ([see FSM Report CREDITCARD37](#)), making clear he will vigorously defend it in the courts. He also expanded his attack on card practices, noting that rewards may be bait-and-switch offers. He went on to describe CFPB work to curb digital-based comparison shopping ([see FSM Report CONSUMER56](#)), reiterating that the Bureau is amassing its own data which objective third-party sites might then use to assist consumer choice. Emphasizing fairness, Mr. Chopra also noted the agency's work to curb Apple's tap-to-pay anti-competitive practices, an area in which the Department of Justice and banks are largely on the same page as he also observed. Fairness also came up in Mr. Chopra's defense of the pending open-banking rule ([see FSM Report DATA4](#)) and, he suggested, in much the Bureau now also has under way.

CFPB/FTC Press for More Tech-Finance Enforcement

Building on the Bureau's recent efforts to limit AI use in comparison-shopping and other consumer-finance applications ([see FSM Report CONSUMER56](#)), the [CFPB joined the FTC today](#) in issuing a statement coordinating federal and state enforcement efforts against generative AI in particular and digital consumer-finance products more generally. Responding to increased use of digital technologies in consumer-finance firms and tech-platform entry, the CFPB is expanding its own expertise, using this in both supervisory and analytical efforts designed to backstop numerous initiatives planned to ensure fair competition rather than that based on regulatory arbitrage. The FTC's release focuses on tools law-enforcement should use to curtail technology-related abuses in consumer finance along with the need for greater inter-agency and global competition.

HFSC, AG Republicans Press SEC on Crypto-Custody Standards

HFSC Chair McHenry (R-NC) and House Ag Chair Thompson (R-PA), alongside 46 Republican members today sent a [letter](#) to SEC Chair Gensler calling for clarification the position on special purpose broker dealer's (SPBD) ability to custody non-security digital assets, the agency's willingness to address SPBD non-compliance, the regulatory classification of ETH, and the SEC's position regarding Prometheus's custody services announcement. This inquiry combines Republicans' longstanding complaints about SEC standards dictated on a case-by-case basis with broader demands for changes to the agency's bulleting regarding custody assets on [bank balance sheets](#). The letter also criticizes the lack of clarity regarding ETH

classification, and states that if it is determined to be a digital asset security existing CFTC registered entities and registrants are potentially violating securities laws. The members request answers by April 9.

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](#).

- **[REFORM231](#)**: Today's HFSC hearing on global governance featured [expected](#) Republican attacks on what they called the opaque nature of U.S. interactions with international organizations, with Chairman McHenry (R-NC) promoting a draft bill requiring regulators to report dealings with global standard-setting groups to Congress.
- **[GSIB24](#)**: Reflecting concerns expressed about banks that window-dress key regulatory data as the post-crisis framework took shape, the Basel Committee has now issued a request for views on how to prevent this when it comes to GSIB calculations related to their surcharge or possible designation.
- **[CREDITCARD37](#)**: Following a very controversial proposal, the CFPB has finalized credit-card late-fee restrictions in a final rule that does not differ significantly from the proposal on its key point: elimination of the manner in which inflation adjustments are now made by credit-card lenders when it comes to late fees.
- **[GSE-031224](#)**: The President's [FY25 budget](#) picks up FHFA's [recommendations](#), calling for statutory change to double the System's affordable-housing commitment.
- **[FEDERALRESERVE75](#)**: As [expected](#), Republicans took turns grilling Chair Powell on the Basel III endgame proposal and calling for its withdrawal, and were likely pleased with the results.
- **[CONSUMER56](#)**: The CFPB has issued a circular essentially banning digital and perhaps all other consumer-finance comparison-shopping and lead-generation tools for credit cards and other products not covered by prior orders.
- **[GSE-021624](#)**: In this report, we build on our in-depth analysis yesterday of the Fed's new stress-test scenarios to focus on their mortgage-market impact.
- **[STRESS32](#)**: In this report, we assess the strategic and policy implications of the Fed's new [stress-test regime](#).
- **[LIQUIDITY34](#)**: Today's HFSC Financial Institutions hearing on emergency liquidity featured much discussion of reform, but few indications of any action Congress will take to advance it apart from support for pending agency efforts to enhance discount-window [readiness](#).