Regulatory Dispatch

Timely news and resources community bankers can use

to better stay on top of a rapidly changing world.

CSBS [Simply Stated - All Things Finance: Common Cybersecurity Threats for Financial Institutions & Tools to Help]

In this episode of the Conference of State Bank Supervisors' (CSBS) podcast "Simply Stated," CSBS Information Security Manager Richard Mensah discusses common cybersecurity threats to financial institutions, organizations designed to help combat cyber-threats and tools state regulators have created for executive leaders to approach cybersecurity at their companies.

Resources Discussed During the Podcast:

- CSBS Cybersecurity 101 Guide
- Ransomware Self-Assessment Tool
- FS-ISAC
- CISA

Play this Podcast.

Comment: This is a very good podcast. Like everything the CSBS does, this information particularly resonates with community banks regardless of which agency is the banks primary regulator.

Community Banker Q&A

Q. Can we waive flood insurance on a cabinet shop if it is on the same tract of land as the owner's home?

A. Assuming the cabinet shop is operated as a 'business,' the answer is no. One of the requirements (listed below) in addition to the structure being on 'residential property' is that the structure itself must be used primarily for 'personal, family, or household purposes' and not a commercial or business purpose.

…snip

Detached Structures

The final rule incorporates the new detached structures exemption to the mandatory flood insurance purchase requirement into Part 339. This exemption applies to any structure that is a part of a residential property but is detached from the primary residential structure and does not serve as a residence. The final rule also clarifies what is considered "a structure that is part of a residential property," "detached," and "serve as a residence." Specifically, the final rule clarifies that:

- *"a structure that is part of a residential property" is a structure **used** primarily for personal, family, or household purposes, and **not used** primarily for agricultural, commercial, industrial, or other business purposes;*

- *a structure is "detached" from the primary residential structure if it is not joined by any structural connection to that structure; and*

- *"serve as a residence" is based upon the institution's good faith determination that the structure is intended for use or actually used as a residence, which generally includes sleeping, bathroom, or kitchen facilities.*

The detached structures exemption became effective upon enactment of the HFIAA on March 21, 2014.

Source link.

Items of Interest

Bank Management

	FRB The U.S. Dollar and Central Bank Digital Currencies - Governor Christopher J. Waller (10/14/2022) - *Thank you, Professor Jackson, and thank you to the Harvard National Security Journal for the invitation to speak at this symposium. As the payment system continues to evolve rapidly and the volume of digital assets continues to grow, it is critical to ensure that we keep both the benefits and risks of digital assets in the policy conversation, including the implications for America's role in the global economy and its place in the world. My speech today focuses on exactly this issue and on an aspect of the digital asset world that is now the center of domestic and international attention—central bank digital currencies (CBDCs) and how they relate to the substantial international role of the U.S. dollar.1* *In January 2022, the Federal Reserve Board published a discussion paper on CBDCs to foster a broad and transparent public dialogue, including the potential benefits and risks of a U.S. CBDC.2 To date, no decisions have been made by the Board on whether to move forward with a CBDC. But my views are well known. As I have said before, I am highly skeptical of whether there is a compelling need for the Fed to create a digital currency.3* *I am not a national security expert. But one area where economics, CBDCs, and national security dovetail is the role of the dollar. Advocates for creating a U.S. CBDC often assert how it is important to the long-term status of the dollar, particularly if other major jurisdictions adopt a CBDC. I disagree. As I will discuss, the underlying reasons for why the dollar is the dominant currency have little to do with technology, and I believe the introduction of a CBDC would not affect those underlying reasons. I offer this view, again, in the spirit of dialogue, knowing how important these issues are, and I am very happy to engage in vigorous debate regarding my view. I remain open to the arguments advanced by others in this space.* To keep reading, click here.

FDIC Quarterly Banking Profile State Tables (10/13/2022) - The FDIC is pleased to announce enhancements to the *Quarterly Banking Profile* State Tables. The tables have been updated to break out bank asset size groups by institutions with greater than and less than $1 billion in assets.

The State Tables provide key financial and ratio data for FDIC-insured institutions, broken out by all institutions, commercial banks (national charters and state charters), and savings institutions (savings banks, federal charters, and state charters) in each state. Data are available dating back to the March 31, 1995, reporting period.

You can access the State Tables at https://state-tables.fdic.gov.

FRB Managing the Promise and Risk of Financial Innovation - Vice Chair for Supervision Michael S. Barr (10/12/2022) - *Supporting Innovation with Appropriate Regulation. First, let's start with the promise. Every day, we all have countless interactions with the financial system—depositing our paychecks, buying groceries, paying rent, borrowing, saving, and insuring against important risks. The promise of fintech is that it can make financial products and services better, faster, cheaper, and more available. Financial innovation supported by new technologies can disrupt traditional providers by spurring competition, creating products that better meet customer needs, and extending the reach of financial services and products to those typically underserved.*

To realize the benefits of innovation, we need to manage relevant risks. We have seen through history that excitement over innovative financial products can lead to a pace of adoption that overwhelms our ability to assess and manage underlying vulnerabilities. As we saw in the lead up to the Global Financial Crisis, innovative financial products can mask emerging risks, resulting in significant harms to businesses and households and ultimately undermining financial stability. These products can leave consumers vulnerable if they are not coupled with meaningful disclosures and basic protections against abusive practices. Innovation can lead to disruptions of existing markets, which may be beneficial, but may also generate new systemic risks.

Guarding against these risks is one of the jobs of financial regulation and supervision, and I'll talk through a few examples of how we are working to do so now. But I would note with some humility that striking the right balance between creating an enabling environment that supports innovation and managing related risks to businesses, households, and the stability of the financial system is no easy task. When regulations are too prescriptive or regulators too cautious, they run the risk of stifling innovation and locking in the market power of dominant participants in ways that can raise costs and limit access. When regulation is lax or behind the curve, it can facilitate risk-taking and a race to the bottom that puts consumers, businesses, and the economy in danger and discredits new products and services with consumers and investors. I believe everyone has a stake in getting the regulatory balance right.

To keep reading, click here.

OCC [Acting Comptroller Discusses Crypto and the Regulatory Perimeter]() (10/11/2022) - WASHINGTON—Acting Comptroller of the Currency Michael J. Hsu today discussed cryptocurrency and the regulatory perimeter in remarks to the Harvard Law School and Program on International Financial Systems' Roundtable on Institutional Investors and Crypto Assets. Mr. Hsu's comments discussed the need to clarify supervisory expectations related to crypto activities and the role of regulators to ensure safety and soundness while promoting responsible innovation.

Related Links
[Remarks (PDF)]()

Comment: These latest comments from the Acting Comptroller dovetail with comments he made in January 2022 that noted the importance of stablecoins in the crypto-ecosystem, linking cryptocurrency value to traditional forms of currency. In those comments, he stated, there are no standardized mechanisms for backing these assets, comparing the current stablecoin space to the United States' pre-Civil War banking environment. He expressed concern that a lack of regulation could lead to a "run" in the crypto space if enough users lose the confidence that their digital holdings will be fully redeemed.

FRB [Restoring Price Stability in an Uncertain Economic Environment - Vice Chair Lael Brainard]() (10/10/2022) - *Higher interest rates are working to temper demand and bring it into better alignment with supply, which is still constrained. Output has decelerated so far this year by more than anticipated, suggesting that policy tightening is having some effect. Real gross domestic product (GDP) declined at an annual rate of roughly 1 percent in the first half. Real private domestic final purchases stepped down from a 6.4 percent pace last year to an annual rate of only 1.3 percent during the first half of this year.*

Recent revisions to national income and product accounts data imply that the current stock of excess savings held by households is lower and has been drawn down more rapidly in recent quarters than had been previously estimated. Indeed, by Board staff estimates, the revisions imply that the stock of excess savings held by households is about 25 percent lower, which may imply a more subdued pace of consumer spending going forward than had been projected.

Market expectations for the level of the policy rate at the end of the year are now more than twice as high as they were just seven months ago. As a result of the significant increase in interest rates and associated tightening in broader financial conditions, I now expect that the second-half rebound will be limited, and that real GDP growth will be essentially flat this year.

To keep reading, click [here]().

BSA / AML

	FinCEN Prepared Remarks of FinCEN Acting Director Himamauli Das During the ACAMS AML Conference (10/13/2022) - Financial Crimes Enforcement Network (FinCEN) Acting Director Himamauli Das delivered remarks today at the ACAMS AML Conference, held in Las Vegas. He discussed the beneficial ownership information reporting rule, and FinCEN's focus on implementing the other elements of the Corporate Transparency Act. Prepared Remarks: https://www.fincen.gov/index.php/news/speeches/prepared-remarks-fincen-acting-director-himamauli-das-during-acams-aml-conference ***Comment: Much to community bankers' consternation, Acting Director Das informed the audience that FinCEN would be issuing rulemaking that would revise the current Customer Due Diligence (CDD) rule "…no later than one year after the effective date of the reporting rule." That reporting rule is effective January 1, 2024. The translation of that means community banks will have no relief from the requirements to collect beneficial ownership information under the current CDD rule until after January 1, 2024. We now know that any change to the current CDD rule will not happen until 2024 with an effective date sometime after that, and speculation pointing to a 2025 effective date.***
	FinCEN Announces $29 Million Enforcement Action Against Virtual Asset Service Provider Bittrex for Willful Violations of the Bank Secrecy Act (10/11/2022) - The Financial Crimes Enforcement Network (FinCEN) has assessed a civil money penalty in the amount of $29,280,829.20 against Bittrex, for violations of the Bank Secrecy Act (BSA) and FinCEN's implementing regulations. FinCEN's action is part of a global settlement with the Office of Foreign Assets Control (OFAC). ***Comment: The U.S. Treasury said Bittrex had agreed to a more than $24-million settlement with OFAC for violations of "multiple sanctions programs" by failing to prevent individuals based in the Crimea region, Cuba, Iran, Sudan and Syria from conducting roughly $263 million in crypto transactions between 2014 and 2017. According to the Treasury Department, Bittrex did not screen users based on accessible location information in the sanctioned countries using internet protocol addresses.***

Deposit / Retail Operations

	FRB Building the Future Payment Frontier – A Roundtable at Money20/20 (10/11/2022) - The Federal Reserve will host a roundtable discussion at Money20/20 with experts and innovators on the top trends in payments and how they're reshaping the industry. Hear observations from the Fed on the evolution of the payment system, and have your voice heard as we discuss current and future progress in transforming the market with disruptive technology, digitization, macroenvironmental impacts, investing in the future, and payments security.

	Space is limited – register to join us on October 24 from 3-4 p.m. PDT to be part of this exciting conversation. ***Comment: Payments are getting faster and more complex. This program should be helpful in developing your bank's 'payments strategy.'***

Human Resources

Lending

	CFPB Issuance of Annual Threshold Adjustments Related to HPML Transactions and Consumer Credit and Lease Transactions (10/14/2022) - The CFPB announced three rulemakings related to threshold adjustments. The first rule is a joint rulemaking by the CFPB, the Federal Reserve Board, and the Office of the Comptroller of the Currency to adjust the threshold for exempting loans from special appraisal requirements under the TILA Higher Priced Mortgage Loan Appraisal rule. This adjustment is effective January 1, 2023. The second and third rules are joint rulemakings by the CFPB and the Federal Reserve Board to adjust the thresholds in Regulation Z and Regulation M for determining exempt consumer credit transactions under TILA and exempt consumer lease transactions under the Consumer Leasing Act. These adjustments are effective January 1, 2023. You can read more about the HPML threshold adjustment here: https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/appraisals-higher-priced-mortgage-loans-exemption-threshold-adjustments/. You can read more about the Regulation Z threshold adjustments here: https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/truth-lending-regulation-z-threshold-adjustments/. You can read more about the Regulation M threshold adjustments here: https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/consumer-leasing-regulation-m-adjustments/. ***Comment: By law, the agencies are required to adjust the thresholds annually based on the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, known as CPI-W. Transactions at or below the thresholds are subject to the protections of the regulations.***
	CFPB Issues Request for Information on Mortgages (10/13/2022) - Last month the Consumer Financial Protection Bureau released a Request for Information on mortgage

	refinances, loss mitigation, and forbearance. The Bureau is specifically seeking comments from the public about ways to: (1) facilitate mortgage refinances for consumers who would benefit from refinancing, especially consumers with smaller loan balances; and (2) reduce risks for consumers who experience disruptions in their financial situation that could interfere with their ability to remain current on their mortgage. Older adults account for an increasing share of people with mortgages, and more of them are carrying mortgages into retirement while relying on fixed incomes. They also hold a wide range of mortgage products including home equity loans and reverse mortgages. And they are among a large number of people who refinance their mortgages. Comments from older adults, advocates, and organizations and companies that provide mortgage products and services to the older population are important. We would welcome comments about mortgage refinance options and mortgage loss mitigation options that could provide benefits or pose risks to older borrowers, including comments relating to specific mortgage products that are designed for or held at higher rates by older adults such as reverse mortgages and home equity loans. Comments are due no later than November 28, 2022. To submit comments please visit: https://www.regulations.gov/document/CFPB-2022-0059-0001 ***Comment: Specifically, the CFPB is asking for information on barriers to refinancings and how banks could 'target and streamline' efforts that would benefit certain communities. It is also asking for information on forbearance and loss mitigation efforts.***

Technology / Security

	CISA Added One Known Exploited Vulnerability to Catalog (10/11/2022) - CISA has added one new vulnerability to its Known Exploited Vulnerabilities Catalog, based on evidence of active exploitation. This type of vulnerability is a frequent attack vector for malicious cyber actors and pose significant risk to the federal enterprise. Note: To view the newly added vulnerabilities in the catalog, click on the arrow in the "Date Added to Catalog" column, which will sort by descending dates. Binding Operational Directive (BOD) 22-01: Reducing the Significant Risk of Known Exploited Vulnerabilities established the Known Exploited Vulnerabilities Catalog as a living list of known CVEs that carry significant risk to the federal enterprise. BOD 22-01 requires FCEB agencies to remediate identified vulnerabilities by the due date to protect FCEB networks against active threats. See the BOD 22-01 Fact Sheet for more information. Although BOD 22-01 only applies to FCEB agencies, CISA strongly urges all organizations to reduce their exposure to cyberattacks by prioritizing timely remediation of Catalog vulnerabilities as part of their vulnerability management practice. CISA will continue to add vulnerabilities to the Catalog that meet the specified criteria.

	Comment: Share with your IT / Cybersecurity team.

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