



The Washington Report

Americas FS Regulatory Center of Excellence

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1. Safety and soundness

1.1 Federal agencies complete resolution plan evaluations and provide resolution plan guidance to foreign banking organizations

On March 24, 2017, the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board (Federal Reserve) jointly announced the completion of their evaluation of the resolution plans of 16 domestic banks submitted in December 2015. The agencies found that the resolution plans were credible and would facilitate an orderly resolution under the U.S. Bankruptcy Code. The agencies identified shortcomings in one bank's resolution plan, which must be satisfactorily resolved in that firm's 2017 plan. For the remaining 15 firms, the agencies will tailor their expectations for the firms' 2017 resolution plan submissions to reflect the size and complexity of each firm. The agencies anticipate this will limit the amount of information required to be submitted.

The agencies also issued guidance to help four foreign firms improve their resolution plans. The guidance, which reflects the significant restructuring the firms have undertaken to form intermediate holding companies, is organized around a number of key vulnerabilities, such as capital, liquidity, and governance mechanisms. These four firms also received a one-year extension to submit their next resolution plan, which will now be required by July 1, 2018.

[\[Joint Press Statement\]](#)

1.2 Banking agencies issue joint report to Congress

On March 21, 2017, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance

Corporation and the National Credit Union Administration issued a joint report to Congress detailing their review of rules impacting financial institutions. The review was conducted as part of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA), which requires the federal banking agencies and the Federal Financial Institutions Examination Council (FFIEC) to conduct a review of their rules at least every 10 years to identify outdated or unnecessary regulations. This review describes several joint actions planned or taken by the federal financial institutions regulators, including:

- Simplifying regulatory capital rules for community banks and savings associations;
- Introducing a streamlined community bank condition and income report (Call Report) to reduce regulatory reporting requirements;
- Simplifying the Call Reports;
- Increasing the appraisal threshold for commercial real estate loans;
- Addressing the shortage of appraisers in rural areas; and
- Expanding the number of institutions eligible for less frequent examination cycles.

The report also describes the individual actions taken by each agency to update its own rules, eliminate unnecessary requirements, and streamline supervisory procedures.

[\[Joint Press Statement\]](#) [\[Report\]](#)

2. Enterprise and consumer compliance

2.1 CFPB issues proposal giving mortgage lenders flexibility in collecting consumer information

On March 24, 2017, the Consumer Financial Protection Bureau (CFPB or the Bureau) released a proposal to amend Regulation B, the implementing regulation to the Equal Credit Opportunity Act (ECOA), which includes restrictions regarding lenders' ability to ask consumers about their race, color, religion, national origin or gender, except in certain circumstances. The proposed amendments would provide additional flexibility in the collection of consumer ethnicity and race information. Under the proposal, mortgage lenders would not be required to maintain different

practices depending on their loan volume or other characteristics, thus allowing more lenders to adopt application forms that include expanded requests for information regarding a consumer's ethnicity and race. The proposal will be open for public comment for 30 days after its publication in the Federal Register.

[\[Press Statement\]](#) [\[Proposed Rule\]](#)

2.2 CFPB issues notice pertaining to consumer remittances

On March 17, 2017, the Consumer Financial Protection Bureau (CFPB or the Bureau) issued a notice of its assessment of certain of the Bureau's regulations related to consumer remittance transfers under the Electronic Fund Transfer Act. The remittance rules require companies to give accurate disclosures to consumers before they pay for a remittance transfer, and it requires remittance transfer providers to investigate disputes and remedy certain errors.

The assessment is being conducted in accordance with section 1022(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which requires the CFPB to assess significant rulemakings within five years of the effective date of the rule regarding the rule's effectiveness in meeting the objectives of Title X of the Dodd-Frank Act (i.e., the Consumer Financial Protection Act). The Bureau intends to focus its assessment of the remittance rules in two areas: 1) whether the market for remittances has evolved after release of the rules in ways that promote access, efficiency, and limited market disruption by considering how remittance volumes, prices, and competition in the remittance market may have changed; and, 2) whether the new system of consumer protections has brought more information, transparency, and greater predictability of prices to the market.

The CFPB is seeking input from interested parties on a variety of topics related to the assessment, including the feasibility of the assessment plan, submission of data and other information that may be useful to the assessment, and recommendations for modifying, expanding, or eliminating the remittance rules.

Comments will be accepted through May 23, 2017; the CFPB expects to issue a report on its assessment by October 2018.

[\[CFPB Notice\]](#) [\[CFPB Blog\]](#)

2.3 Enforcement Actions

The Consumer Financial Protection Bureau (CFPB or the Bureau) announced the following enforcement action in the past week:

- The CFPB entered into a Consent Order with a credit reporting company to address the CFPB's findings the company deceived consumers about the use of credit scores it sold to consumers. The credit reporting company allegedly claimed that its credit scores sold to consumers were used by lenders to make credit decisions. In fact, the credit scores sold to consumers were derived from a separate scoring model than the model used for credit scores provided to lenders and were reportedly sold to consumers for "educational" purposes only. The company was separately found to have also violated the Fair Credit Reporting Act, which requires a companies to provide a free credit report once every 12 months and to operate a central source where consumers can obtain their report. The company had allegedly forced consumers to view the company advertisements before obtaining their report. The company agreed to the Consent Order without admitting or denying the CFPB's allegations, and further agreed to pay a \$3 million penalty, inform consumers truthfully about the credit scores, and put in place an effective compliance management system.

3. Capital markets and investment management

3.1 CFTC provides relief associated with swap trade confirmations

On March 24, 2017, the Commodity Futures Trading Commission's (CFTC) Division of Market Oversight (DMO) issued a no-action letter extending relief associated with swap trade confirmation requirements until the effective date of any revised CFTC regulations regarding trade confirmation requirements. Relief for the trade confirmation requirements was previously set to expire on March 31, 2017. This letter

relieves swap execution facilities (SEFs) from the requirements to:

- Obtain documents that are incorporated with reference to a trade confirmation issued by a SEF, prior to issuing the confirmation;
- Maintain these documents as records; and
- Report confirmation data that is contained only in the documents that the SEF incorporates with reference to a confirmation.

The DMO will also recommend that the CFTC take enforcement action if:

- An SEF incorporates by reference to terms in previously negotiated agreements between counterparties;
- An SEF fails to maintain a copy of the agreements;
- An SEF does not report confirmation data in the documents it incorporates by reference in a confirmation.

[\[Press Statement\]](#) [\[CFTC Staff Letter 17-17\]](#)

3.2 SEC adopts T+2 settlement cycle for securities transactions

On March 22, 2017, the Securities and Exchange Commission (SEC) adopted an amendment to shorten the settlement cycle from three business days (T+3) to two business days (T+2). The amended rule is designed to enhance efficiency, reduce risk, and ensure a coordinated and expeditious transition by market participants to a shortened standard settlement cycle. Broker-dealers will be required to comply with the amended rule beginning on September 5, 2017. The new rule applies T+2 settlement cycle to the securities transactions currently covered by the T+3 settlement cycle, which includes stocks,

bonds, municipal securities, exchange-traded funds, certain mutual funds, and limited partnerships that trade on an exchange.

[\[Press Statement\]](#)

3.3 Enforcement Actions

The Commodity Futures Trading Commission (CFTC) announced the following enforcement action in the past week:

- The CFTC reported that the U.S. District Court for the Southern District of Florida entered a Consent Order against a company and its founder for fraudulent solicitation and misappropriation in connection with off-exchange binary options. The Order found that the company had fraudulently solicited approximately \$3 million from clients in the U.S. and Canada to trade off-exchange binary options and that the defendants made misleading and false representations to prospective clients about the likelihood of making money trading binary options. The Order imposes trading and registration bans on the defendants and requires them to pay nearly \$2.8 million in restitution to defrauded investors and a \$3.75 million civil money penalty.

4. Insurance

4.1 IAIS extends comment period for Application Paper on Group Corporate Governance

On March 20, 2017, the International Association of Insurance Supervisors (IAIS) extended the deadline for submitting comments on the Application Paper on Group Corporate Governance from April 3, 2017 to May 1, 2017. The IAIS released the ICP/ComFrame package for public consultation simultaneously with the Application Paper. The content of the Application Paper relates to several elements of the

ICP/ComFrame consultation package, and the additional time will allow stakeholders to analyze the consultation materials in a more comprehensive way without adversely impacting the process for developing the Application Paper. The deadline for the ICP and ComFrame-related material consultation package remains June 1, 2017.

[\[Press Statement\]](#)

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, Principal, National Leader, Financial Services Regulatory Risk Practice

amatsuo@kpmg.com

Ken Albertazzi, Partner and National Lead, Financial Services Safety & Soundness

kalbertazzi@kpmg.com

Kari Greathouse, Principal and National Lead, Enterprise and Consumer Compliance

cgreathouse@kpmg.com

Tracy Whille, Principal and National Lead, Capital Markets and Investment Management

twhille@kpmg.com

Deborah Bailey, Managing Director, Americas FS Regulatory Center of Excellence

dpbailey@kpmg.com

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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

Financial Crimes

Terry Pesce tpesce@kpmg.com

Insurance Regulation

Matthew McCorry memccorry@kpmg.com

Investment Management

Larry Godin lgodin@kpmg.com

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

Greg Matthews gmatthews1@kpmg.com

FS Regulatory Center of Excellence

Karen Staines kstaines@kpmg.com

kpmg.com/socialmedia



kpmg.com/app



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