

Overview of Selected Regulations and Supervisory Guidance

This section provides an overview of recently released regulations and supervisory guidance, arranged in reverse chronological order. Press Release (PR) and Financial Institution Letter (FIL) designations are included so the reader can obtain more information.

ACRONYMS and DEFINITIONS

FDIC	Federal Deposit Insurance Corporation
FRB	Federal Reserve Board
FFIEC	Federal Financial Institutions Examination Council
OCC	Office of the Comptroller of the Currency
OTS	Office of Thrift Supervision
NCUA	National Credit Union Administration
Banking agencies	FDIC, FRB, and OCC
Federal bank and thrift regulatory agencies	FDIC, FRB, OCC, and OTS
Federal financial institution regulatory agencies	FDIC, FRB, OCC, OTS, and NCUA

Subject	Summary
FDIC Issues Consumer Tips on How to “Shop and Save” on Loans, Credit Cards and Deposit Accounts (PR-87-2011, May 16, 2011)	The FDIC issued tips to help consumers shop for a variety of bank products and services. Consumers should evaluate their needs, contact multiple institutions, and read the fine print before making a decision. The advice was published as a special edition of the <i>FDIC Consumer News</i> entitled “Shop and Save...at the Bank: A Buyer’s Guide to Finding the Right Loan, Credit Card or Deposit Account.” See http://www.fdic.gov/news/news/press/2011/pr11087.html
Proposed Rule on Retail Foreign Exchange Transactions (PR-86-2011, May 12, 2011, FIL-36-2011, May 12, 2011, <i>Federal Register</i>, Vol. 76, No. 95, p. 28358, May 17, 2011)	The FDIC issued a Notice of Proposed Rulemaking that would impose requirements on FDIC-supervised insured depository institutions (IDIs) that engage in foreign currency futures, options on futures, and options with retail customers. The IDIs with trades covered by the proposed rule would be subject to requirements in six areas: disclosure, recordkeeping, capital and margin, reporting, business conduct, and documentation. Comments were due by June 16, 2011. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11036.pdf
FDIC Pilot Securitization of Performing Commercial Mortgage Loans from 13 Failed Institutions (PR-81-2011, May 3, 2011)	The FDIC closed on a sale of securities as part of a securitization backed by approximately \$394.3 million of performing commercial and multi-family mortgages from 13 failed banks. The investors for the Class A senior certificates represented a variety of organizations, including banks, insurance companies and money managers, which paid par for the senior certificates. The Class B mezzanine and Class C subordinate classes were purchased by an affiliate of LNR Partners, LLC. This pilot transaction marks the first time the FDIC has sold commercial mortgage loans in a securitization since the beginning of the recent financial crisis. See http://www.fdic.gov/news/news/press/2011/pr11081.html

Regulatory and Supervisory Roundup

continued from pg. 25

Subject	Summary
Proposed Rule for an Amendment to the FDIC Rules Reflecting Repeal of Prohibition on Paying Interest on Demand Deposits (FIL-23-2011, April 21, 2011, <i>Federal Register</i>, Vol. 76, No. 73, p. 21265, April 15, 2011)	The FDIC Board issued a proposed rule amending the FDIC's regulations to reflect a provision in the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> repealing the statutory prohibition against the payment of interest on demand deposits, effective July 21, 2011. Therefore, the FDIC proposes to rescind Part 329 and transfer the definition of "interest" found at Part 329 to Part 330. Comments on the proposed rule were due by May 16, 2011. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11023.html
Consolidated Reports of Condition and Income (Call Reports) (FIL-22-2011, April 21, 2011)	Changes to the definition of core deposits, non-core liabilities, and short-term non-core liabilities for Uniform Bank Performance Report calculation purposes took effect March 31, 2011. These updated definitions will benefit community banks by reflecting the \$250,000 deposit insurance limit that became permanent in 2010. The assessment-related revisions proposed for June 30, 2011, primarily will affect institutions with at least \$10 billion in total assets. New data to be reported by community banks in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments of the Call Reports generally would be limited to average consolidated total assets and average tangible equity (with tangible equity defined as tier 1 capital). The impact of these new items on most community banks with less than \$1 billion in total assets should be nominal. Comments on the proposed revisions were due by May 16, 2011. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11022.html
FDIC Report Examines How An Orderly Resolution of Lehman Brothers Could Have Been Structured Under the Dodd-Frank Act (PR-76-2011, April 18, 2011)	The FDIC released a report on how the FDIC could have structured an orderly resolution of Lehman Brothers Holdings Inc. under the orderly liquidation authority of Title II of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> had that law been in effect in advance of Lehman's failure. The report concludes that the powers provided to the FDIC under the Dodd-Frank Act could have promoted systemic stability while recovering substantially more for creditors than the bankruptcy proceedings at no cost to taxpayers. See http://www.fdic.gov/news/news/press/2011/pr11076.html
FDIC Statement on Enforcement Orders Against Large Servicers Related to Foreclosure Practices (PR-69-2011, April 13, 2011)	The three primary federal regulators of the nation's 14 largest mortgage servicers published final enforcement orders against the institutions based on the findings of a review of their foreclosure policies and practices. Although the FDIC is not the primary federal regulator for any of the largest mortgage servicers, it participated in an interagency horizontal review, at the invitation of the primary regulators, as the back-up regulator to protect the interests of the deposit insurance fund and to provide resources and support for the review. See http://www.fdic.gov/news/news/press/2011/pr11069.html
Joint Proposed Rule to Implement Requirements Regarding Resolution Plans and Credit Exposure Reports (PR-68-2011, April 12, 2011)	The FDIC and the Federal Reserve Board issued a proposed rule to implement the requirements in Section 165(d) of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> regarding resolution plans and credit exposure reports. Each nonbank financial company and bank holding company with assets of \$50 billion or more is required to report periodically to the Board, the FDIC, and the Financial Stability Oversight Council its plan for orderly resolution and the nature and extent of credit exposures to, or from, each company. Comments on the proposed rule were due by June 10, 2011. See http://www.fdic.gov/news/news/press/2011/pr11068.html

Subject	Summary
<p>Joint Proposed Rule to Establish Margin and Capital Requirements for Swap Dealers, Major Swap Participants, Security-based Swap Dealers, and Major Security-based Swap Participants (PR-67-2011, April 12, 2011, FIL-21-2011, April 13, 2011)</p>	<p>The banking agencies, the Farm Credit Administration, and the Federal Housing Finance Agency issued a proposed rule to establish margin and capital requirements for swap dealers, major swap participants, security-based swap dealers, and major security-based swap participants as required by the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i>. The proposed rule would require swap entities to collect minimum amounts of initial margin and variation margin from counterparties to non-cleared swaps and non-cleared, security-based swaps. The amount of margin required under the proposed rule would vary based on the relative risk of the counterparty and the swap or security-based swap. The proposed margin requirements would apply to new, non-cleared swaps or security-based swaps entered into after the proposed rule's effective date. The proposed rule would require regulated swap entities to comply with existing capital standards, as they already address non-cleared swaps and non-cleared, security-based swaps. Comments on the proposed rule are due by June 24, 2011. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11021.html</p>
<p>FDIC Updated Deposit Insurance Fund Loss and Reserve Ratio Projections and Proposed Guidelines on Assessment Rate Adjustments (PR-66-2011, April 12, 2011, <i>Federal Register</i>, Vol. 76, No. 73, p. 21256, April 15, 2011)</p>	<p>The FDIC updated its loss, income, and reserve ratio projections for the Deposit Insurance Fund over the next several years. The projected cost of FDIC-insured institution failures from 2011 through 2015 is \$21 billion, compared to estimated losses of \$24 billion for banks that failed in 2010. Although these loss projections are subject to considerable uncertainty, under these projections and current assessment rates, the fund should become positive this year and reach 1.15 percent of estimated insured deposits in 2018. The FDIC Board also voted to issue proposed guidelines governing assessment rate adjustments under the new large bank pricing system that went into effect beginning the second quarter of 2011. The new system is designed to capture risk at the time the institution assumes the risk, differentiate risk among large institutions during good banking conditions based on how they would fare during economic downturns, and account for the losses the FDIC may incur if a large institution fails. Comments on the proposed guidelines were due by May 31, 2011. See http://www.fdic.gov/news/news/press/2011/pr11066.html</p>
<p>Proposed Assessment Rate Adjustment Guidelines for Large and Highly Complex Institutions (FIL-20-2011, April 12, 2011, <i>Federal Register</i>, Vol. 76, No. 73, p. 21256, April 15, 2011)</p>	<p>The FDIC Board issued proposed guidelines describing the process the FDIC would follow to determine whether to make an adjustment to the score used to calculate the assessment rate for a large or highly complex institution, determine the size of any adjustment, and notify an institution of an adjustment. Comments were due by May 31, 2011. See http://www.fdic.gov/news/news/financial/2011/fil11020.html</p>
<p>Joint Proposed Rule on Risk Retention Proposal (PR-62-2011, March 31, 2011)</p>	<p>The banking agencies, the U.S. Department of Housing and Urban Development, the Federal Housing Finance Agency, and the U.S. Securities and Exchange Commission issued a joint proposed rule that would provide options for meeting the risk-retention requirements of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i>. The options include retention of risk by holding at least 5 percent of each class of asset-backed securities (ABS) issued in a securitization transaction (also known as vertical retention); retention of a first-loss residual interest in an amount equal to at least 5 percent of the par value of all ABS interests issued in a securitization transaction (horizontal retention); an equally divided combination of vertical and horizontal retention; retention of a representative sample of the assets designated for securitization in an amount equal to at least 5 percent of the unpaid principal balance of all the designated assets; and for commercial mortgage-backed securities, retention of at least a 5 percent first-loss residual interest by a third party that specifically negotiates for the interest, if certain requirements are met. Comments were due by June 10, 2011. See http://www.fdic.gov/news/news/press/2011/pr11062.html</p>

Regulatory and Supervisory Roundup

continued from pg. 27

Subject	Summary
Joint Proposed Rule on Incentive Compensation (PR-61-2011, March 30, 2011, <i>Federal Register</i>, Vol. 76, No. 72, p. 21170, April 14, 2011)	The federal financial institution regulatory agencies, the Federal Housing Finance Agency, and the U.S. Securities and Exchange Commission issued a proposed rule to implement Section 956 of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> . The proposed rule would require compensation practices at regulated financial institutions to be consistent with three key principles. Incentive compensation arrangements should appropriately balance risk and financial rewards, be compatible with effective controls and risk management, and be supported by strong corporate governance. Comments were due by May 31, 2011. See http://www.fdic.gov/news/news/press/2011/pr11061.html
Joint Proposed Rule on Resolution Plans and Credit Exposure Reports for Covered Systemic Organizations (PR-60-2011, March 29, 2011)	The FDIC Board and Federal Reserve Board (FRB) issued a joint Notice of Proposed Rulemaking for holding companies with assets of \$50 billion or more and other covered non-bank financial companies supervised by the FRB to file and report resolution plans and credit exposure reports as required in Title I, Section 165 of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> . Resolution Plans would have to be submitted within 180 days of the effective date of the final regulation, and Credit Exposure Reports would have to be filed 30 days after the end of each calendar quarter. Comments were due by June 10, 2011. See http://www.fdic.gov/news/news/press/2011/pr11060.html
Guidance on Accepting Accounts from Foreign Embassies, Consulates, and Missions (FIL-17-2011, March 24, 2011)	The FDIC, in conjunction with the federal banking agencies and the Financial Crimes Enforcement Network, issued supplemental guidance regarding account services for foreign embassies, consulates, and missions (foreign missions). This guidance applies to the limited number of FDIC-supervised financial institutions that already offer foreign mission account relationships and any FDIC-supervised financial institutions considering establishing such relationships. The guidance supplements the June 2004 <i>Guidance on Accepting Accounts from Foreign Governments, Foreign Embassies, and Foreign Political Figures</i> . Financial institutions are expected to conduct appropriate risk assessments and implement requisite controls and oversight systems to effectively manage risks associated with the account relationship. See http://www.fdic.gov/news/news/financial/2011/fil11017.html
Proposed Rule to Set Claims Process Under the Dodd-Frank Act's Orderly Liquidation Authority Provisions (PR-56-2011, March 15, 2011, <i>Federal Register</i>, Vol. 76, No. 56, p. 16324, March 23, 2011)	The FDIC Board approved a Notice of Proposed Rulemaking (NPR) to further clarify application of the orderly liquidation authority contained in Title II of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> (Dodd-Frank Act), "Orderly Liquidation Authority" (OLA). The NPR builds on the interim rule approved by the FDIC on January 18, 2011, and establishes a framework for the priority payment of creditors and procedures for filing a claim with the receiver and, if necessary, pursuing the claim in court. The NPR also clarifies additional issues important to the implementation of the OLA, including how compensation will be recouped from senior executives and directors responsible for the failure of the firm. The NPR, along with the interim final rule, will provide clarity on how OLA key components are implemented and ensure the liquidation process under Title II reflects the Dodd-Frank Act's mandate of transparency in the liquidation of covered financial companies. Comments were due by May 23, 2011. See http://www.fdic.gov/news/news/press/2011/pr11056.html
Overdraft Payment Program Supervisory Guidance: Staff Teleconference on Implementation (FIL-16-2011, March 15, 2011)	FDIC staff hosted a teleconference on March 29, 2011, to discuss the 2010 Overdraft Payment Program Supervisory Guidance issued in November 2010 (FIL-81-2010) that reaffirmed existing supervisory expectations with respect to overdraft payment programs and provided specific guidance with respect to automated overdraft payment programs. See http://www.fdic.gov/news/news/financial/2011/fil11016.html

Subject	Summary
<p>Free Nationwide Seminars for Bank Officers and Employees on Deposit Insurance Coverage (FIL-14-2011, March 3, 2011)</p>	<p>The FDIC will conduct ten telephone seminars for bank officers and employees that will provide comprehensive training on deposit insurance coverage rules and regulations. The seminars will be conducted between March 23 and December 7, 2011, and are free to employees and officers of FDIC-insured banks and savings associations. See http://www.fdic.gov/news/news/financial/2011/fil11014.html</p>
<p>Financial Institution Feedback on FDIC Examination Findings (FIL-13-2011, March 1, 2011)</p>	<p>The FDIC is encouraging financial institutions to provide feedback on FDIC examinations and reports of examination. This Financial Institution Letter addresses what an institution can do if it disagrees with examination findings. An institution can address concerns through communication with the examiner, field office management, or the appropriate regional office staff. Division-level informal reviews also are available. If informal efforts are not successful, an institution may pursue a formal supervisory appeal. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11013.html</p>
<p>Consolidated Reports of Condition and Income (Call Reports) Revisions for March 2011 (FIL-9-2011, February 14, 2011)</p>	<p>The Federal Financial Institutions Examination Council approved revisions to the reporting requirements for the Consolidated Reports of Condition and Income that took effect as of March 31, 2011. The revisions will help the federal financial institution regulatory agencies better understand a bank's credit and liquidity risk exposures, primarily through enhanced data on loans, deposits, and securitization activities. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11009.html</p>
<p>Assessments Final Rule (PR-28-2011, February 7, 2011, FIL-8-2011, February 9, 2011)</p>	<p>The FDIC Board approved a final rule on assessments. The rule implements changes mandated by the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> (Dodd-Frank Act). The rule redefines the deposit insurance assessment base, makes assessment rate adjustments, adopts new rate schedules, implements the Dodd-Frank Act Deposit Insurance Fund dividend provisions, and revises the risk-based assessment system for all large insured depository institutions, generally those with at least \$10 billion in total assets. Except for the future assessment rate schedules, all changes took effect April 1, 2011. See http://www.fdic.gov/news/news/financial/2011/fil11008.html</p>
<p>Interagency Notice of Proposed Rulemaking Incentive-based Compensation Arrangements (PR-27-2011, February 7, 2011, FIL-7-2011, February 9, 2011, <i>Federal Register</i>, Vol. 76, No. 72, p. 21170, April 14, 2011)</p>	<p>The federal financial institution regulatory agencies, the U.S. Securities and Exchange Commission, and the Federal Housing Finance Agency announced a Notice of Proposed Rulemaking that implements Section 956 of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i>, which applies only to financial institutions with total consolidated assets of at least \$1 billion. Section 956 prohibits incentive-based compensation arrangements that encourage inappropriate risk taking and are deemed to be excessive, or may lead to material losses. Comments were due by May 31, 2011. See http://www.fdic.gov/news/news/financial/2011/fil11007.html</p>
<p>Proposed Rule Requiring Certain Bank Staff to Complete FDIC-Provided Training on Deposit Insurance Coverage (PR-26-2011, February 7, 2011, FIL-6-2011, February 9, 2011, <i>Federal Register</i>, Vol.76, No. 29, p. 7740, February 11, 2011)</p>	<p>The FDIC Board approved a Notice of Proposed Rulemaking to require certain employees of insured depository institutions (IDIs) to complete training on the fundamentals of FDIC deposit insurance coverage and provide customers at deposit account opening with the FDIC's publication <i>Deposit Insurance Summary</i>, if the customer will have more than \$250,000 at the IDI. The proposed rule also will require every IDI to provide a link on its Web site to the FDIC's Electronic Deposit Insurance Estimator. Comments were due April 12, 2011. See http://www.fdic.gov/news/news/financial/2011/fil11006.html</p>

Regulatory and Supervisory Roundup

continued from pg. 29

Subject	Summary
Proposed Changes in Reporting Requirements for OTS-Regulated Savings Associations and Savings and Loan Holding Companies (PR-20-2011, February 3, 2011, Federal Register, Vol. 76, No. 26, p. 7082, February 8, 2011)	The federal bank and thrift regulatory agencies announced proposed changes to reporting requirements for savings associations and savings and loan holding companies regulated by the Office of Thrift Supervision. The proposed changes include a change from quarterly Thrift Financial Reports to quarterly Consolidated Reports of Condition and Income. Comments were due by April 11, 2011. See http://www.fdic.gov/news/news/press/2011/pr11020.html
Coverage, Disclosure, and Regulatory Reporting Revisions for Interest on Lawyers Trust Accounts (PR-8-2011, January 18, 2011, FIL-2-2011, January 21, 2011)	The FDIC Board issued a final rule on January 18, 2011, to implement the December 29, 2010 amendment to the Federal Deposit Insurance Act to include Interest on Lawyer Trust Accounts within the definition of a “noninterest-bearing transaction account” for purposes of the temporary, unlimited deposit insurance coverage afforded to such accounts by the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> . The amendment affected year-end 2010 regulatory reporting. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11002.html
Hotline for Small Businesses Regarding Availability of Credit (PR-5-2011, January 13, 2011)	As a result of the <i>Overcoming Obstacles to Small Business Lending Forum</i> held on January 13, 2011, the FDIC announced the availability of a dedicated, toll-free hotline for small businesses. The toll-free number is 1-855-FDIC-BIZ. The FDIC also created a dedicated Web site for small businesses: www.fdic.gov/smallbusiness . See http://www.fdic.gov/news/news/press/2011/pr11005.html
Forum on Overcoming Obstacles to Small Business Lending (PR-4-2011, January 11, 2011)	The FDIC held the <i>Overcoming Obstacles to Small Business Lending Forum</i> on January 13, 2011. The forum explored ways for making credit more accessible to the small business sector by bringing together policymakers, regulators, small business owners, lenders and other stakeholders to identify key issues and focus on solutions. See http://www.fdic.gov/news/news/press/2011/pr11004.html
Initial Registration Period Under the Secure and Fair Enforcement for Mortgage Licensing Act’s Mortgage Loan Originator Provisions (PR-19-2011, January 31, 2011, FIL-1-2011, January 4, 2011)	Under the Secure and Fair Enforcement for Mortgage Licensing Act and the federal financial institution regulatory agencies (including the Farm Credit Administration) final rules, residential mortgage loan originators must register with the registry, obtain a unique identifier from the registry, and maintain their registrations. The agencies announced that the Nationwide Mortgage Licensing System and Registry began accepting federal registrations on January 31, 2011. Further information regarding the registry and the registration process is available at the registry’s Web site: http://mortgage.nationwidelicensingsystem.org/fedreg/Pages/default.aspx . See http://www.fdic.gov/news/news/financial/2011/fil11001.html
Consolidated Reports of Condition and Income (Call Reports) for Fourth Quarter 2010 (FIL-94-2010, December 30, 2010)	The banking agencies announced reporting changes which took effect fourth quarter 2010. Banks are to report the quarter-end dollar amount and number of noninterest-bearing transaction accounts (as defined in the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i>) of more than \$250,000 and data on reverse mortgages. The update also includes revised instructions for reporting estimated uninsured deposits. See https://www.fdic.gov/news/inactive-financial-institution-letters/2010/fil10094.html

Subject	Summary
<p>Community Reinvestment Act Annual Asset-Size Threshold Adjustment (PR-280-2010, December 21, 2010, FIL-93-2010, December 29, 2010, <i>Federal Register</i>, Vol. 75, No. 250, p. 82217, December 30, 2010)</p>	<p>The federal bank and thrift regulatory agencies announced the joint final rule amending the Community Reinvestment Act to make the annual adjustment to the asset-size threshold used to define “small bank” and “intermediate small bank” under the Act. Small bank” or “small savings association” means a bank that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.122 billion. “Intermediate small bank” or “intermediate small savings association” means a small bank with assets of at least \$280 million as of December 31 of both of the prior two calendar years, and less than \$1.122 billion as of December 31 of either of the prior two calendar years. These asset-size threshold adjustments took effect on January 1, 2011. The agencies published the adjustments in the <i>Federal Register</i> on December 30, 2010. See https://www.fdic.gov/news/inactive-financial-institution-letters/2010/fil10093.html</p>
<p>Underwriting Standards for Small Business Loans Originated Under the Small Business Lending Fund Program (FIL-90-2010, December 23, 2010)</p>	<p>The federal bank and thrift regulatory agencies issued guidance regarding prudent underwriting standards for small business loans made under the Small Business Lending Fund Program created as part of the <i>Small Business Jobs Act of 2010</i>. Prudently underwritten small business loans should reflect all relevant credit factors, including capacity of the income from the business to adequately service the debt; value and quality of the collateral; overall creditworthiness of the borrower; level of equity invested in the business; any secondary sources of repayment; and any additional collateral or credit enhancements (such as guarantees or key-person insurance). See http://www.fdic.gov/news/news/financial/2010/fil10090.html</p>
<p>Proposed Rule on Advanced Capital Adequacy Framework—Basel II; Establishment of a Risk-Based Capital Floor (PR-266-2010, December 14, 2010, FIL-88-2010, December 16, 2010, <i>Federal Register</i>, Vol. 75, No. 250, p. 82317, December 30, 2010)</p>	<p>The banking agencies jointly issued this Notice of Proposed Rulemaking to amend the advanced risk-based capital adequacy standards (advanced approaches rules) to be consistent with certain provisions of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> (the Dodd-Frank Act), and amend the general risk-based capital rules to provide limited flexibility consistent with Section 171(b) of the Dodd-Frank Act for recognizing the relative risk of certain assets generally not held by depository institutions. Comments were due February 28, 2011. See https://www.fdic.gov/news/inactive-financial-institution-letters/2010/fil10088.html</p>
<p>Proposed Rule on Risk-Based Capital Standards: Market Risk (PR-270-2010, December 15, 2010, FIL-87-2010, December 16, 2010, <i>Federal Register</i>, Vol. 76, No. 7, p. 1890, January 11, 2011)</p>	<p>The banking agencies jointly issued a Notice of Proposed Rulemaking on possible modifications to the risk-based capital standards for market risk. The proposed rule would incorporate improvements to the current trading book regime as proposed by the Basel Committee on Banking Supervision in <i>Revisions to the Basel II Market Risk Framework</i> published in July 2009 and <i>The Application of Basel II to Trading Activities and the Treatment of Double Default Effects</i> published in July 2005. Comments were due April 11, 2011. See https://www.fdic.gov/news/inactive-financial-institution-letters/2010/fil10087.html</p>
<p>FDIC Board Sets a Two Percent Designated Reserve Ratio as Part of a Comprehensive Plan for Fund Management (PR-265-2010, December 14, 2010)</p>	<p>The FDIC Board voted on a final rule to set the insurance fund designated reserve ratio at two percent of estimated insured deposits. The comprehensive, long-range management plan is designed to reduce the pro-cyclicality in the existing risk-based assessment system by allowing moderate, steady assessment rates throughout economic and credit cycles; and maintaining a positive fund balance even during a banking crisis by setting an appropriate target fund size and a strategy for assessment rates and dividends. See http://www.fdic.gov/news/news/press/2010/pr10265.html</p>

Regulatory and Supervisory Roundup

continued from pg. 31

Subject	Summary
Prudent Management of Agricultural Credit Through Farming and Economic Cycles (FIL-85-2010, December 14, 2010)	<p>The FDIC issued guidance on agricultural credit, recognizing the agricultural sector remains susceptible to shocks from a number of sources, including volatile commodity prices. Financial institutions engaged in agricultural lending must remain diligent in enforcing sound underwriting principles and establishing effective risk management procedures to help mitigate risks. Where agricultural borrowers are struggling to make payments, the FDIC recognizes that constructively working with borrowers often benefits the financial institution and the borrower. See https://www.fdic.gov/news/inactive-financial-institution-letters/fil10085.html</p>
Appraisal and Evaluation Guidelines (PR-261-2010, December 2, 2010, FIL-82-2010, December 2, 2010)	<p>The federal financial institution regulatory agencies issued the <i>Interagency Appraisal and Evaluation Guidelines</i> (Guidelines) to update and replace existing supervisory guidance to reflect changes in appraisal and evaluation practices. The Guidelines build on longstanding, prudent standards for valuing real property and clarify that an analytical method or technological tool, such as an automated valuation model, cannot be substituted for an appraisal when the transaction requires an appraisal. See http://www.fdic.gov/news/news/financial/2010/fil10082.html</p>
Overdraft Payment Programs and Consumer Protection Final Overdraft Payment Supervisory Guidance (PR-257-2010, November 24, 2010, FIL-81-2010, November 24, 2010)	<p>The FDIC issued final guidance which reaffirms existing supervisory expectations with respect to overdraft payment programs generally and provides specific guidance with respect to automated overdraft payment programs. The FDIC expects the institutions it supervises to closely monitor and oversee any overdraft payment programs offered to consumers, including taking appropriate measures to mitigate risks, incorporating the best practices outlined in the 2005 <i>Joint Guidance on Overdraft Protection Programs</i>, and effectively managing third-party arrangements. Management should be especially vigilant with respect to product over-use that may harm consumers, rather than providing protection against occasional errors or funds shortfalls for which the programs were intended. See http://www.fdic.gov/news/news/financial/2010/fil10081.html</p>
Financial Institutions Are Encouraged to Work With Schools to Promote Youth Financial Education (PR-251-2010, November 15, 2010, FIL-80-2010, November 17, 2010)	<p>On November 15, 2010, FDIC Chairman Sheila C. Bair signed a partnership agreement with U.S. Department of Education Secretary Arne Duncan and National Credit Union Administration Chairman Debbie Matz to promote and enhance financial education and access for low- to moderate-income students and families. For additional information on partnerships to promote youth financial education, institutions can contact the FDIC Outreach and Program Development Section at communityaffairs@fdic.gov. See http://www.fdic.gov/news/news/financial/2010/fil10080.html</p>