

In This Issue

Safety & Soundness

Basel Committee Releases Latest Basel III Monitoring Exercise Results	1
Agencies Propose Revisions to the December 31, 2015 Call Report and Beyond	1
OFR Releases Working Paper on Model for Liquidity Dynamics in Crises	1

Enterprise & Consumer Compliance

CFPB Takes Action against a Debt-Relief Business	2
--	---

Capital Markets & Investment Management

FINRA Releases Guidance on Liquidity Risk Management Practices	2
SEC Adopts Final Rule to Remove Credit Rating References from Money Market Rule	2
FINRA Proposes Rule to Protect Seniors and Others from Financial Exploitation	3
CFTC Proposes Change to Definition of "Material Terms"	3
Through an Order, CFTC Defines Bitcoin and Other Virtual Currencies as Commodities	3

Safety & Soundness

Basel Committee Releases Latest Basel III Monitoring Exercise Results

The Bank for International Settlements (BIS) published results of the latest Basel III monitoring exercise conducted by the Basel Committee on Banking Supervision (Basel Committee). This exercise covers data for a total of 221 banks which include 100 large internationally active banks (Group 1 banks, defined to include banks that have tier 1 capital of more than €3 billion) and 121 additional institutions (Group 2 banks, defined as all other banks). The current monitoring exercise is based on the assumption that the final Basel III package is fully in force. Using data as of December 31, 2014, the Basel Committee highlights its finding that all large internationally active banks meet the Basel III risk-based capital minimum requirements as well as the Common Equity Tier 1 (CET1) target level. [\[Press Release\]](#) [\[Exercise Results\]](#)

Agencies Propose Revisions to the December 31, 2015 Call Report and Beyond

The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (Federal Reserve), and the Office of the Comptroller of the Currency (OCC) jointly released proposed revisions to the Consolidated Reports of Condition and Income (Call Report) that, depending on the change, would take effect December 31, 2015, or March 31, 2016. At a high level, the proposed changes include:

- Deletions of certain existing data items in five schedules;
- Increases in existing reporting thresholds and the establishment of a new threshold for certain data items in six schedules;
- Instructional revisions pertaining to home equity lines of credit, fair value option securities, and gains (losses) on certain equity securities; and
- New and revised data items and information, some of which are of limited applicability, addressing: time deposit data, external auditing programs, Chief Executive Officer contact information, the Legal Entity Identifier, preprinted captions for itemizing components of certain data items, extraordinary items, fair value option securities, trading revenue, “dually payable” deposits in foreign branches, and the supplementary leverage ratio.

Comments are requested no later than November 17, 2015. [\[Financial Institution Letter 2015-39\]](#)

OFR Releases Working Paper on Model for Liquidity Dynamics in Crises

The Office of Financial Research (OFR) released a Working Paper, entitled *An Agent-Based Model for Crisis-Liquidity Dynamics*, on September 16, 2015. The paper summarizes findings derived from a model built by the researchers that incorporates dynamics among market participants into the process of assessing liquidity. The findings suggest that sharp price declines may be worsened by funding constraints of large dealers and other market makers and by the slow reaction of liquidity providers, such as insurance companies. The authors suggest these factors were apparent during recent incidents, such as the Flash Crash on May 6, 2010, and the extreme volatility in the U.S. Treasury market on October 15, 2014. [\[Press Release\]](#) [\[OFR Working Paper\]](#)

Enterprise & Consumer Compliance

CFPB Takes Action against a Debt-Relief Business

The Consumer Financial Protection Bureau (CFPB or Bureau) has announced that it obtained a preliminary injunction against a debt-relief business and its senior leaders for running a debt-relief scheme. The Bureau alleges the defendants violated the unfair, deceptive or abusive acts or practices (UDAAP) provisions of the *Consumer Financial Protection Act* by falsely promising consumers a team of attorneys to help negotiate debt settlements with creditors, but in reality, failed to provide legal representation, and rarely settled consumers' debts. Furthermore, the Bureau alleges the business took fees totaling approximately \$67 million from at least 21,000 consumers in advance of providing any debt-relief services in violation of the *Telemarketing Sales Rule*. The Bureau has obtained an order in U.S. District Court that halts the operations of the business and freezes the defendants' assets while the case is pending.

Capital Markets and Investment Management

FINRA Releases Guidance on Liquidity Risk Management Practices

On September 15, 2015, the Financial Industry Regulatory Authority (FINRA) released Regulatory Notice 15-33 to provide *Guidance on Liquidity Risk Management Practices*. The guidance is the culmination of FINRA's year-long review of 43 firms' contingency plans and processes related to managing liquidity requirements in a "stressed" environment. FINRA states the objective of the review was to better understand firms' risk controls over liquidity risks and to raise awareness of the need for liquidity stress planning. Examples of effective controls and best practices are included in the guidance, which senior management and risk managers are encouraged to consider and implement. They include, among others:

- Understanding the possible changes in counterparty behavior during a stress period;
- Establishing clear criteria for when a firm should shift from "business as usual" to contingent funding mode; and
- Having a governance process around stress test results and the use of contingency funding plans.

[\[Press Release\]](#) [\[Regulatory Notice 15-33\]](#)

SEC Adopts Final Rule to Remove Credit Rating References from Money Market Rule

The Securities and Exchange Commission (SEC) announced on September 16, 2015, that it has adopted amendments to remove credit rating references from money market fund Rule 2a-7. In particular, the amendments eliminate the current requirements that money market funds invest only in securities that have received one of the two highest short-term credit ratings or securities that are of comparable quality, and invest at least 97 percent of their assets in securities that have received the highest short-term credit rating. A new requirement will be implemented limiting money market funds to investing in securities only if, after analyzing certain prescribed factors, the funds determine the securities present minimal credit risks. The amendments will become effective October 26, 2015, and compliance will be required beginning October 14, 2016. [\[Press Statement\]](#) [\[Final Rule\]](#)

FINRA Proposes Rule to Protect Seniors and Others from Financial Exploitation

The Financial Industry Regulatory Authority (FINRA) announced on September 16, 2015, that its Board of Governors approved the issuance of a proposed rule that is intended to enable firms to better protect seniors and other vulnerable adults from financial exploitation. The proposal would amend FINRA's customer account information rule to require firms to make reasonable efforts to obtain the name and contact information of a customer's trusted contact upon opening the customer's account. In addition, the proposal would establish a new rule that would allow a firm to place a temporary hold on the disbursement of funds or securities in order to notify a customer's trusted contact in cases where the firm has a reasonable belief of financial exploitation. As proposed, the new rule would apply to the accounts of investors aged 65 or older as well as the accounts of investors aged 18 and older, if they have mental or physical impairments that render them unable to protect their own interests. A Regulatory Notice seeking comment on the proposal is expected to be released shortly. [\[Press Release\]](#)

CFTC Proposes Change to Definition of "Material Terms"

The Commodity Futures Trading Commission (CFTC) released a proposed amendment to the regulatory definition of "material terms" for purposes of swap portfolio reconciliation under CFTC Regulation 23.502. The amendments would specifically exclude certain data fields, including:

- An indication that the swap will be allocated;
- The legal entity identifier of the agent, if applicable;
- An indication that the swap is a post-allocation swap;
- The unique swap identifier for post-allocation swaps;
- Block trade indicator;
- The execution timestamp for cleared swaps;
- The timestamp for submission to SDR for cleared swaps;
- Clearing indicator; and
- Clearing venue. [\[Press Statement\]](#) [\[Proposed Rule\]](#)

Through an Order, CFTC Defines Bitcoin and Other Virtual Currencies as Commodities

The Commodity Futures Trading Commission (CFTC) issued an Order on September 15, 2015, filing and simultaneously settling charges against an options trading platform and its chief executive officer for conducting activity related to commodity options transactions without complying with the *Commodity Exchange Act* (CEA) and CFTC Regulations. The CFTC states the trading platform operated an online facility that offered to connect buyers and sellers of Bitcoin option contracts and did not comply with the CEA or CFTC Regulations applicable to swaps or conduct the activity pursuant to the CFTC's exemption for trade options. In the Order, the CFTC for the first time finds that Bitcoin and other virtual currencies are properly defined as commodities.

Contact Us

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

Amy Matsuo, Partner, National Lead, Financial Services Regulatory Risk Practice	amatsuo@kpmg.com
Philip Aquilino, Principal and National Lead, Financial Services Safety & Soundness	paquilino@kpmg.com
Kari Greathouse, Principal and National Lead, Enterprise-wide Compliance & Consumer	cgreathouse@kpmg.com
Tracy While, Principal and National Lead, Capital Markets and Investment Management	twhile@kpmg.com
Hugh Kelly, Principal and National Lead, Bank Regulatory Advisory	hckelly@kpmg.com
Pamela Martin, Managing Director and Lead, Americas FS Regulatory Center of Excellence	pamelamartin@kpmg.com

Please direct subscription inquiries to the Americas FS Regulatory Center of Excellence:
regulationfs@kpmg.com

Earlier editions of The Washington Report are available at:
www.kpmg.com/us/thewashingtonreport

Additional Contacts

Asset Management, Trust, and Fiduciary

Bill Canellis wcanellis@kpmg.com

Bank Regulatory Reporting

Brett Wright bawright@kpmg.com

Capital Markets Regulation

Stefan Cooper stefancooper@kpmg.com

Capital/Basel II and III

Paul Cardon pcardon@kpmg.com

Commodities and Futures Regulation

Dan McIsaac dmcisaac@kpmg.com

Consumer & Enterprise Compliance

Stacey Guardino sguardino@kpmg.com

Cross-Border Regulation & Foreign Banking Organizations

Paul Cardon pcardon@kpmg.com

Insurance Regulation

Matthew McCorry memccorry@kpmg.com

Investment Management

John Schneider jjschneider@kpmg.com

Safety & Soundness, Corporate Licensing & Governance, and ERM Regulation

Greg Matthews gmatthews1@kpmg.com

ALL INFORMATION PROVIDED HERE IS OF A GENERAL NATURE AND IS NOT INTENDED TO ADDRESS THE CIRCUMSTANCES OF ANY PARTICULAR INDIVIDUAL OR ENTITY. ALTHOUGH WE ENDEAVOR TO PROVIDE ACCURATE AND TIMELY INFORMATION, THERE CAN BE NO GUARANTEE THAT SUCH INFORMATION IS ACCURATE AS OF THE DATE IT IS RECEIVED OR THAT IT WILL CONTINUE TO BE ACCURATE IN THE FUTURE. NO ONE SHOULD ACT UPON SUCH INFORMATION WITHOUT APPROPRIATE PROFESSIONAL ADVICE AFTER A THOROUGH EXAMINATION OF THE FACTS OF THE PARTICULAR SITUATION.

©2015 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International. KPMG LLP, the audit, tax and advisory firm (www.kpmg.com/us), is the U.S. member firm of KPMG International Cooperative ("KPMG International"). KPMG International's member firms have 145,000 professionals, including more than 8,000 partners, in 152 countries. Printed in the U.S.A. All rights reserved. NDPPS 146154