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Safety & Soundness

Agencies Extend Resolution Plan Submission Deadline for Three Financial Companies

On February 18, 2015, the Federal Reserve Board (Federal Reserve) and the Federal Deposit Insurance Corporation (collectively, the Agencies) [announced](#) that they have extended the deadline for the resolution plan submissions of three nonbank financial companies designated by the Financial Stability Oversight Council for supervision by the Federal Reserve. The plan, commonly known as a living will, must describe a company's strategy for rapid and orderly resolution in the event of material financial distress or failure of the company. The three companies will be required to submit their second annual resolution plans by December 31, 2015, instead of by July 1, 2015. The Agencies state the extensions are consistent with similar extensions provided to other firms in previous years and are intended to allow the firms additional time to develop their plans.

Federal Reserve Board Governor Powell Discusses Financial Institutions, Financial Markets and Financial Stability

On February 18, 2015, Federal Reserve Board Governor Jerome H. Powell delivered an [address](#) entitled "Financial Institutions, Financial Markets, and Financial Stability" at the Stern School of Business at New York University. His remarks summarized regulatory reform as it relates to large, global systemically important banks (G-SIBs), critical financial market infrastructure, money markets, and credit markets. He said that "the basic agendas in these areas [G-SIBs, market infrastructure, and money markets] are, to different degrees, well developed, although a great deal of implementation remains." He said, however, that "financial stability in the context of credit markets is less advanced and presents difficult challenges for supervisors."

Governor Powell discussed a range of factors to consider concerning when and how to intervene in the credit markets to promote financial stability through institution-specific supervisory policy. He also argued that the standard for regulatory intervention in the credit markets should be higher than for the other three areas.

Agencies Seek Comment on Interagency Effort to Reduce Regulatory Burden

On February 19, 2015, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively, the Agencies) jointly [requested comment](#) on a second set of regulatory categories as part of their review to identify outdated or unnecessary regulations applied to insured depository institutions. [The Economic Growth and Regulatory Paperwork Reduction Act](#) (EGRPRA) requires the Agencies and the Federal Financial Institutions Examination Council to review their regulations at least every ten years. The Agencies also are required to categorize and publish the regulations for comment and submit a report to Congress that summarizes any significant issues raised by the comments and the relative merits of such issues.

The Agencies have divided their regulations into twelve categories and are requesting comments on three categories in each of four separate notices. The Agencies are accepting comments on the second set of categories until May 14, 2015:

- Banking operations;
- Capital; and
- The *Community Reinvestment Act*.

Although each notice seeks comment on three specific categories, the Agencies stated that they will accept comments on any of the twelve categories. Over the next year, the Agencies will jointly publish two additional *Federal Register* notices seeking comment on the final two sets of categories.

Office of Financial Research Releases Strategic Plan for Fiscal Years 2015-2019

On February 19, 2015, the Office of Financial Research (OFR) released its [strategic plan](#) for fiscal years 2015-2019. The OFR stated that the strategic plan provides a roadmap for linking its activities to strategic goals and performance metrics. The plan sets out three goals for the OFR:

- To make the OFR an essential source of data and analysis for monitoring threats to financial stability;
- To identify and adopt standards that improve the quality and utility of financial data; and
- To conduct leading edge research that improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management.

Enterprise & Consumer Compliance

FDIC Study Indicates Continuing Need for Traditional Branch Banking

On February 19, 2015, the Federal Deposit Insurance Corporation (FDIC) released a study entitled, "[Brick-and-Mortar Banking Remains Prevalent in an Increasingly Virtual World](#)." As its title indicates, the study shows that physical banking offices continue to be the primary means through which FDIC-insured institutions deliver financial services to their customers. It also shows that the emergence of new electronic channels for delivering banking services has not substantially diminished the need for traditional branch offices.

The study identifies four main factors that have influenced the number and distribution of banking offices over time:

- Population growth;
- Banking crises;
- Legislative changes to branching laws; and
- Technological innovation.

FTC Provides Annual Report to CFPB

On February 18, 2015, the Federal Trade Commission (FTC) announced that it has provided an annual report to the Consumer Financial Protection Bureau (CFPB or Bureau) on the FTC's activities related to the enforcement of the *Equal Credit Opportunity Act* (ECOA). The report responds to a request from the CFPB for its use in the preparation of its 2014 Annual Report to Congress.

The FTC summarizes that it is responsible for ECOA enforcement and education related to most nonbank financial service providers. The [report](#) details the FTC's work on a number of policy issues related to ECOA, including issues addressed in FTC workshops and reports. It also outlines the FTC's business and consumer education efforts related to fair lending issues.

CFPB Research Indicates Ongoing Confusion about Credit Scores and Credit Reports

On February 20, 2015, the Consumer Financial Protection Bureau (CFPB or Bureau) reported that more than 50 million consumers have free access to their credit scores through their monthly credit card statements or online. However, the results of a new consumer focus group study conducted by the Bureau indicates that while consumers are accessing their credit scores and credit reports in a variety of ways, confusion about both persists. The [CFPB research](#) examined issues such as whether consumers were checking their credit scores and reports, how they were doing it, and what motivated them to check it. Coincident with the research, the Bureau also published a document for consumers entitled, "[Check Your Credit Report.](#)"

Capital Markets and Investment Management

CFTC Staff to Host Public Roundtable on Recovery and Orderly Wind-Down of Derivatives Clearing Organizations

On February 20, 2015, the U.S. Commodity Futures Trading Commission (CFTC) [announced](#) that it will hold a public roundtable on March 5, 2015, to discuss issues related to recovery and orderly wind-down of Derivatives Clearing Organizations (DCOs). The goal of this roundtable is to gather views from a variety of stakeholders, including DCOs, their clearing members (futures commission merchants), and the customers of their clearing members, including money managers, end-users, and others.

The public is invited to listen to the discussion at CFTC headquarters or via telephone. The tentative agenda is available on the CFTC Web site.

SEC Chair Addresses SEC Speaks 2015 Conference

Securities and Exchange Commission (SEC) Chair, Mary Jo White, provided the [opening remarks](#) at the SEC's SEC Speaks 2015 Conference on February 20, 2015, offering an outline of highlights from 2014 and three initiatives for 2015.

With regard to 2014, Chair White acknowledged:

- The adoption of:
 - Regulation Systems Compliance and Integrity (Regulation SCI), noting also that she had directed staff to study whether to recommend applying similar requirements to other major market participants;
 - Final rules modifying the operation of money market funds;
 - Enhanced disclosure requirements for asset-backed securities;
 - "Threshold rules" providing the regulatory regime for over-the-counter derivatives; and
 - A "package of reforms" for the regulation and oversight of credit rating agencies.
- A number of "first-ever" enforcement cases, including actions addressing:
 - High-frequency trading firms;
 - The adequacy of risk controls before providing market access to customers;
 - The SEC's whistleblower anti-retaliation authority;
 - The allocation of fees and expenses by a private equity firm;
 - An emergency action to halt a fraudulent muni-bond offering; and
 - The misuse of retail customers' material non-public information.

With regard to 2015, Chair White highlighted three “core initiatives,” which included enhancing market structure, strengthening assets managers, and facilitating capital formation for smaller issuers.

Enforcement Actions

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

- The SEC charged two individuals with fraud and announced an emergency asset freeze against the Colorado-based pyramid and Ponzi scheme they operated. The SEC alleges the two individuals raised more than \$3.8 million from investors whom they promised extraordinary returns of 700 percent. The SEC is seeking a permanent injunction, disgorgement, pre- and post-judgment interest, and civil money penalties. The investigation is continuing.
- The SEC charged a New York-based brokerage firm and its CEO with fraud in connection with deceiving other market participants while conducting auctions to liquidate collateralized debt obligations (CDOs). Without admitting or denying the SEC’s findings, they agreed to settle the charges and pay nearly \$1.5 million in disgorgement, prejudgment interest and penalties. The CEO is barred from the securities industry for at least three years.
- The SEC charged a former company executive and an individual whom he allegedly tipped with nonpublic information with insider trading. The SEC alleges that the executive purchased shares of the company stock and asked the other individual to also purchase stock on his behalf ahead of the merger executive’s employer’s merger. In a parallel action, the U.S. Attorney’s Office announced criminal charges against the individual. The company executive previously pled guilty to criminal charges and agreed to settle the SEC’s charges by disgorging his trading profit of \$32,006, paying a penalty of \$64,012 and being prohibited from serving as an officer or director of a publicly-traded company for 10 years.

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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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