

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
NCUA	National Credit Union Administration
Federal bank regulatory agencies	FDIC, FRB, OCC
Federal financial institution regulatory agencies	FDIC, FRB, OCC, and NCUA

Subject	Summary
Guidance and Proposed Revisions to Interagency Questions and Answers For Flood Insurance (PR-163-2011, October 14, 2011, <i>Federal Register</i>, Vol. 76, No. 200, p. 64175, October 17, 2011)	<p>The federal financial institution regulatory agencies and the Farm Credit Administration published guidance updating the <i>Interagency Questions and Answers Regarding Flood Insurance</i> for loans in areas having special flood hazards. The guidance updates questions regarding insurable value and force placement of flood insurance and withdraws a question about insurable value. Comments were due December 1, 2011. See http://www.fdic.gov/news/news/press/2011/pr11163.html</p>
FDIC Updates Deposit Insurance Fund Loss, Income, and Reserve Ratio Projections (PR-161-2011, October 11, 2011)	<p>The FDIC has released updated loss, income, and reserve ratio projections for the Deposit Insurance Fund over the next several years. The projected cost of FDIC-insured institution failures for the five-year period from 2011 through 2015 is \$19 billion, compared to estimated losses of \$23 billion for banks that failed in 2010. The fund is expected to reach 1.15 percent of estimated insured deposits in 2018. See http://www.fdic.gov/news/news/press/2011/pr11161.html</p>
Proposed Rule on Prohibitions and Restrictions on Proprietary Trading (PR-160-2011, October 11, 2011, <i>Federal Register</i>, Vol. 76, No. 215, p. 68846, November 7, 2011)	<p>The FDIC has requested public comment on the proposed interagency rule implementing Section 619 of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> regarding the Volcker Rule requirements. Section 619 generally prohibits insured depository institutions, bank holding companies, and their banking entities from engaging in short-term proprietary trading of any security, derivatives, and other certain financial instruments for their own account. Section 619 also prohibits owning, sponsoring, or having certain relationships with a hedge fund or private equity fund, with certain exemptions. Comments on the proposed rule are due by January 13, 2012. See http://www.fdic.gov/news/news/press/2011/pr11160.html</p>

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Subject	Summary
Deposit Insurance Assessment Rate Adjustment Guidelines (FIL-64-2011, September 14, 2011)	The FDIC Board approved guidelines describing the process the FDIC will follow to determine whether to make an adjustment to the score used to calculate the deposit insurance assessment rate for institutions with at least \$10 billion in assets. An adjustment may be made if supported by evidence of a material risk or risk-mitigating factor not reflected in the score. See http://www.fdic.gov/news/news/financial/2011/fil11064.html
Joint Final Rule to Adopt Resolution Plans Under Dodd-Frank Law (PR-151-2011, September 13, 2011, Federal Register, Vol. 76, No. 211, p. 67323, November 1, 2011)	The FDIC and the Federal Reserve Board issued a final 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 for bank holding companies with assets of at least \$50 billion and companies designated as systemic by the Financial Stability Oversight Council. The final rule requires the plan to describe how the company could be resolved in a bankruptcy proceeding. See http://www.fdic.gov/news/news/press/2011/pr11151.html
Interim Final Rule Requiring Resolution Plans (PR-150-2011, September 13, 2011, Federal Register, Vol. 76, No. 183, p. 58379, September 21, 2011)	The FDIC Board separately adopted an interim final rule for insured depository institutions with at least \$50 billion in total assets to provide the FDIC with a contingency plan in the event of failure. The interim final rule complements the joint rulemaking with the Federal Reserve for Section 165(d) of the <i>Dodd-Frank Wall Street Reform and Consumer Protection Act</i> . The interim final rule and joint final rule coordinate resolution planning in the event an orderly liquidation is required. Comments on the interim final rule were due November 21, 2011, and the rule will take effect January 1, 2012. See http://www.fdic.gov/news/news/press/2011/pr11150.html
Investor Match Program (PR-148-2011, September 7, 2011)	The FDIC launched an investor match program to encourage small investors and asset managers to partner with larger investors to participate in the FDIC's structured transaction sales for loans and other assets from failed banks. The goal of the program is to expand small investor participation, including minority- and women-owned firms. See http://www.fdic.gov/news/news/press/2011/pr11148.html
Clarifications to the FDIC's Statement of Policy for Section 19 of the FDI Act (FIL-57-2011, August 8, 2011)	The FDIC clarified criteria for Section 19, <i>Penalty for Unauthorized Participation of Convicted Individual</i> , of the Federal Deposit Insurance Act. Section 19 prohibits, without the prior written consent of the FDIC, a person convicted of criminal offense involving dishonesty, breach of trust, money laundering, or drugs from participating in the affairs of an FDIC-insured institution. See http://www.fdic.gov/news/news/financial/2011/fil11057.html
Guidance on Federal Debt (PR-133-2011, August 5, 2011)	The federal financial institution regulatory agencies issued guidance on federal debt in regard to the Standard and Poor's rating agency lowering the long-term debt rating of U.S. government and federal agencies' debt securities. For risk-based capital purposes, the risk weights for federal government agencies' debt securities will not change. See http://www.fdic.gov/news/news/press/2011/pr11133.html
Final Rule for Retail Foreign Exchange Transactions (FIL-55-2011, July 8, 2011)	The FDIC issued a final rule imposing requirements on FDIC-supervised banks that engage in retail foreign currency transactions with retail customers. The rule applies to foreign currency futures, options on futures, and options and has requirements in six areas: disclosure, recordkeeping, capital and margin, reporting, business conduct, and documentation. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11055.html

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Guidance on Counterparty Credit Risk Management (PR-113-2011, July 5, 2011, FIL-53-2011, July 5, 2011)	<p>The federal bank regulatory agencies and the former Office of Thrift Supervision issued guidance to clarify supervisory expectations and sound practices for an effective counterparty credit risk management framework. The guidance states banking organizations should use appropriate reporting metrics and limits systems, have well-developed and comprehensive stress testing, and maintain systems that facilitate measurement and aggregation of counterparty credit risk across the organization. See http://www.fdic.gov/news/news/financial/2011/fil11053.html</p>
Host State Loan-to-Deposit Ratios (PR-112-2011, June 30, 2011)	<p>The federal bank regulatory agencies issued the host state loan-to-deposit ratios for determining compliance with Section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. The statewide loan-to-deposit ratio relates to an individual bank and is the ratio of a bank's loans to its deposits in a particular state where the bank has interstate branches. The ratios are used to determine if banks are reasonably helping to meet the credit needs of the communities served by the bank's interstate branches. See http://www.fdic.gov/news/news/press/2011/pr11112.html</p>
Authentication in an Internet Banking Environment (PR-111-2011, June 28, 2011, FIL-50-2011, June 29, 2011)	<p>The FDIC, along with the other FFIEC agencies, issued guidance that updates supervisory expectations for customer authentication, layered security, and other controls for Internet banking. Banks are expected to comply with the guidance by January 1, 2012. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11050.html</p>
FDIC Advisory Committee on Systemic Resolution Holds Inaugural Meeting (PR-107-2011, June 22, 2011)	<p>The FDIC held the first advisory committee meeting for systemic resolutions on June 21, 2011. The committee heard presentations about the failure and resolution of systemically important financial companies and, going forward, will provide advice and recommendations to the FDIC relating to the failure of large complex institutions. See http://www.fdic.gov/news/news/press/2011/pr11107.html</p>
Joint Final Rule on Risk-Based Capital Standards (PR-103-2011, June 14, 2011, FIL-48-2011, June 17, 2011, <i>Federal Register</i>, Vol. 76, No. 124, p. 37620, June 28, 2011)	<p>The federal bank regulatory agencies issued a final rule on June 17, 2011, that amends the advanced risk-based capital adequacy standards to be consistent with the <i>Dodd Frank Wall Street Reform and Consumer Protection Act</i> (Dodd-Frank Act). The final rule creates a permanent floor equal to the minimum capital requirements using the federal banking agencies' general risk-based capital rules. The final rule implements Section 171 (known as the Collins Amendment) of the Dodd-Frank Act. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11048.html</p>
Joint Proposed Guidance on Stress Testing for Banking Organizations with Total Consolidated Assets of More than \$10 Billion (PR-102-2011, June 9, 2011, FIL-47-2011, June 16, 2011, <i>Federal Register</i>, Vol. 76, No. 115, p. 35072, June 15, 2011)	<p>The federal bank regulatory agencies are requesting comments on the proposed supervisory guidance for stress-testing practices at banking organizations with total assets of more than \$10 billion. The guidance discusses the uses and merits of stress testing in specific areas of risk management and provides an overview of how an organization should develop a structure for stress testing. Comments were due July 29, 2011. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11047.html</p>

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Advanced Measurement Approach – Operational Risks (FIL-41-2011, June 3, 2011)	The federal bank regulatory agencies and the former Office of Thrift Supervision issued guidance to clarify supervisory expectations and highlight key considerations that implement an effective advanced measurement approach framework. The guidance includes four required data elements: internal operational loss event data, external operational loss event data, business environment and internal control factors, and scenario analysis. See http://www.fdic.gov/news/news/financial/2011/fil11041.html
Notice Regarding the Payment of Interest on Demand Deposit Accounts (FIL-38-2011, May 25, 2011)	The FDIC issued a notice to insured depository institutions (IDIs) that they are required to notify depositors about changes in insurance coverage for demand deposit accounts. The <i>Dodd Frank Wall Street Reform and Consumer Protection Act</i> allows IDIs to pay interest on demand deposit accounts starting July 21, 2011, and allows unlimited deposit insurance for noninterest-bearing transaction accounts. If the account is allowed to pay interest, the IDIs must notify affected customers that the accounts will no longer be eligible for unlimited deposit insurance coverage as a noninterest-bearing transaction account. As of January 1, 2013, noninterest-bearing transaction accounts are insured to the standard maximum deposit insurance amount of \$250,000. See https://www.fdic.gov/news/inactive-financial-institution-letters/2011/fil11038.html