

Regulatory Dispatch

Timely news and resources community bankers can use

to better stay on top of a rapidly changing world.

CSBS Releases [2023 Community Bank Survey Findings](#)

1. Net interest margins were generally seen as the top external risk by community banks
2. A majority of respondents reported higher costs of deposits as the most impactful effect of inflation
3. Cybersecurity continues to be a top internal risk priority of community bankers
4. Nearly all banks surveyed identified the adoption of new or emerging technologies as important

Comment: The [CSBS Community Bank Sentiment Index](#)—which in July 2023 showed the lowest reading since the quarterly index was first published in the second quarter of 2019—highlighted many persistent concerns of community bankers: government regulation, cyberattacks, inflation, the federal debt and deficit, and the cost and availability of labor.

Items of Interest

Bank Management

CFPB [Announces Advisory Committee Appointments](#) (10/06/2023) - WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) announced the appointment of new members to the Consumer Advisory Board, Community Bank Advisory Council, Credit Union Advisory Council, and Academic Research Council.

The Dodd-Frank Wall Street Reform and Consumer Protection Act charges the CFPB with establishing a Consumer Advisory Board to provide advice on a variety of consumer finance issues. Members of the Consumer Advisory Board represent the various districts of the Federal Reserve System. Each member appointed to the Consumer Advisory Board was recommended by a president of a Federal Reserve Bank.

The Community Bank Advisory Council and Credit Union Advisory Council advise and consult the CFPB on financial issues related to community banks and credit unions. The Academic Research Council engages on the strategic research planning process and

	<p>research agenda, and it provides feedback on research methodologies and collection strategies.</p> <p>Members of the advisory boards and councils do not receive a salary, nor are they eligible to officially represent the CFPB or the Federal Reserve System. Their selection does not connote endorsement of their organizations.</p>
	<p>FRB Brief Remarks on the Economy and Bank Regulation - Governor Michelle W. Bowman (10/02/2023) - <i>Given the mixed data releases—strong spending data but a decline in inflation and downward revisions to jobs created in previous months—I supported the FOMC's decision to maintain the target range for the federal funds rate. Since then, the GDP data have also been revised. The frequency and scope of recent data revision complicates the task of projecting how the economy will evolve. But I continue to expect that further rate increases will likely be needed to return inflation to 2 percent in a timely way. The Summary of Economic Projections released in connection with the September FOMC meeting showed that the median participant expects inflation to stay above 2 percent at least until the end of 2025. This, along with my own expectation that progress on inflation is likely to be slow given the current level of monetary policy restraint, suggests that further policy tightening will be needed to bring inflation down in a sustainable and timely manner.</i></p> <p><i>It is important to note that monetary policy is not on a pre-set course. My colleagues and I will make our decisions based on the incoming data and its implications for the economic outlook. I remain willing to support raising the federal funds rate at a future meeting if the incoming data indicates that progress on inflation has stalled or is too slow to bring inflation to 2 percent in a timely way. Returning inflation to the FOMC's 2 percent goal is necessary to achieve a sustainably strong labor market and an economy that works for everyone.</i></p> <p><i>I would also like to briefly discuss recent and future developments in banking regulation. The bank failures and accompanying banking system stress earlier this year made clear that the Federal Reserve, and in some cases the other federal banking agencies, need to address supervisory shortcomings and potentially consider revision of some failure-related bank regulations. I have previously noted my perspective on the path forward, that proposals should be (1) focused on remediating identified issues and shortcomings; (2) informed by data, analysis, and genuine debate and discussion among policymakers within each of the participating agencies; and (3) developed through a transparent and open process that allows policymakers and the public to understand the context, data, and analysis underlying the proposed reforms. The process must also incorporate the opportunity to solicit meaningful public comment.</i></p> <p><i>Comment: News that the U.S. economy added 366,000 new jobs in September was a stronger than expected, adding to concerns that the Federal Reserve might need to raise interest rates further to cool economic activity and tame inflation.</i></p>

	<p>FDIC Proposed Revisions to the Consolidated Reports of Condition and Income (Call Reports) and the FFIEC 002 Report (10/02/2023) - As described more fully in the attached Federal Register notice, the proposed revisions to the reporting forms and instructions for the Call Reports and the FFIEC 002 relate to the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2022-02, "Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures" (ASU 2022-02).</p> <p>STATEMENT OF APPLICABILITY: The contents of, and material referenced in, this FIL apply to all FDIC-insured financial institutions</p> <p>DISTRIBUTION: FDIC-Insured Financial Institutions</p> <p><i>Comment: These changes are proposed to take effect with the March 31, 2024 report date. Share this letter with individuals responsible for preparing Call Reports at your institution.</i></p>
	<p>FRB Speech by Vice Chair for Supervision Barr on Monetary Policy and Financial Stability (10/02/2023) - I joined the FOMC last year at a time when the headline CPI inflation was peaking at about 9 percent, and we had begun our policy response. There has been a lot of progress since tightening the stance of policy began last year. In August, the 12-month change in CPI inflation was about 3-3/4 percent. The Committee has raised the federal funds rate 5-1/4 percentage points while also reducing the Fed's securities holdings by about \$1 trillion. Our strong measures have ensured that inflation expectations remain well anchored.</p> <p><i>While inflation has been moderating, incoming data on economic activity have shown considerably more resilience than I had expected. We are being helped by improvements in supply. I now see a higher probability than I did previously of the U.S. economy achieving a return to price stability without the degree of job losses that have typically accompanied significant monetary policy tightening cycles. However, the historical record cautions that this outcome could be quite difficult to achieve.</i></p> <p><i>Of course, the labor market is tight and the data show that employment continued to expand through August, but incoming data also suggest we are making progress on bringing labor demand and supply back into better balance. Job growth has moderated while labor force participation has continued to improve. Immigration has increased, and job vacancies have moved down toward a more normal level.</i></p> <p><i>My baseline projection is for real GDP growth to moderate to somewhat below its potential rate over the next year as restrictive monetary policy and tighter financial conditions restrain economic activity, and I expect this below-trend growth will be associated with some further softening in the labor market. As we watch how conditions evolve, I remain highly attuned to risks to achieving both components of our mandate.</i></p>

BSA / AML

	XXX XXX (10/XX/2023) - XXX <i>Comment: XXX</i>
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Deposit / Retail Operations

	FTC That Friend Request Could Be From A Scammer (10/06/2023) - Scammers are using social media to go after your money and personal information. And it's working: since 2021, people have reported losing \$2.7 billion to scams that started on social media — way more than with any other contact method. <i>Comment: Consider sharing this on your bank's website or as a statement reminder.</i>
	XXX XXX (10/XX/2023) - XXX <i>Comment:</i>
	XXX XXX (10/XX/2023) - XXX <i>Comment:</i>

Human Resources

	SHRM New Form I-9 Available Now (10/06/2023) – The new version of Form I-9 was released by U.S. Citizenship and Immigration Services (USCIS) on Aug. 1. Employers can use the previous version of the form through Oct. 31, 2023. After that, all employers must use the revised Form I-9. The new form is scheduled to expire July 31, 2026. The updated version of Form I-9 includes the following changes: <ul style="list-style-type: none">▪ Reduces Sections 1 and 2 to a single page, down from two pages.▪ Moves the Section 1 Preparer and/or Translator Certification area to a separate, standalone supplement that employers can provide to employees when necessary.▪ Moves Section 3, Reverification and Rehire, to a standalone supplement that employers can print out when necessary.▪ Revises the Lists of Acceptable Documents page to include some acceptable receipts, as well as guidance and links to information on automatic extensions of employment authorization documentation.▪ Reduces the form's instructions from 15 pages to eight pages.
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	<ul style="list-style-type: none"> Includes a checkbox allowing employers to indicate they examined Form I-9 documentation remotely under a newly authorized virtual procedure rather than via physical examination. <p>The form has also been designed to be fillable on tablets and mobile devices. No previous fields were removed in reducing the form from two pages to one, but multiple fields were merged into fewer fields when possible.</p> <p><i>Comment: Use Form I-9 to verify the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must properly complete Form I-9 for every individual they hire for employment in the United States. This includes citizens and noncitizens. Both employees and employers (or authorized representatives of the employer) must complete the form.</i></p>
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Lending

	<p>XXX XXX (10/XX/2023) – XXX</p> <p><i>Comment:</i></p>
	<p>XXX XXX (10/XX/2023) – XXX</p> <p><i>Comment:</i></p>
	<p>XXX XXX (09/XX/2023) – XXX</p> <p><i>Comment:</i></p>
	<p>XXX XXX (09/XX/2023) – XXX</p> <p><i>Comment:</i></p>

Technology / Security

	<p>CISA Apple Releases Security Updates for iOS and iPadOS (10/06/2023) – Apple has released security updates to address vulnerabilities in iOS and iPadOS. A cyber threat actor could exploit these vulnerabilities to take control of an affected system.</p> <p>CISA encourages users and administrators to review the following advisory and apply the necessary updates: iOS 17.0.3 and iPadOS 17.0.3.</p> <p><i>Comment: Consider share with your IT staff and employees.</i></p>
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	<p>CISA and NSA Release Advisory on Top Ten Cybersecurity Misconfigurations (10/05/2023) - The National Security Agency (NSA) and Cybersecurity and Infrastructure Security Agency (CISA) released a joint cybersecurity advisory (CSA), NSA and CISA Red and Blue Teams Share Top Ten Cybersecurity Misconfigurations, which provides the most common cybersecurity misconfigurations in large organizations, and details the tactics, techniques, and procedures (TTPs) actors use to exploit these misconfigurations.</p> <p>The misconfigurations in the CSA illustrate a trend of systemic weaknesses in many large organizations, including those with mature cyber postures, and highlights the importance of software manufacturers embracing secure-by-design principles to reduce the burden on network defenders. Read the Executive Assistant Director at CISA's blog post on the "Urgency for Software Manufacturers to Incorporate Secure by Design Principles."</p> <p>Additionally, NSA and CISA encourage organizations to review the joint CSA for recommended steps and best practices to reduce the risk of malicious actors exploiting the identified misconfigurations. For more information on secure-by-design principles, visit Secure by Design and Security-by-Design and -Default.</p> <p><i>Comment: 'Misconfigurations' is another way of saying vulnerabilities. A security misconfiguration can occur when security settings are either (1) not implemented, or (2) deployed with errors. These errors create security gaps that expose the application and its data to a cyber attack or possible breach.</i></p>

Selected federal rules – proposed

Proposed rules are included only when community banks may want to comment. Date posted may not be the same as the Federal Register Date.

PROPOSED RULE WITH REQUEST FOR PUBLIC COMMENT