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Safety & Soundness

Basel Committee Releases Final Disclosure Standards for NSFR

The Bank for International Settlements' Basel Committee on Banking Supervision (Basel Committee) released final disclosure standards for the Net Stable Funding Ratio (NSFR) standard previously finalized in October 2014. The Basel Committee notes that all internationally active banks in all Basel Committee member jurisdictions will be required to publish their NSFRs according to a common template. Individual country supervisors must adopt the standards and covered banks will be required to comply with the disclosure standards from the date of the first reporting period after January 1, 2018. [\[Press Statement\]](#) [\[NSFR Disclosure Standards - Final\]](#)

Federal Reserve Announces Changes to Name Check Process for Applications

The Federal Reserve Board (Federal Reserve) released Supervision and Regulation Letter (SR) 15-8 on June 25, 2015, to announce changes to its name check process for domestic and international applications. Broadly, the Federal Reserve indicates that the changes will: limit name checks to individuals who, upon consummation of an application, will become a principal shareholder or one of the top two policymakers of the supervised financial institution; no longer take into consideration whether an individual is "known to banking" when determining whether a name check must be conducted; permit completed name checks to remain current for a period of five years; and, add a policy that the Federal Reserve may obtain credit bureau reports in certain limited situations to supplement and corroborate financial information provided in application filings or from other sources. [\[SR 15-8\]](#)

Federal Reserve Governor Offers Remarks on Building a Safer Payments System

Federal Reserve Board (Federal Reserve) Governor Jerome Powell provided remarks before the Federal Reserve Bank of Kansas City's Conference on "The Puzzle of Payments Security: Fitting the Pieces Together to Protect the Retail Payments System." He focused his remarks on "Building a Safer Payment System" and outlined recent activities being taken by the Federal Reserve, including the release of two consultative papers on improvements to the U.S. payments system intended to make it "safer, more accessible, faster, and more efficient from end-to-end." In addition, he stated that the Federal Reserve has now established two task forces - one for faster payments and one for payment security - that will work both independently and in concert. With input from the secure payments task force, the faster payments task force expects to have laid out its detailed thinking on the most effective approaches for implementing faster payments in the United States by year end 2016. [\[Powell Speech\]](#)

Enterprise & Consumer Compliance

Agencies Finalize Flood Insurance Rules

Five federal regulatory agencies announced on June 22, 2015 that they have approved a joint final rule to modify regulations that apply to loans secured by properties located in special flood hazard areas. In particular, the final rule

implements provisions of the *Homeowner Flood Insurance Affordability Act* of 2014 (HFIAA) relating to the escrowing of flood insurance payments and the exemption of certain detached structures from the mandatory flood insurance purchase requirement. It also implements provisions in the *Biggert-Waters Flood Insurance Reform Act of 2012* (the Biggert-Waters Act) relating to the force placement of flood insurance.

In accordance with the HFIAA, the final rule requires regulated lending institutions to escrow flood insurance premiums and fees for loans secured by residential improved real estate or mobile homes that are made, increased, extended or renewed on or after January 1, 2016, unless the loan qualifies for a statutory exception. Certain regulated lending institutions are exempt from this escrow requirement if they have total assets of less than \$1 billion. The final rule also requires institutions to provide borrowers of residential loans outstanding as of January 1, 2016, the option to escrow flood insurance premiums and fees.

The final rule does not address the private flood insurance provisions in the Biggert-Waters Act and the agencies plan to address these provisions in a separate rulemaking. The issuing agencies include the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the National Credit Union Administration, and the Farm Credit Administration. [\[Press Statement\]](#) [\[Joint Final Rule\]](#)

Consumer Complaints Narratives Added to CFPB Database

On June 25, 2015, the Consumer Financial Protection Bureau (CFPB or Bureau) began to post consumer complaint narratives to its Consumer Complaint Database. The CFPB finalized a policy in March 2015 that gives consumers the ability to “opt-in” to publicly sharing their complaints. Financial services companies may also opt to have a public-facing response included in the database. Approximately 7,700 narratives were made available on June 25, and additions will be made on a daily basis.

In a related action, the CFPB published a Request for Information to solicit input on best practices for “normalizing” the raw complaint data to make it easier to understand and compare. Comments are requested for a period of 60 days following publication in the *Federal Register*. [\[Press Statement\]](#) [\[Request for Information\]](#)

CFPB Proposes to Extend TRID Effective Date

The Consumer Financial Protection Bureau (CFPB or Bureau) has released a proposed rule that would delay the effective date from August 1, 2015 to October 3, 2015 for the final rules related to the Bureau’s Integrated Mortgage Disclosures Rule, which is commonly referred to as “TRID”. These rules include the:

- Integrated Mortgage Disclosures Rule under the *Real Estate Settlement Procedures Act* (Regulation X) and the *Truth-in-Lending Act* (Regulation Z);
- Amendments to the Integrated Mortgage Disclosures Rule under the *Real Estate Settlement Procedures Act* (Regulation X) and the *Truth-in-Lending Act* (Regulation Z); and
- 2013 Loan Originator Rule under the *Truth-in-Lending Act* (Regulation Z).

Comments are requested no later than July 7, 2015. [\[Press Statement\]](#) [\[Proposed Rule\]](#)

Supreme Court Upholds Application of Disparate Impact under the FHA

On June 25, 2015, the U.S. Supreme Court upheld the application of disparate impact under the *Fair Housing Act* (FHA) in *Texas Department of Housing & Community Affairs v. The Inclusive Communities Project, Inc.* The Consumer Financial Protection Bureau (CFPB) has used the theory of disparate impact to bring enforcement actions against automobile lenders primarily with regard to dealer mark-ups and discretionary pricing policies associated with indirect automobile financing. It is not yet clear what impact the Supreme Court’s ruling will have on automobile finance, which is covered by the *Equal Credit Opportunity Act* (ECOA).

Federal Reserve Announce Termination of *Protecting Tenants at Foreclosure Act*

The Federal Reserve Board issued Consumer Affairs letter 15-4 (CA 15-4) on June 10, 2015 to announce that the *Protecting Tenants at Foreclosure Act of 2009* (PTFA), which originally became effective on May 20, 2009, expired on December 31, 2014. Accordingly, examiners in the Federal Reserve System should no longer evaluate institutions' compliance with the PTFA. [\[CA 15-4\]](#)

OCC Releases Mortgage Metrics Report for First Quarter 2015

The Office of the Comptroller of the Currency (OCC) released the *OCC Mortgage Metrics Report* for the First Quarter of 2015 on June 25, 2015. The report summarizes performance data on the first-lien mortgages serviced by eight national banks, which comprise 43.9 percent of all residential mortgages outstanding in the United States. Highlights of the report indicate that: the percentage of current and performing mortgages is increasing, the percentages of delinquent loans is decreasing, and foreclosure activity is declining. [\[Press Statement\]](#) [\[First Quarter 2015 Mortgage Metrics\]](#)

Insurance

IAIS Requests Public Input on the HLA Requirement for GSIIIs

The International Association of Insurance Supervisors (IAIS) announced on June 25, 2015 that it has begun a public consultation to help finalize development of the Higher Loss Absorbency (HLA) requirement for global systemically important insurers (G-SIIIs). The IAIS is seeking input on options to support and inform the design, development and calibration of the HLA. Comments are requested by August 21, 2015; The HLA is to be delivered to the G20 for endorsement in November 2015 and will apply to G-SIIIs beginning 2019. Once the HLA is implemented, G-SIIIs will be expected to hold regulatory capital that is not less than the sum of the required capital amounts from the Basic Capital Requirement (BCR - released in October 2014) and the HLA. [\[Press Statement\]](#) [\[Consultation Request\]](#)

Capital Markets and Investment Management

SEC Launches Retirement Targeted Industry Reviews and Examinations Initiative

The Securities and Exchange Commission's (SEC) Office of Compliance Inspections and Examinations (OCIE) released a National Exam Program Risk Alert on June 22, 2015 to announce that its 2015 Examination Priorities include a focus on "examining matters of importance to retail investors and investors saving for retirement." Consistent with this priority, OCIE is launching a multi-year Retirement-Targeted Industry Reviews and Examinations (ReTIRE) Initiative. Examination focus areas will include: reasonable basis for recommendations; conflicts of interest; supervision and compliance controls; and marketing and disclosure. [\[OCIE Risk Alert\]](#)

Enforcement Actions

The Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC) and the Financial Industry Regulatory Authority (FINRA) announced the following enforcement actions:

- The SEC charged two firms with acting as unregistered brokers for more than 150 investors in the government's EB-5 Immigrant Investor Program. This program is administered by the U.S. Citizenship and Immigration Services (USCIS) to provide a path to legal residency for foreigners who invest directly in a U.S. business or private "regional centers" that promote economic development in specific areas and industries. The charges are the first the SEC has taken against brokers handling investments in this program. Without admitting or denying the SEC's findings, the firms agreed to be censured and to cease and desist from committing or causing similar violations in the future, as well as to administrative proceedings to determine whether they should be ordered to return their allegedly ill-gotten gains, pay penalties, or both based on their violations.
- The CFTC filed a federal enforcement action against an individual and his company, charging them with fraud, misappropriation, and the issuance of false statements in connection with an investment pool they operated that traded commodity futures contracts and options on futures contracts. In its continued litigation of the \$9 million scheme, the CFTC seeks restitution, disgorgement of ill-gotten gains, civil monetary penalties, permanent registration and trading bans, and preliminary and permanent injunctions from further violations of the federal commodities laws, as charged.
- FINRA separately fined two firms for failing to implement reasonable supervisory systems to monitor the transmittal of customer funds to third-party accounts. FINRA notes these firms were cited for weak supervisory systems in 2011 but have failed to take necessary steps to close supervisory gaps. One firm was required to pay \$650,000 and the other was required to pay \$300,000.

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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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