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# Safety & Soundness

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## [OCC Adopts Final Integrated Licensing Rule](#)

The Office of the Comptroller of the Currency (OCC) adopted a final rule on June 2, 2015 that integrates its rules for national banks and federal savings associations relating to policies and procedures for corporate activities and transactions (licensing rules). This final rule becomes effective on July 1, 2015. [\[Overview of Final Rule—OCC Bulletin 15-28\]](#) [\[Final Rule\]](#)

## [Agencies Release Statement on \*Dodd-Frank Act\* Stress Tests Conducted by Medium-sized Financial Companies](#)

In a June 2, 2015 joint release, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation reiterated the disclosure requirements for the annual stress tests conducted by financial institutions with total consolidated assets between \$10 billion and \$50 billion. These medium-sized companies are required to conduct annual, company-run stress tests and to disclose certain results to the public. In 2015, the stress test results must be disclosed between June 15 and June 30. [\[Joint Press Release\]](#)

## [Joint Forum Releases Report on Credit Risk Management Across Sectors](#)

The Joint Forum released a report on June 2, 2015 that provides insight into the current supervisory framework around credit risk, the state of credit risk management at firms, and implications for the supervisory and regulatory treatments of credit risk. It is based on a global survey that the Joint Forum conducted with supervisors and firms in the banking, securities and insurance sectors. [\[Press Release\]](#) [\[Full Report\]](#)

## [Federal Reserve Vice Chairman Fischer Discusses Lessons Learned from Financial Crises](#)

Federal Reserve Board Vice Chairman Stanley Fischer discussed lessons learned from financial crises over the past 20 years at the International Monetary Conference on June 1, 2015. Of the major lessons, Vice Chairman Fischer said those relating to regulation and supervision are most important. He cautioned that successful reforms can breed complacency about risks. [\[Speech\]](#)

## [Comptroller Curry Discusses Implications of Changing Delivery Channels and Technologies for Banks and their Customers](#)

Comptroller of the Currency Thomas J. Curry discussed emerging payment systems technology, innovation, access, and cybersecurity in banking during a June 3 speech at the 2015 BITS Emerging Payment Forum. He urged the audience not to “underestimate the dynamism of the banking system” and its ability to develop innovative products and technologies that will keep traditional banking competitive with new market entrants. [\[Speech\]](#)

## OCC Releases Mid-Cycle Report on Annual Operating Plan

On June 3, 2015, the Office of the Comptroller of the Currency (OCC) released a mid-cycle report on key actions completed to date to execute its annual operating plan along with priority objectives for the remainder of the year. The operating plan provides the foundation for the development of individual bank supervisory strategies and policy initiatives. According to the plan, supervisory priorities for the remainder of the fiscal year include: strategic planning and execution; cybersecurity; corporate governance; operational risk; loan underwriting; stress testing; interest rate risk; and compliance. [\[Report\]](#)

# Enterprise & Consumer Compliance

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## CFPB and SEC Issue Consumer Advisory and Investor Bulletin to Help Older Citizens Plan for Diminished Ability to Make Financial Decisions

The Securities and Exchange Commission's Office of Investor Education and Advocacy and the Consumer Financial Protection Bureau's Office for Older Americans jointly issued a Consumer Advisory and Investor Bulletin to help older citizens understand the potential impact that diminished capacity could have on their ability to make financial decisions as well as to encourage them to plan for possible diminished financial capacity long before it happens. [\[Bulletin\]](#)

## CFPB Will Provide Financial Counseling Services to Employed Persons with Disabilities

The Consumer Financial Protection Bureau announced on June 3, 2015 that it is launching a program to provide financial counseling services to individuals with disabilities who are working or transitioning into the workforce. The initiative, entitled ROADS, will integrate financial counseling services into employment, independent living, and other support services programs. [\[Announcement\]](#)

## CFPB Releases Guidance on TILA/RESPA Integrated Disclosure

In a June 3, 2015 blog post, the Consumer Financial Protection Bureau (CFPB) provided a factsheet on questions related to the three-day review provisions of its TILA/RESPA Integrated Disclosure Rule (also referred to as the *Know Before You Owe* mortgage rule) that goes into effect on August 1, 2015. The guidance states that only three changes would require a new three-day review period to begin: an increase in the annual percentage rate over specific thresholds for fixed-rate and adjustable rate mortgages; the additional of a prepayment penalty; and changes in the loan product. The CFPB also stated that with regard to oversight of the implementation of the rule, it "will be sensitive to the progress made by those entities that have been squarely focused on making good-faith efforts to come into compliance with the rule on time." [\[Factsheet\]](#)

## CFPB Releases Study on Reverse Mortgages and Issues Consumer Advisory

On June 4, 2015, the Consumer Financial Protection Bureau (CFPB) released the results of a focus group study on reverse mortgage advertisements that found many participants were left with misimpressions about the product. The CFPB also issued an advisory warning consumers that many reverse mortgage ads do not provide all pertinent information. [\[Study\]](#) [\[Consumer Advisory\]](#)

## CFPB Fines Nonbank Mortgage Lender for RESPA Violations

On June 4, 2015, Richard Cordray, Director of the Consumer Financial Protection Bureau (CFPB or Bureau), issued a decision in the first appeal of a Bureau administrative enforcement proceeding. His decision concluded that a nonbank mortgage lender referred consumers to mortgage insurers in exchange for kickbacks in violation of the *Real Estate Settlement Procedures Act* (RESPA). He issued a final order requiring the lender to disgorge \$109 million.

# Insurance

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## NAIC Releases Insurance Department Resources Report

On June 4, 2015, the National Association of Insurance Commissioners (NAIC) released the first volume of the 28th edition of the Insurance Department Resources Report (IDRR), which provides key statistics on the resources and regulatory activities of the 56 NAIC-member jurisdictions. [\[Announcement\]](#)

# Capital Markets and Investment Management

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## SEC Releases Additional Analysis Related to Proposed Rules for Pay Ratio Disclosure

On June 4, 2015, the Securities and Exchange Commission released additional analysis related to its proposed rules for pay ratio disclosure. The analysis considers the potential effects of excluding different percentages of employees from the pay ratio calculation, such as part-time, seasonal, or temporary employees or employees in foreign countries. Comments for the proposed rules are requested by July 6, 2015. [\[Announcement\]](#) [\[Analysis\]](#)

## CFTC Chairman Massad Discusses Key Reforms in OTC Swaps Market

In a June 2, 2015 address before the Global Exchange and Brokerage Conference, Commodity Futures Trading Commission Chairman Timothy Massad discussed four key reforms of the OTC swaps market and the next steps in each of those areas: clearing, oversight, reporting, and transparent trading. He also discussed key priorities for the coming months. [\[Speech\]](#)

## FINRA Brings Transparency to Asset-Backed Securities Market

On June 1, 2015, the Financial Industry Regulatory Authority (FINRA) began providing investors with post-trade price information for asset-backed securities, including those backed by auto loans, credit card receivables and student loans. Through TRACE (Trade Reporting and Compliance Engine), FINRA is providing investors with access to information regarding transactions in asset-backed securities, including transactions in asset-backed securities effected pursuant to Securities Act Rule 144A (144A transactions).

## Enforcement Actions

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

- The SEC charged two entities of a New York-based broker-dealer with using inaccurate data in the course of executing short sale orders. To settle the charges, they agreed to admit wrongdoing, pay a \$9 million penalty and nearly \$2 million in disgorgement and prejudgment interest, and retain an independent compliance consultant.
- The SEC charged a Miami-based investment adviser with conducting a Ponzi scheme that misappropriated money from his investment fund and defrauded investors. The advisor settled the SEC's charges by agreeing to a permanent injunction and disgorgement. In a parallel action, the U.S. Attorney announced criminal charges against the advisor.
- The SEC charged four individuals with insider trading for stealing confidential information from investment banks and their public company clients in order to trade in advance of secondary stock offerings. The scheme allegedly involved at least 15 stocks and generated more than \$4.4 million in illegal trading profits. The SEC is seeking a permanent injunction, disgorgement and civil money penalties. In a parallel action, the U.S. attorney is filing criminal charges against the individuals.
- The SEC charged two investment advisors in separate fraud cases for making false claims about their experience and industry accolades in an effort to gain the trust and confidence of investors. A Pennsylvania-based advisor settled the charges and agreed to pay a \$25,000 penalty and to accept a five-year industry bar. A Delaware-based advisor settled the charges and agreed to pay \$65,000 in disgorgement and to accept industry, officer and director bars.
- The SEC charged a foreign-based trader and entities he controlled with attempting to fraudulently manipulate the price of three companies' stocks by filing false tender offers on the SEC's public database and issuing a fraudulent press release. A federal court issued an order at the SEC's request freezing the trader's two brokerage accounts, which contain approximately \$2 million in assets. The SEC is seeking a permanent injunction, disgorgement and civil money penalties.
- The SEC charged a Virginia-based corporation and former finance executives with engaging in a wide-ranging accounting and disclosure fraud that materially overstated its earnings and concealed from investors significant problems with its largest contract. Without admitting or denying the charges, the company agreed to pay a \$190 million penalty. Five of the eight charged executives also agreed to settlements. The former CEO agreed to return to the company more than \$3.7 million in compensation under the clawback provision of the *Sarbanes-Oxley Act* and to pay a \$750,000 penalty. The former CFO agreed to return \$369,100 in compensation and to pay a \$175,000 penalty.

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This is a publication of KPMG's Financial Services Regulatory Risk Practice and KPMG's Americas FS Regulatory Center of Excellence

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