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Safety & Soundness

Agencies Seek Further Comment on Interagency Effort to Reduce Regulatory Burden

As part of their review to identify outdated or unnecessary regulations, the federal bank regulatory agencies are requesting comment on a third set of regulatory categories: consumer protection; directors, officers, and employees; and money laundering. Comments will be accepted for 90 days following publication in the *Federal Register*. [\[Document\]](#)

Federal Reserve Board Governor Fischer Discusses Connectedness in Global Economies

In a May 26, 2015 lecture at Tel Aviv University, Federal Reserve Board Governor Stanley Fischer discussed global connectedness—spillovers from the United States to foreign economies and the effect of foreign economies on the United States. His remarks concluded with the thought that the U.S. economy and the economies of the rest of the world have feedback effects on each other that must be considered in policy choices. He said, “The most important contribution that U.S. policymakers can make to the health of the world economy is to keep our own house in order—and the same goes for all countries.” [\[Speech\]](#)

FSB Publishes Peer Review on Supervisory Frameworks and Approaches for SIBs

On May 26, 2015, the Financial Stability Board (FSB) published “Thematic Review on Supervisory Frameworks and Approaches for SIBs,” a peer review for systemically important banks (SIBs). Conducted in collaboration with the Basel Committee on Banking Supervision (BCBS), the review assesses progress towards enhancing supervisory frameworks and approaches for SIBs, and particularly global systemically important banks (G-SIBs), since the financial crisis. The report also makes several recommendations for supervisory authorities and standard-setting bodies based on the findings. [\[Announcement\]](#) [\[Document\]](#)

FDIC Releases *First Quarter 2015 Quarterly Banking Profile*

On May 27, 2015, the Federal Deposit Insurance Corporation (FDIC) released the *First Quarter 2015 Quarterly Banking Profile*, which indicates the industry experienced a continuation of positive trends during the first quarter despite continued downward pressure on net interest margins. Among the findings, nearly two-thirds of the institutions reported year-over-year growth in quarterly earnings. At community banks, earnings were up 16 percent from the previous year and their loan growth and margins were higher than the rest of the industry. [\[Announcement\]](#)

OFR Publishes Paper on System-wide Commonalities in Market Liquidity

On May 28, 2015, the Office of Financial Research published a research paper entitled, “Systemwide Commonalities in Market Liquidity.” The paper explores statistical commonalities among granular measures of market liquidity with the goal of illuminating systemwide patterns in aggregate liquidity. The authors state the paper identifies hidden liquidity regimes (high, medium and low) across a broad range of financial markets that can be used for characterizing periods of market stress and identifying underlying predictors of liquidity shocks. [\[Paper\]](#)

Enterprise & Consumer Compliance

Federal Reserve Releases 2014 Survey of Household Economics and Decisionmaking

On May 27, 2015, the Federal Reserve Board (Federal Reserve) released its *2014 Survey of Household Economics and Decisionmaking*. The report indicates that individuals' overall perceptions of financial well-being improved modestly between 2013 and 2014, but their optimism about future financial prospects increased significantly. More than 5,800 respondents completed the survey, which was conducted on behalf of the Federal Reserve in October and November 2014. [\[Announcement\]](#) [\[Document\]](#)

CFPB Obtains Judgment Against Foreclosure Relief Scam Companies

On May 29, 2015, the Consumer Financial Protection Bureau and the state of Florida charged a Florida-based corporation, its affiliated companies, and individual defendants with violating Regulation O, formerly known as the Mortgage Assistance Relief Services (MARS) rule, the *Consumer Financial Protection Act* and Florida state law. They alleged the companies used deceptive marketing practices and “scammed” distressed homeowners into paying millions of dollars in illegal advance fees. The court ordered the companies to pay more than \$11.7 million in disgorgement and \$16 million in civil and state penalties.

CFPB and Department of Justice Charge Nonbank Mortgage Wholesale Lender for Discriminatory Mortgage Pricing

On May 28, 2015, the Consumer Financial Protection Bureau and the Department of Justice (agencies) filed a joint complaint against a California-based nonbank mortgage wholesale lender for allegedly violating the *Equal Opportunity Act* by charging higher broker fees on mortgage loans to African-American and Hispanic borrowers. The agencies also filed a proposed order that, if entered by the court, would require the lender to pay \$9 million in damages to harmed borrowers.

Insurance

NAIC Committee Adopts Proposed Revisions Related to Captives

The Financial Regulation Standards and Accreditation Committee of the National Association of Insurance Commissioners (NAIC) unanimously adopted proposed revisions to the Part A: Laws and Regulations Accreditation Preamble on May 26, 2015. The proposed revisions would add certain captive insurers and special purpose vehicles (SPVs) into the accreditation program. [\[Announcement\]](#)

Capital Markets and Investment Management

FINRA Announces SEC Approval of Amendments to Arbitration Codes

On May 27, 2015, the Financial Industry Regulatory Authority (FINRA) announced that the Securities and Exchange Commission (SEC) approved amendments to the definitions of non-public arbitrator and public arbitrator in the Customer and Industry Codes of Arbitration Procedure. The amendments also reorganize the definitions to make them easier for arbitrator applicants and parties, among others, to determine the correct arbitrator classification. The amendments become effective on June 26, 2015. [[Regulatory Notice 15-18](#)]

FINRA Issues Proposed Rule to Require Delivery of an Educational Communication to Customers of a Transferring Representative

The Financial Industry Regulatory Authority (FINRA) requested comment on a proposed rule to require delivery of an educational communication to customers of a transferring representative. The rule would require a member firm that hires or associates with a registered representative (recruiting firm) to provide an educational communication to former retail customers who the member, directly or through the transferring representative, attempts to induce to transfer assets to the recruiting firm or who choose to transfer assets to the recruiting firm. The comment period expires on July 13, 2015. [[Regulatory Notice 15-19](#)]

FINRA Chairman Discusses Customer “Best Interest” Standard for Broker Dealers

Richard G. Ketchum, Chairman and Chief Executive Officer of The Financial Industry Regulatory Authority (FINRA) said that “moving to a properly designed best-interest standard is a must going forward,” but he said the current proposal from the U.S. Department of Labor (DOL) is “not the appropriate way to meet that goal.” In remarks before the FINRA Annual Conference on May 27, 2015, Chairman Ketchum said the Securities and Exchange Commission (SEC) is the most appropriate agency to apply a “best interest” standard to broker dealers. [[Speech](#)] [[DOL Proposal](#)]

CFTC Chairman Massad Discusses Current Efforts of His Agency

In remarks before the Natural Gas Roundtable on May 26, 2015, Commodities Future Trading Commission (CFTC) Chairman Timothy Massad discussed steps the CFTC has taken to address the concerns of commercial end users to make sure they can continue to hedge risk effectively. He also discussed position limits and the integrity of benchmarks and price indices. [[Speech](#)]

Enforcement Actions

The Securities and Exchange Commission (SEC) recently announced the following enforcement actions:

- The SEC charged a foreign-based global institution with filing misstated financial reports during the financial crisis that did not take into account a material risk for potential losses (estimated to be in the billions of dollars) in a portfolio of derivatives. The institution agreed to pay a \$55 million penalty to settle the charges without admitting or denying the findings.
- The SEC charged a New York-based securities lawyer with fraud, alleging the lawyer used his law office as the headquarters for planning and implementing market manipulation schemes. Two foreign-based stock promoters who

assisted him were also charged. The attorney agreed to settle the charges and pay \$4.6 million in disgorgement and prejudgment interest and accept a penny stock bar. One of the stock promoters also settled the charges and accepted a penny stock bar. The other stock promoter's case will be litigated in federal court. In a parallel action, the U.S. Attorney's Office announced criminal charges against all three.

- The SEC charged the director of compliance at a New York-based brokerage firm with fraud, alleging the individual defrauded investors and misappropriated money from the brokerage firm. In a parallel action, the U.S. Attorney's Office announced criminal charges against the compliance director. The SEC is seeking a permanent injunction, disgorgement, and civil money penalties.

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