



Capitol Comments May 2018

When there is a deadline or effective date associated with an item, you will see this graphic:



Joint federal agency issuances, actions and news

Agencies Issue Notice of Proposed Rulemaking on CECL Implementation (05.16.2018)



On May 14, 2018, the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation (collectively, the agencies) published a notice of proposed rulemaking (NPR) to implement the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-13, "Financial Instruments—Credit Losses," in their rules. The proposed revisions would conform definitions in the agencies' capital and non-capital rules to the current expected credit losses (CECL) standard and provide an optional transition framework for banks that experience a decrease in capital as a result of adopting the CECL standard.

Note for Community Banks

The NPR, including the optional capital transition framework, would apply to all community banks.

Highlights

The proposed rule would

- update references in the agencies' risk-based capital rules to conform with the new terminology used in ASU 2016-13.
- update references to allowances in the OCC's non-capital regulations to conform with the new terminology used in ASU 2016-13.
- provide a transition under the risk-based capital rules for banks that experience a capital decrease as a result of implementing the CECL standard.

Source [link](#).

Comment: Federal law mandates federal regulators to adhere to FASB standards. Although banks (and the regulators!) commented to FASB on CECL, it now must be implemented. The Notice of Proposed Rulemaking was published in the Federal Register on May 14, 2018, and comments must be received by July 13, 2018.

Bank Secrecy Act Customer Due Diligence and Beneficial Ownership Examination Procedures (05.11.2018)

The Federal Financial Institutions Examination Council (FFIEC) released the customer due diligence and beneficial ownership sections of the FFIEC Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual, which applies to all FDIC-supervised banks and savings associations, including community institutions.

Highlights:

The FDIC, in conjunction with the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the National Credit Union Administration is making the customer due diligence (CDD) and beneficial ownership sections of the FFIEC BSA/AML Examination Manual available to the public.

These manual sections were released in advance of the May 11, 2018, compliance date for the CDD and Beneficial Ownership Rules to promote transparency in the examination process.

The manual sections include examination procedures for customer due diligence and beneficial ownership requirements.

The manual benefits depository institutions by providing information to help assist with BSA compliance and safeguard operations from money laundering and other illicit financial transactions.

These sections will be incorporated into the next manual update.

Source [link](#).

Comment: According to an OCC bulletin released the same day, the examination procedures reflect federal and state banking agencies' "ongoing commitment to examine financial institutions for compliance with the Bank Secrecy Act . . . in accordance with uniform standards and principles."

FFIEC Announces Availability of 2017 Data on Mortgage Lending (05.07.2018)

The Federal Financial Institutions Examination Council (FFIEC) today announced the availability of data on mortgage lending transactions at 5,852 U.S. financial institutions covered by the Home Mortgage Disclosure Act (HMDA). Covered institutions include banks, savings associations, credit unions, and mortgage companies. Released today are loan-level HMDA data that cover 2017 lending activity submitted by financial institutions on or before April 18, 2018. The data include:

- Applications, originations, purchases of loans, sales of loans, denials, and other actions related to applications
- Loan Amounts
- Loan types (conventional, Federal Housing Administration (FHA), Veterans Administration (VA), Rural Housing Service (RHS), or Farm Service Agency (FSA))
- Purposes (home purchase, home improvement, or refinancing)
- Property types (1–4 family, multifamily, or manufactured housing)
- Owner occupancy
- Preapprovals (home purchase loans only)
- Property locations (metropolitan statistical area (MSA), state, county, and census tract)
- Applicant and co-applicant characteristics (race, ethnicity, sex, and income)
- Pricing-related data
- Type of purchasers
- Whether a particular loan is subject to the Home Ownership and Equity Protection Act (HOEPA)
- Whether a particular loan is secured by a first or a subordinate lien, or is unsecured

Unlike in past years, the HMDA loan-level data made available to the public will not remain static, but will be updated, on an ongoing basis, to reflect late submissions and resubmissions. Accordingly, loan-level data downloaded from here at a later date will include any such updated data. An April 18, 2018, static dataset used to develop the observations in this statement about the 2017 data is available here. In addition, beginning in late March 2018, Loan/Application Registers (LARs) for each HMDA filer of 2017 data, modified to protect borrower privacy, were made available here.

Source [link](#).

Comment: With passage of S 2155, banks with satisfactory CRA ratings that originate fewer than 500 closed-end mortgage loans or fewer than 500 open-end lines of credit will not be required to collect and report the new Dodd-Frank Act data fields, but they will continue to report using the prior data points.

CFPB actions and news

Bureau updates Know Before You Owe mortgage disclosure rule Small Entity Compliance Guides and Guides to Forms (05.16.2018)

To support the implementation of the recently issued 2018 TILA-RESPA Rule, on May 15, 2018, the Bureau published updates to both versions of the Small Entity Compliance Guides (versions 4.1 and 5.2) and Guides to Forms (versions 1.5 and versions 2.1).

Due to the 2017 TILA-RESPA Rule's optional compliance period, which ends October 1, 2018, the Bureau has kept an old version and new version of each guide to provide implementation support during the optional compliance period. However, we've updated all versions for the 2018 TILA-RESPA Rule, which is effective before the optional compliance period is over and would apply whether or not you are choosing to comply early with the 2017 Rule.

Source [link](#).

Comment: The implementation guides are extremely helpful and should be in banks' compliance toolbox.

CFPB Blog - A new list identifies more ways to access credit scores—for free (05.16.2018)

Text: Did you know that checking your credit scores and credit reports is one of the first steps toward learning more about your credit history?

You can request your credit reports for free every 12 months from each of the three major credit reporting companies at annualcreditreport.com. However, credit reports currently do not include free credit scores.

The good news is that over the last few years, many financial institutions have started to offer consumers free access to one of their credit scores.

Check out the updated list of companies and organizations that said they offer free credit scores to learn about your options for accessing one of your credit scores free of charge.

Source [link](#).

Comment: CFPB blogs as well as FDIC Consumer Tips are excellent resources for customer financial literacy outreach. Consider using on your bank's website.

Spring 2018 Rulemaking Agenda (05.10.2018)

The Bureau's general purpose, as specified in section 1021 of the Dodd-Frank Act, is to implement and enforce federal consumer financial law consistently for the purpose of ensuring that all consumers have access to markets for consumer financial products and services and that markets for consumer financial products and services are fair, transparent, and competitive. Under the Regulatory Flexibility Act, federal agencies must publish regulatory agendas twice a year. As an independent regulatory agency, it has been voluntarily participating in the Unified Agenda, which is led by the Office of Management and Budget (OMB). OMB recently posted online our updated agenda submitted this spring. Portions of that agenda will also be published in the Federal Register.

The Unified Agenda includes rulemaking actions in pre-rule, proposed rule, final rule, long-term, inactive, and completed stages. The Bureau's rulemaking work is focused on achieving the objectives established in the Dodd-Frank Act. Its regulatory work in pursuit of these objectives can be grouped into two categories:

- Implementation of directives from Congress
- Other efforts to exercise the Bureau's statutory authorities

The Bureau is under interim leadership pending the appointment and confirmation of a permanent director. In light of this status, Bureau leadership is prioritizing during coming months:

- Meeting specific statutory responsibilities
- Continuing selected rulemakings that were already underway
- Reconsidering two regulations issued under the prior leadership

The Bureau has recently launched a "call for evidence" to ensure that it is fulfilling its proper and appropriate functions to best protect consumers. As part of that initiative, we are seeking public feedback through a number of Requests for Information (RFIs) with respect to the regulations that the Bureau inherited from other agencies as well as regulations that the Bureau itself promulgated and issued. In addition, we are in the process of assessing the effectiveness of three rules pursuant to section 1022(d) of the Dodd-Frank Act. Future agendas will take into account the feedback received through the call for evidence and the assessment projects to identify areas in which issuing, modifying, or eliminating rules may be appropriate to achieve the Bureau's strategic goals and objectives.

Source [link](#).

Comment: The agency rule list includes pre-rule stage for the business lending data collection under Reg B, debt collection rule, updated Reg P (privacy) to eliminate annual notice and match the law. It does NOT include overdraft privilege rule-making.

Bureau of Consumer Financial Protection Finalizes Amendment to "Know Before You Owe" Mortgage Disclosure Rule (04.26.2018)

WASHINGTON, D.C. — Today the Bureau of Consumer Financial Protection (Bureau) finalized an amendment to its "Know Before You Owe" mortgage disclosure rule that addresses when mortgage lenders with a valid justification may pass on increased closing costs to consumers and disclose them on a Closing Disclosure. The update is intended to provide greater clarity and certainty to the mortgage industry.

The Know Before You Owe mortgage disclosure rule took effect Oct. 3, 2015. The Bureau's rule created new Loan Estimate and Closing Disclosure forms that consumers receive when applying for and closing on a mortgage loan. The Bureau heard feedback from the industry that they needed clarification on when creditors may pass on increased costs to consumers and disclose them on a Closing Disclosure. Specifically, a timing restriction on when the creditor may use a Closing Disclosure to communicate closing cost increases to the consumer could prevent a creditor from charging the consumer for those cost increases despite a valid reason for doing so, such as a changed circumstance or borrower request. In response, in July 2017 the Bureau proposed an amendment removing that particular timing restriction. Today, after considering public comment on the proposal, the Bureau is finalizing that amendment.

The final rule will take effect 30 days after publication in the Federal Register.

The final rule is available at:

https://files.consumerfinance.gov/f/documents/cfpb_tila-respa_final-rule_amendments-to-federal-mortgage-disclosure-requirements.pdf

Source [link](#).

Comment: This final rule specifically provides that a creditor may use a Closing Disclosure, instead of a Loan Estimate, to reflect changes in closing costs for the purpose of determining whether an estimated closing cost was disclosed in good faith, regardless of when the Closing Disclosure is provided relative to consummation. The final rule will go into effect 30 days after publication in the Federal Register which was May 2, 2018.

FDIC actions and news

Summary of Deposits Survey Filing for June 30, 2018 (05.15.2018)

The Summary of Deposits (SOD) is the annual survey of branch office deposits as of June 30 for all FDIC-insured institutions, including insured U.S. branches of foreign banks. All institutions with branch offices are required to submit the survey; institutions with only a main office are exempt. All survey responses are required by July 31, 2018. No filing extensions will be granted.

Highlights:

The SOD Survey will be collected using the Federal Financial Institutions Examination Council's (FFIEC) Central Data Repository (CDR).

The individual responsible for submitting an institution's SOD Survey must have an account with the CDR. A separate CDR account is not necessary if the SOD submitter and Call Report submitter are the same individual. Instructions for requesting a CDR account are provided under "Accessing the Central Data Repository" on page 2 of this FIL.

Institutions must either complete the survey directly in the CDR or use vendor software to prepare and submit their survey responses to the CDR. Software vendors available to assist with the SOD filing are listed under "Electronic Filing Options" on page 3 of this FIL.

Prior to completing the survey, institutions should review their current branch office information on the FDIC's BankFind website at <https://research.fdic.gov/bankfind> and submit necessary corrections to the FDIC's Data Collection and Analysis Section at sod@fdic.gov by June 15, 2018. Correspondence should include a

minimum: Bank Name, FDIC Certificate Number, and branch UNINUM. If not submitted by that date, branch office information corrections should be included with the SOD Survey.

SOD Reporting Instructions, access to the CDR, and additional information are available at www.fdic.gov/sod. Periodically check the site for updated information.

Continuation of FIL-27-2018

Source [link](#).

Deposit Insurance Coverage Seminars -Free Nationwide Seminars for Bank Officers and Employees

(05.09.2018) 

The FDIC will conduct four identical live seminars on FDIC deposit insurance coverage for bank employees and bank officers between May 24, 2018, and November 26, 2018. In addition to a comprehensive overview of FDIC deposit insurance rules, the seminars now include deposit insurance coverage information on signature card requirements for joint accounts, Prepaid Cards, Bank Trade names, Health Savings Accounts, 529 plan accounts, and 529 Achieving a Better Life Experience (ABLE) plan accounts. The presentation provides an overview of some of the most popular deposit insurance resources such as: (a) the FDIC's Electronic Deposit Insurance Estimator (EDIE), which is an interactive tool used to calculate deposit insurance coverage; (b) the FDIC's BankFind Directory, which allows users to confirm if a bank is FDIC-insured; and (c) the FDIC's Financial Institution Employee's Guide to Deposit Insurance, which was developed to assist bankers in providing detailed information about deposit insurance coverage to their customers.

Also, the FDIC has developed three separate Deposit Insurance Coverage Seminars for bank officers and employees that are available on the FDIC's YouTube channel. Both the live and YouTube deposit insurance coverage seminars will provide bank employees with an understanding of how to calculate deposit insurance coverage. The live seminars each provide a comprehensive overview of FDIC deposit insurance.

Highlights:

Live seminars on deposit insurance rules for bank officers and bank employees will be conducted via Cisco WebEx conferencing software between May 24, 2018, and November 26, 2018. Each identical live seminar will last approximately 120 minutes and include a question-and-answer session with FDIC subject matter experts.

The live seminars are free, but advance registration is required. See the attachment for registration instructions, including the specific dates and registration deadlines.

Each of the live seminars will link to a slide presentation, and participants are strongly encouraged to have a copy of the PowerPoint slides during the audio presentation. See the attachment for accessing the slide presentation.

Three self-study seminars on other deposit insurance issues also are available on FDIC's YouTube Channel. The topics include: (1) Fundamentals of Deposit Insurance Coverage; (2) Revocable Trust; and (3) Advanced Topics. See the attachment for instructions to access the YouTube seminars.

Source [link](#).

Comment: In addition to the live seminars, the FDIC posted to its YouTube [channel](#) three separate seminars, entitled (i) Fundamentals of Deposit Insurance Coverage; (ii) Deposit Insurance Coverage for Revocable Trust Accounts; and (iii) Advanced Topics in Deposit Insurance Coverage. Both the live seminars and the YouTube

seminars will provide bank employees and officers with an understanding of how to calculate deposit insurance coverage.

Thomas M. Hoenig Steps Down as FDIC Vice Chairman (04.27.2018)

Thomas M. Hoenig announced that he is stepping down as the Vice Chairman and a Member of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) on April 30, 2018. Mr. Hoenig joined the Board in April 2012 and has served a full six-year term.

Prior to joining the FDIC Board, Mr. Hoenig was the President of the Federal Reserve Bank of Kansas City and a Member of the Federal Open Market Committee (FOMC) from 1991-2011.

"It has been an honor and a privilege to serve the public and be a part of the FDIC and its mission during these past six years," Mr. Hoenig said.

FDIC Chairman Martin Gruenberg said, "I would like to thank Vice Chairman Hoenig for his extraordinary career of public service at both the FDIC and the Federal Reserve Bank of Kansas City. Tom has been a forceful advocate for strong, independent financial regulation and has contributed enormously to the mission of the FDIC during his time as Vice Chairman. The FDIC was fortunate to benefit from his service."

Source [link](#).

Comment: Hoenig brought critical community bank advocacy to the FDIC. He will be missed.

FDIC Conducting Testing of Standardized Export of Imaged Loan Documents (04.24.2018)

The Federal Deposit Insurance Corporation (FDIC) is developing and testing a standardized export of imaged loan documents in an effort to streamline examination processes. This initiative is anticipated to improve efficiencies during onsite examination activities and provide additional opportunities for conducting examination activities offsite. The FDIC will conduct a teleconference at 2 p.m. Eastern Time, on May 16, 2018, for FDIC-supervised institutions interested in learning more about the project.

Statement of Applicability to Institutions with Total Assets Under \$1 Billion:

This Financial Institution Letter provides information to all FDIC-supervised financial institutions.

Source [link](#).

Comment: The FDIC will host a teleconference for FDIC-supervised institutions who wish to learn more about the initiative, goals, testing and discovery phase, and potential benefits of the standardized export of imaged loan documents.

OCC actions and news

Core Lending Principles for Short-Term, Small-Dollar Installment Lending (05.23.2018)

The Office of the Comptroller of the Currency (OCC) encourages banks to offer responsible short-term, small-dollar installment loans, typically two to 12 months in duration with equal amortizing payments, to help meet the credit needs of consumers. The OCC is issuing this bulletin to remind banks¹ of the core lending principles for prudently managing the risks associated with offering short-term, small-dollar installment lending

programs. Banks should develop and implement these programs in a manner consistent with sound risk management practices and should align the programs with the banks' overall business plans and strategies. Such strategies could include working with consumers who have an ability to repay a loan despite a credit profile that is outside of a bank's typical underwriting standards for credit scores and repayment ratios. In all programs, banks should offer lending products in a manner that ensures fair access to financial services and fair treatment of consumers and complies with applicable laws and regulations. This bulletin is consistent with the OCC's support for responsible innovation by banks to meet the evolving needs of consumers, businesses, and communities.

Note for Community Banks

This guidance applies to all OCC-supervised banks.

Highlights

The OCC encourages banks to

- refer to the core lending principles in this bulletin when conducting short-term, small-dollar installment lending activities.
- discuss plans to offer short-term, small-dollar lending products with their OCC portfolio manager, examiner-in-charge, or supervisory office before implementation, particularly if the offerings constitute substantial deviations from their existing business plans.

Source [link](#).

Comment: The OCC references the CFPB's plans to reconsider the Payday Rule and states that it intends to work with the CFPB and other stakeholders to ensure that OCC-supervised banks can responsibly engage in consumer lending, including lending products covered by the Payday Rule.' The OCC announcement was immediately followed by a statement in support from CFPB Acting Director Mulvaney. Additionally, remember that the OCC withdrew its prior restrictive deposit advance product guidance. The prevailing speculation is that the CFPB and the OCC will work to overturn or revise the Payday Rule.

New Comptroller's Handbook Booklet for Military Lending Act (05.11.2018)

The Office of the Comptroller of the Currency (OCC) issued today the "Military Lending Act" booklet of the Comptroller's Handbook. This new booklet, part of the Consumer Compliance series of the Comptroller's Handbook, is for use by OCC examiners when assessing compliance with the Military Lending Act (MLA), as implemented by 32 CFR 232, "Limitations on Terms of Consumer Credit Extended to Service Members and Dependents." The MLA applies to closed-end and most open-end consumer credit consummated or established on or after October 3, 2016, and to credit card accounts established on or after October 3, 2017, that are covered by the MLA and 32 CFR 232.

The booklet reflects U.S. Department of Defense amendments to 32 CFR 232 as published in the Federal Register on July 22, 2015,¹ and related official Defense Department interpretations (interpretive rule) as published in the Federal Register on August 23, 2016,² and December 14, 2017,³ respectively.

Rescissions

The "Military Lending Act" booklet replaces and rescinds the "Limitations on Terms of Consumer Credit Extended to Servicemembers and Dependents" procedures that were found in the "Other Consumer Protection Laws and Regulations" booklet of the Comptroller's Handbook.

The “Military Lending Act” booklet incorporates the interagency MLA examination procedures developed by the Federal Financial Institutions Examination Council’s Task Force on Consumer Compliance (2016 interagency MLA examination procedures) and rescinds OCC Bulletin 2016-33, “Military Lending Act: Revised Interagency Examination Procedures Regarding Limitations on Terms of Consumer Credit Extended to Service Members and Dependents.” Bulletin 2016-33 accompanied the 2016 interagency MLA examination procedures.

Note for Community Banks

This booklet applies to the examinations of OCC-supervised institutions that consummate or establish consumer credit products covered by the MLA and 32 CFR 232 as of October 3, 2016.

Highlights

- The booklet incorporates the 2016 interagency MLA examination procedures under the Comptroller’s Handbook template for OCC examiners.⁴
- Consistent with the July 2015 regulatory amendments, the booklet reflects
- the expansion of MLA protections to a broader range of consumer credit products.
- rules for determining the fees and charges that are included within the calculation of the military annual percentage rate (MAPR) and for calculating the MAPR.
- the optional safe harbor methods available to creditors for identifying covered service members and dependents (covered borrowers).
- disclosures that creditors are required to provide to covered borrowers.
- limitations on consumer credit extended to covered borrowers.
- These amended regulatory requirements went into effect on October 3, 2016, for consumer credit products other than credit cards.
- The requirements relating to credit card accounts became effective October 3, 2017.

Related Link

[“Military Lending Act” \(PDF\)](#)

Source [link](#).

Comment: Although not a part of the MLA, please note that S 2155 restored the foreclosure protections for servicemembers! No foreclosure without court approval during active duty and for one year after.

OCC Hosts Operational Risk Workshop in Pennsylvania (05.07.2018)

WASHINGTON — The Office of the Comptroller of the Currency (OCC) will host a workshop in Harrisburg, Pa., at the Crowne Plaza Harrisburg-Hershey, June 20, for directors of national community banks and federal savings associations supervised by the OCC.

The Operational Risk workshop focuses on the key components of operational risk—people, processes, and systems. The workshop also covers governance, third-party risk, vendor management, internal fraud, and cybersecurity.

The workshop fee is \$99. Participants receive course materials and assorted supervisory publications. The workshop is limited to the first 35 registrants.

The workshops are taught by experienced OCC staff and are offered nationwide to enhance and expand the skills of national community bank and federal savings association directors. To register for this workshop, visit www.occ.gov/occworkshops.

Source [link](#).

Federal Reserve actions and news

Federal Reserve Banks Launch the New Website “Fed Small Business” (05.01.2018)

In conjunction with National Small Business Week, the 12 Reserve Banks of the Federal Reserve System launched a new website: Fed Small Business. This site will serve as a hub for the Reserve Banks’ small business research, analysis and thought leadership.

Fed Small Business includes content from the annual Small Business Credit Survey (SBCS), a national survey of small business owners that provides insight into firms’ financing needs and experiences. The website launched today brings together SBCS reports, along with their associated underlying data and questionnaires, in a single resource. It also maintains information on how community and business groups can partner with the SBCS to further understanding of the unique small business sector.

The site aims to inform efforts to help small firms, by making small business insight from the 12 Reserve Banks easily accessible to policymakers, community leaders and service providers. Going forward, Fed Small Business will be expanded to include additional SBCS work and a wide breadth of other small business research.

Source [link](#).

Other federal action and news

FinCEN - Administrative Ruling: Beneficial Ownership Requirements for Legal Entity Customers of Certain Financial Products and Services with Automatic Rollovers or Renewals (05.16.2018)

Under 31 U.S.C. § 5318(a)(5) and 31 CFR § 1010.970, FinCEN has the authority to make exceptions to the requirements of 31 CFR Chapter X. Such exceptions may be either conditional or unconditional and may apply to particular persons or classes of persons. FinCEN may extend, modify or revoke exceptions at its discretion.

For the reasons discussed above, FinCEN grants an exception to covered financial institutions for 90 days, up to and including August 9, 2018, from the Beneficial Ownership Rule’s requirements to identify and verify beneficial ownership information for rollover or renewal of certain financial products and services (i.e., CD and loan accounts) that were established before May 11, 2018.

Source [link](#).

Comment: For additional information on ‘service renewals’ see Question 12 in FinCEN’s April 3, 2018, Guidance FAQs ([FIN-2018-G001](#)).

FinCEN Director’s Law Enforcement Awards Program Recognizes Significance of BSA Reporting by Financial Institutions (05.08.2018)

WASHINGTON— In a ceremony held at the U.S. Department of the Treasury May 8, 2018, the Financial Crimes Enforcement Network (FinCEN) recognized the outstanding efforts of law enforcement agencies that successfully used Bank Secrecy Act (BSA) reporting in their criminal investigations. The BSA’s recordkeeping and reporting requirements help to create a financial trail that law enforcement agencies use to track criminals, their activities, and their assets. The FinCEN Director’s Law Enforcement Awards Program underscores the importance of a successful partnership between the financial industry that provides BSA information and law enforcement that utilizes it.

“Industry reporting under the BSA is critical to supporting law enforcement investigations that combat money laundering and other financial crimes,” said U.S. Treasury Secretary Steven T. Mnuchin. “Today we are recognizing the tireless efforts of law enforcement to combat financial crimes and thanking them for their partnership. We also appreciate our partnership with the new private sector as they identify and report suspicious activity.”

“FinCEN’s awards highlight how vital BSA information is in law enforcement, counterterrorism, and national security investigations, as we work to stop the flow of illicit money,” said Sigal Mandelker, Under Secretary of the Treasury’s Office of Terrorism and Financial Intelligence. “These awards highlight successful law enforcement actions that resulted from critical BSA information and the great value that financial institutions bring to these cases through their reporting of suspicious activity.”

“BSA data is one of the first lines of defense in our fight to keep our country, our communities, and our families safe,” said FinCEN Director Kenneth A. Blanco. “I am proud to confer these awards on our law enforcement partners to demonstrate how important the submission of this data is, and how it can be best utilized by true professionals. BSA information helps put together pieces of the puzzle we would not otherwise see.”

Representatives from financial industry trade groups, including The Clearing House Association, the Institute of International Bankers, the Independent Community Bankers of America, the American Bankers Association, and the Credit Union National Association, also assisted in the presentation of each award.

Since 2015, FinCEN has held the annual program to recognize law enforcement agencies that make effective use of financial institution reporting to successfully pursue and prosecute cases, and to demonstrate to the financial industry the value of its reporting under the BSA. With this year’s addition of a category recognizing state and local law enforcement, FinCEN’s annual program now includes seven award categories acknowledging achievements in combatting significant threats to the integrity of the financial system and the safety of our communities. The program is open to all Federal, state, local, and tribal law enforcement agencies.

Source [link](#).

Comment: It is validating to learn about actual use of the reports banks are required to file! These can also be helpful case studies for BSA/AML training.

FTC to Host Cryptocurrency Workshop on June 25 (04.30.2018) 

The Federal Trade Commission will host a workshop in Chicago on June 25 to examine scams involving cryptocurrencies.

The “Decrypting Cryptocurrency Scams” workshop will bring together consumer groups, law enforcement, research organizations, and the private sector to explore how scammers are exploiting public interest in cryptocurrencies such as bitcoin and Litecoin and to discuss ways to empower and protect consumers.

Cryptocurrencies are digital assets that use cryptography to secure or verify transactions. They are not created by a government or central bank, but they can be exchanged for U.S. dollars or other government-backed currencies.

Source [link](#).

Comment: Watch out! Just last month, lawyers for the FTC obtained a restraining order against ‘investment organizers’ based in Florida that the agency said were promoting cryptocurrency-related scams.

State agency actions and news

Cleveland Fed President Mester to Speak at 2018 Conference (05.01.2018)

Federal Reserve Bank of Cleveland President Loretta Mester will give one of the keynote addresses for the sixth annual ***Community Banking in the 21st Century*** research and policy conference that will be held Oct. 3-4 at the Federal Reserve Bank of St. Louis. Federal Reserve Board of Governors Vice Chairman for Supervision Randal Quarles will also give keynote remarks. The conference, hosted by the Federal Reserve System and the Conference of State Bank Supervisors (CSBS), brings together community bankers, academics, policymakers and bank supervisors from across the country to discuss the latest academic research on community banking, as well as important policy issues facing the sector. Other guest speakers will include Federal Reserve Bank of St. Louis President James Bullard, Commissioner of the Mississippi Department of Banking and Consumer Finance and CSBS Chair-elect Charlotte Corley and CSBS President and CEO John Ryan.

Source [link](#).

CSBS to Provide Most Sweeping Cybersecurity Training Program in State Regulators' History (05.21.2018)

Washington, D.C. – To combat growing cyber threats to the financial system, the Conference of State Bank Supervisors (CSBS) today announced a comprehensive cybersecurity program to train state bank and nonbank examiners. The program, approved by the CSBS Board of Directors earlier this month, represents an aggressive effort to respond to a national threat.

CSBS President and CEO John Ryan: “Cyberattacks are becoming more frequent and sophisticated. State regulators are acting to ensure the institutions they supervise are protected and prepared. This training will provide state examiners with knowledge and tools to better assess security controls protecting an institution’s systems and infrastructure.”

The training will cover the latest best practices in IT and cybersecurity risk management. During training sessions conducted over the course of the next year, state examiners will study:

- How hackers attack financial institutions
- Cybersecurity best practices and common defense techniques
- Cybersecurity prevention practices, including how to reduce the impact of cyber attacks
- Investigation techniques

- The examiner’s role in cyber defense
- What to inspect, review and ask about during an IT-cyber examination
- How to review vulnerability scans

The program will be funded with proceeds from the National Mortgage Settlement, a 2012 settlement between state and federal regulators and large mortgage servicers concerning foreclosure practices.

Source [link](#).

Publications, articles, reports, studies, testimony & speeches

Industrial Production and Capacity Utilization - G.17 (05.16.2018)

Industrial production rose 0.7 percent in April for its third consecutive monthly increase. The rates of change for industrial production for previous months were revised downward, on net; for the first quarter, output is now reported to have advanced 2.3 percent at an annual rate. After being unchanged in March, manufacturing output rose 0.5 percent in April. The indexes for mining and utilities moved up 1.1 percent and 1.9 percent, respectively. At 107.3 percent of its 2012 average, total industrial production in April was 3.5 percent higher than it was a year earlier. Capacity utilization for the industrial sector climbed 0.4 percentage point in April to 78.0 percent, a rate that is 1.8 percentage points below its long-run (1972–2017) average.

Source [link](#).

Comment: Capacity utilization rose to 78% in March from 77.7%, the highest rate in three years. Over the past 12 months, production has climbed 4.3%.

Mexico Economy Expands at a Strong Pace in First Quarter (05.15.2018)

Mexico’s gross domestic product (GDP) grew at an annualized 4.5 percent pace in first quarter 2018—its highest quarterly growth since mid-2016. More recent data on exports, employment, industrial production and retail sales also improved. Inflation fell for the third consecutive month in March, and the peso appreciated against the dollar. The consensus growth forecast for 2018 is 2.2 percent.

Output Growth Solid

Mexico’s solid GDP growth in the first quarter was mostly driven by increased activity in the service sector (Chart 1). Service-related activities (wholesale and retail trade, transportation and business services) rose 4.8 percent, while goods-producing industries (manufacturing, construction, utilities and mining) expanded 2.8 percent. Agricultural output grew 3.2 percent.

Source [link](#).

Comment: Strength in manufacturing backed by export demand, and a pickup in construction, has contributed to improved industrial performance.

St. Louis Fed Study: When You Were Born Affected Your Wealth During and After the Great Recession (05.15.2018)

ST. LOUIS - A new study by the St. Louis Fed's Center for Household Financial Stability (HFS) found that the Great Recession hit groups born in certain decades harder than others. The study focused on six groups of families based on their decade of birth, starting in the 1930s and ending in the 1980s. Researchers found that families born in the 1960s and later suffered the biggest wealth losses and have rebounded slowly. Families born in the 1980s are at risk of becoming a lost generation as far as wealth accumulation is concerned.

The essay is the second in a series the center is producing titled "The Demographics of Wealth: How Education, Race and Birth Year Shape Financial Outcomes." The series is based on an analysis of the Federal Reserve's triennial Survey of Consumer Finances (SCF). The essays are based on the recently released 2016 SCF data. The authors are William R. Emmons, St. Louis Fed assistant vice president and HFS lead economist; Ana H. Kent, HFS policy analyst and Lowell R. Ricketts, HFS lead analyst. In this essay, the Center explores the connections between a person's birth year and measures of his or her family's financial well-being, including income and wealth.

Source [link](#).

Comment: The net worth of a typical family headed by someone born in the 1980s was 34% below what was expected, according to a new Federal Reserve Bank of St. Louis [study](#) titled "A Lost Generation?"

Index points to a pickup in Midwest economic growth in March (04.30.2018)

The Midwest Economy Index (MEI) moved up to +0.52 in March from +0.41 in February. Contributions to the March MEI from three of the four broad sectors of nonfarm business activity and three of the five Seventh Federal Reserve District states increased from February. The relative MEI declined to +0.13 in March from +0.43 in February. Contributions to the March relative MEI from three of the four sectors and four of the five states decreased from February.

Source [link](#).

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.

Posted

Date

SUMMARY OF PROPOSED RULE

05.14.2018

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are inviting public comment on a joint proposal to address changes to U.S. generally accepted accounting principles (U.S. GAAP) described in Accounting Standards Update No. 2016–13, Topic 326, Financial Instruments—Credit Losses (ASU 2016–13), including banking organizations' implementation of the current expected credit losses methodology. Specifically, the proposal would revise the agencies' regulatory capital rules to identify which credit loss allowances under the new accounting standard are eligible for inclusion in regulatory capital and to provide banking organizations the option to phase in the day-one adverse effects on regulatory capital that may result from the adoption of the new accounting standard. The proposal also would amend certain regulatory disclosure requirements to reflect applicable changes to U.S. GAAP covered under ASU 2016–13. In addition, the agencies are proposing to make amendments to their stress testing regulations so that covered banking organizations that have adopted ASU 2016–13 would not include the effect of ASU 2016–13 on their provisioning for purposes of stress testing until the 2020 stress test cycle. Finally, the agencies are proposing to make conforming amendments to their other regulations that reference credit loss allowances. [The Notice of Proposed Rulemaking](#) was published in the Federal Register on May 14, 2018, and comments must be received by July 13, 2018.

08.22.2017 In preparation for a forthcoming proposal that would simplify regulatory capital requirements, federal banking regulators on Tuesday [August 22nd] proposed a rule that would extend the existing transitional capital treatment for certain regulatory capital deductions and risk weights. The extension would apply to banking organizations that are not subject to the agencies' advanced approaches capital rules. As part of the recent review of regulations under the Economic Growth and Regulatory Paperwork Reduction Act, the agencies announced that they are developing a proposal that would simplify the capital rules to reduce regulatory burden, particularly for community banks. That proposal would simplify the capital rules' treatment of mortgage servicing assets and other items. However, under the current capital rules, the transitional treatment for those items is scheduled to be replaced with a different treatment on April 1, 2018. Comments on this proposal will be accepted for 30 days after publication in the Federal Register. The Notice of Proposed Rulemaking was published in the Federal Register on October 27, 2017, and comments must be received by December 26, 2017.

Selected federal rules – upcoming effective dates

Not all final rules are included. Only rules affecting community banks are reported, but we make no guarantees that these are all the final rules your bank needs to know about.

EFFECTIVE

DATE: SUMMARY OF FINAL RULE:

05.16.2018	<u>Beneficial Ownership Requirements for Legal Entity Customers of Certain Financial Products and Services with Automatic Rollovers or Renewals</u> . The Financial Crimes Enforcement Network (FinCEN) is issuing this ruling to provide a 90-day limited exceptive relief to covered financial institutions from the obligations of the Beneficial Ownership Requirements for Legal Entity Customers (31 CFR § 1010.230) (Beneficial Ownership Rule) with respect to certain financial products and services that automatically rollover or renew (i.e., certificate of deposit (CD) or loan accounts) and were established before the Beneficial Ownership Rule's Applicability Date, May 11, 2018. <u>This exception begins, retroactively, on May 11, 2018, and will expire on August 9, 2018.</u> During this time, FinCEN will determine whether and to what extent additional exceptive relief may be appropriate for such financial products and services that were established before May 11, 2018, but are expected to rollover or renew after such date.
06.01.2018	<u>Federal Mortgage Disclosure Requirements Under the Truth in Lending Act (Regulation Z)</u> . The Bureau of Consumer Financial Protection (Bureau) is amending Federal mortgage disclosure requirements under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA) that are implemented in Regulation Z. The amendments relate to when a creditor may compare charges paid by or imposed on the consumer to amounts disclosed on a Closing Disclosure, instead of a Loan Estimate, to determine if an estimated closing cost was disclosed in good faith.
07.01.2018	<u>Availability of Funds and Collection of Checks</u> The Board is amending subparts A, C, and D of Regulation CC, Availability of Funds and Collection of Checks (12 CFR part 229), which implements the Expedited Funds Availability Act of 1987 (EFA Act), the Check Clearing for the 21st Century Act of 2003 (Check 21 Act), and the official staff commentary to the regulation. ¹ In the final rule, the Board has modified the current check collection and return requirements to reflect the virtually all-electronic check collection and return environment and to encourage all depository banks to receive, and paying banks to send, returned checks electronically. The Board has retained, without change, the current same-day settlement rule for paper checks. The Board is also applying Regulation CC's existing check warranties under subpart C to checks that are collected electronically, and in addition, has adopted new warranties and indemnities related to checks collected and returned electronically and to electronically-created items.
04.01.2019	<u>Prepaid Accounts under the Electronic Fund Transfer Act (Regulation E) and the Truth In Lending Act (Regulation Z)</u> . The CFPB is issuing this final rule to create comprehensive consumer protections for prepaid accounts under Regulation E, which implements the Electronic Fund Transfer Act; Regulation Z, which implements the Truth in Lending Act; and the official interpretations to those regulations. The final rule modifies general Regulation E requirements to create tailored provisions governing disclosures, limited liability and error resolution, and periodic statements, and adds new requirements regarding the posting of account agreements. Additionally, the final rule regulates overdraft credit features that may be offered in conjunction with prepaid accounts. Subject to certain exceptions, such credit features will be covered under Regulation Z where the credit feature is offered by the prepaid account issuer, its affiliate, or its business partner and credit can be accessed in the course of a transaction conducted with a prepaid card. For additional information, see the CFPB's <u>prepaid rule implementation page</u> .

Common words, phrases, and acronyms

APOR	“Average Prime Offer Rates” are derived from average interest rates, points, and other pricing terms offered by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics.
CARD Act	Credit Card Accountability Responsibility and Disclosure Act of 2009
CFPB	Consumer Financial Protection Bureau
CFR	Code of Federal Regulations . Codification of rules and regulations of federal agencies.
CRA	Community Reinvestment Act . This Act is designed to encourage loans in all segments of communities.
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
CTR	Currency Transaction Report . Filed for each deposit, withdrawal, exchange of currency that involves a transaction in currency of more than \$10,000.
Dodd-Frank Act	The Dodd–Frank Wall Street Reform and Consumer Protection Act
DOJ	Department of Justice
FDIC	Federal Deposit Insurance Corporation
EFTA	Electronic Fund Transfer Act
Federal bank regulatory agencies	FDIC, FRB, and OCC
Federal financial institution regulatory agencies	CFPB, FDIC, FRB, NCUA, and OCC
FEMA	Federal Emergency Management Agency
FFIEC	Federal Financial Institutions Examination Council
FHFA	Federal Housing Finance Agency
FHA	Federal Housing Administration
FinCEN	Financial Crime Enforcement Network
FR	Federal Register . U.S. government daily publication that contains proposed and final administrative regulations of federal agencies.

FRB, Fed or Federal Reserve	Federal Reserve Board
FSOC	Financial Stability Oversight Council
FTC	Federal Trade Commission
GAO	Government Accountability Office
HARP	Home Affordable Refinance Program
HAMP	Home Affordable Modification Program
HMDA	Home Mortgage Disclosure Act
HOEPA	Home Ownership and Equity Protections Act of 1994
HPML	Higher Priced Mortgage Loan
HUD	U.S. Department of Housing and Urban Development
IRS	Internal Revenue Service
MLO	Mortgage Loan Originator
MOU	Memorandum of Understanding
NFIP	National Flood Insurance Program . U.S. government program to allow the purchase of flood insurance from the government.
NMLS	National Mortgage Licensing System
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Asset Control
OREO	Other Real Estate Owned
QRM	Qualified Residential Mortgage
Reg. B	Equal Credit Opportunity
Reg. C	Home Mortgage Disclosure
Reg. DD	Truth in Savings
Reg. E	Electronic Fund Transfers
Reg. G	S.A.F.E. Mortgage Licensing Act
Reg. P	Privacy of Consumer Financial Information
Reg. X	Real Estate Settlement Procedures Act
Reg. Z	Truth in Lending
RESPA	Real Estate Settlement Procedures Act
SAR	Suspicious Activity Report – Report financial institutions file with the U.S. government (FinCEN) regarding activity that may be criminal in nature.
SDN	Specially Designated National

TILA	Truth in Lending Act
TIN	Tax Identification Number

Treasury	U.S. Department of Treasury
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