



# FedFin Weekly Alert

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Monday, April 8, 2024

## ❑ CROSSING THE AML FRONTIER

As the schedule below makes clear, Treasury Deputy Secretary Wally Adeyemo will bring his agency's updated wish list before Senate Banking on Tuesday. The principal focus of the session is sure to be digital assets, with Treasury refining its [prior plan](#) to bring them fully within the AML/CFT enforcement scope not just to the greatest extent possible under current law, but also after key revisions. Democrats will be most receptive, with Sen. Warren (D-MA) using the session to propel her [stalled bill](#) to revise the law to bring what she calls cryptocurrency fully within it. This is a bipartisan bill, but we still expect many Republicans to complain that data does not support Treasury's concerns in this sector. Republicans led by Ranking Member Scott (R-SC) are sure also to use the session to complain that big banks are using SARs to target January 6 protesters and others with whom they do not agree, alleging also that Treasury has pressed banks to do so for its own political purposes. Sen. Scott has sent a strongly-worded [letter](#) on this topic and it is a still more high-priority issue in the [House](#). As always, an in-depth analysis will follow the hearing pointing to key actions and any changes to the challenging path ahead for the Warren-Marshall bill now that it was omitted from Majority Leader Schumer's [priority list](#).

## Headlines From the Past Week's Daily Briefings

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### [April 1](#)

- **FRB-NY: Experience Begets Overdraft Fee Knowledge** - Perhaps reflecting the Biden Administration's examination of [overdraft](#) fees, a new [report](#) from the Federal Reserve Bank of New York staff on overdraft credit found that experienced overdrafters are roughly twice as likely to know their bank's overdraft fee than customers who have not overdrawn in the past year.
- **Barr Takes Over CFPB Card-Fee Fight** - As anticipated, HFSC Financial Institutions Subcommittee Chair Barr (R-KY) has [introduced](#) H.J. Res. 122, the same CRA resolution overturning CFPB's late fee rule [introduced](#) by freshman Rep. Ogles (R-TN).

### [April 2](#)

- **Bowman Attacks "Regulation by Application"** - FRB Governor Bowman [expressed](#) concerns about the regulatory agencies' evolving approach to M&A, stating that pending reforms may exacerbate existing procedural problems such as long delays and regulatory uncertainty that may undermine the viability of banks.

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- **OFR Examines Stress-Event LCR** - The OFR [published](#) a brief examining the performance of components of the LCR on U.S. GSIBs in response to the COVID-19 shock.
- **FRB-PHL: Majority of Consumers Receptive to CBDC** - The Federal Reserve Bank of Philadelphia released a [report](#) on CBDCs, finding that a majority of consumers were generally receptive to a U.S. CBDC despite obstacles to widespread CBDC consumer adoption.

### April 3

- **Bowman Wants Policy Review, Fed-Operational Improvements Ahead of New Liquidity Regs** - Turning from [mergers](#) to the Fed's lender-of-last-resort role, Gov. Bowman [argues](#) that new liquidity policies require careful review before any new rules are adopted.
- **Fed Treads Carefully in New Global Money-Tokenization Project** - The BIS [announced](#) a new program exploring ways in which tokenizing central-bank and bank money for wholesale transactions on programmable platforms would benefit the monetary system.
- **Powell Defends Independence, Mandate Limits** - In [remarks](#) on monetary policy and Fed independence, Chair Powell was at pains to emphasize that climate risk was outside the Federal Reserve's mandate.
- **FHFA Treads Cautiously Towards FHLB Reform** - Issuing a minor [ruling](#) regarding Puerto Rico cooperatives, FHFA also [laid out](#) its 2024 priorities following the [report](#) on the Home Loan Bank System.
- **Barr Stands by CRA Rule** - Responding to questions about the court injunction on the [CRA rule](#), FRB Vice Chair Barr [stated](#) that the rules are restated expectations within the boundaries of the Act and Congress intended the agencies to update the 1977 law.
- **Chopra: Merger Approval Requires Affirmative, Additive Community Benefit** - Building on his [comments](#) when the FDIC board voted 3-2 to issue its merger proposal ([see FSM Report MERGER15](#)), CFPB Director Chopra [doubled down](#) on the view that bank mergers should only be approved if there is demonstrable community benefit over an extended period of time.

### April 4

- **Hsu, Gruenberg Skirt CRA Legal Battle** - The CRA-related remarks from [Acting Comptroller Hsu](#) and [Chair Gruenberg](#) were considerably more muted than those from [Vice Chair Barr](#), although Mr. Gruenberg expressly defends the new rule despite the pending legal challenge.

- **FRB-NY: Life, P&C Insurance Poses Climate Risk to Financial Markets** - The Federal Reserve Bank of New York posted a [brief](#) focusing on financial-market risk due to climate change, concluding that there is some of potentially systemic magnitude.
- **FDIC Presses Banks to do More in LMI Communities** - Previewed in [remarks](#) by Chair Gruenberg, the FDIC [released](#) its economic inclusion strategic plan calling on banks to invest in LMI and underbanked communities.

## April 5

- **CFPB Targets FHA, Refi Discount Points** - The CFPB released a report finding that the percentage of homebuyers paying discount points roughly doubled from 2021 to 2023, with the increase more pronounced for buyers with lower credit scores.
- **Treasury KYC Proposal Coming This Year** - In [remarks](#), Treasury Undersecretary Brian Nelson made it clear that, [as we anticipated](#), FinCEN's pending RFI on KYC procedures will be reflected later in formal rulemaking as required by the 2021 law ([see FSM Report AML133](#)).
- **Bowman Focuses on Limited Liquidity-Resilience Reform** - Building on her [comments](#) regarding liquidity regulation, FRB Gov. Bowman [said](#) that regulators should “encourage, but not mandate” the exercise of contingent-funding plans, noting a fine line between bank supervision and interfering with bank management.
- **FSB Secretary General Calls For Tokenization Research** - Reiterating the FSB's ongoing stablecoin and [digital-asset work](#), the Board's Secretary General, John Schindler, [indicated](#) that it would be useful for researchers to explore the potential use cases, benefits and risks of tokenization.

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## This Week

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### Tuesday, April 9

Senate Banking Hearing entitled: “An Update from the Treasury Department: Countering Illicit Finance, Terrorism and Sanctions Evasion.” [10:00 am, Dirksen Senate Office Building 538]. Witness: **The Honorable Adewale O. Adeyemo**, Deputy Secretary, Department of the Treasury.

### Wednesday, April 10

HFSC Hearing entitled: “Beyond Scope: How the SEC's Climate Rule Threatens American Markets.” [10:00 am, 2128 RHOB].

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## Future Events of Note

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### Wednesday, April 17

HFSC Markup. [TBD].

### Thursday, April 18

Senate Banking hearing on housing. [TBD].

### Wednesday, April 24

FTC Informal Junk Fee Hearing. [10:00 am, webcast]. Witnesses: TBD.

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## Recent Files Available for Downloading

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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-032924](#)**: Following FSOC's fulminations about [nonbank mortgage companies](#), FHFA in 2023 heightened its supervisory standards mandating GSE prudential governance of eligible seller servicers.
- **[MERGER15](#)**: Following its 2022 request for input, the FDIC has released a formal proposal that would redefine the agency's bank-merger policy into one that will make it difficult for all but the smallest and simplest transactions within its jurisdiction to have the clear prospects for approval usually necessary in non-emergency transactions, subjecting other M&A applications to protracted review with a high likelihood of denial.
- **[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.