The Washington Report

Americas FS Regulatory Center of Excellence

The week ended April 7, 2017

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1. Safety and soundness

1.1 Regulatory representatives discuss reform priorities and outlook at the U.S.-EU Joint Financial Regulatory Forum

Representatives from regulatory authorities in the United States and the European Union (EU) met on March 28 and 29 for the U.S.-EU Joint Financial Regulatory Forum (Forum) in Brussels, Belgium to exchange views on financial regulatory developments as part of an ongoing regulatory dialogue. The participants discussed the outlook for financial regulatory reforms, progress in implementing the G20 reform agenda, and future priorities that included cooperative efforts to finalize the remaining elements of the international regulatory reform agenda. The participants acknowledged deepened cooperation in the areas of banking prudential standards, data protection, capital markets and derivative reforms, central counterparty resolution and insurance since the Forum's enhanced dialogue last year.

[Press Statement]

1.2 BCBS releases final guidance on problem assets

On April 4, 2017, the Basel Committee on Banking Supervision (BCBS) released its final guidance on the *Prudential treatment of problem assets - definitions of non-performing exposures and forbearance.* The guidance is intended to promote consistency in the scope, recognition criteria, and level of application for non-performing exposures and forbearance in order to improve understanding of the terms, improve identification and monitoring, and promote consistency in both supervisory reporting and bank disclosures.

[Press Statement] [Guidance Report]

1.3 BCBS Secretary General addresses global adoption of Basel framework

On April 5, 2017, William Coen, Secretary General of the Basel Committee on Banking Supervision (BCBS), addressed the 9th Islamic Financial Services Board Public Lecture on Financial Policy and Stability. He emphasized the global implementation of BCBS standards to improve the resilience of the global banking system, promote public confidence in prudential ratios, and encourage a predictable and transparent regulatory environment for internationally active banks. His speech highlighted key elements of the Regulatory Consistency Assessment Programme (RCAP) implementation program, including how that program has helped to improve the timeliness of implementation and the consistency of banking regulation across BCBS members. He also addressed other ongoing efforts of the BCBS to monitor and assess the impact of BCBS standards.

[Press Statement] [Speech]

1.4 Committee on the Global Financial System publishes frameworks for central bank liquidity assistance

On April 6, 2017, the Working Group of the Committee on the Global Financial System (CGFS) published a report entitled *Designing frameworks for central bank liquidity assistance: Addressing new challenges*. This report highlights three challenges that are shared by central banks seeking to provide liquidity assistance in times of financial stress: i) the provision of liquidity assistance to internationally active financial intermediaries, ii) transparency about liquidity assistance, and iii) the provision of liquidity assistance to a market. The authors note that these challenges remain despite institutional and regulatory reforms aimed at liquidity issues since the financial crisis. They present a set of eight principles for central banks to consider when providing liquidity assistance, recognizing that central banks may be called on to work closely with each other when assisting internationally active financial intermediaries. The principles address the following topics: allocation of responsibilities, information-sharing, eligibility, solvency, collateral, provision of foreign currency, transparency, and liquidity assistance to a market.

[Press Statement] [Report]

1.5 House hearing on Federal financial regulatory reform

On April 6, 2017, the House Committee on Financial Services' Subcommittee on Financial Institutions and Consumer Credit held a hearing entitled "Examination of the Federal Financial Regulatory System and Opportunities for Reform." Industry representatives and former government officials testified on the impact that rules and processes from federal financial agencies have had on the financial services industry in addition to possible reforms of these federal financial regulators themselves.

Highlights from the witness testimonies follow:

- One witness discussed the lack of transparency in the processes around stress testing, CAMELS ratings, living wills, corporate governance supervision, and the Community Reinvestment Act.
- Another witness recommended consolidating federal regulators into one bank regulator and one capital markets regulator. Specifically, he suggested merging the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC), merging the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC), removing the Federal Reserve Board from bank

regulation, and abolishing the Consumer Financial Protection Bureau (CFPB).

— Another witness argued for greatly limiting the CFPB's authorities by, among other things, explicitly precluding the use its disparate impact theory; removing its authority to enforce unfair, deceptive, or abusive acts or practices (UDAAP); and returning its supervisory authority to the prudential regulators or the states.

[Subcommittee hearing]

2. Enterprise and consumer compliance

2.1 CFPB publishes annual report on consumer complaints

The Consumer Financial Protection Bureau (CFPB or Bureau) recently published its 2016 Consumer Response Annual Report. Highlights of the report are outlined in an April 3, 2017 blog post, noting that:

— The total number of consumer complaints received in 2016 approximated 291,400, reflecting a 7 percent increase over the number of complaints handled in 2015;

— The most complained about products and services were debt collection, credit reporting, and mortgages, which together represented approximately 67 percent of all complaints submitted in 2016; and

— Nearly all complaints forwarded to financial companies - 97 percent - received responses in a timely manner. [Blog] [Report]

2.2 FDIC publishes mortgage lending guide

On April 6, 2017, the Federal Deposit Insurance Corporation (FDIC) published Part III of its Affordable Mortgage Lending Guide to provide community bankers with information around programs and products offered by Federal Home Loan Banks (FHLBs). The guide compares different products, describes Community Reinvestment Act implications, and identifies the next steps to initiate or expand mortgage lending. It also describes products that support single-family home purchases, such as down payment and closing cost assistance.

[Press Statement] [Financial Institution Letters] [Guide]

3. Capital markets and investment management

3.1 U.S. Department of Labor extends fiduciary rule applicability date

On April 4, 2017, the U.S. Department of Labor (DOL) released a final rule extending the applicability date of its fiduciary rule and related exemptions by 60 days, to June 9, 2017 from the originally scheduled date of April 10, 2017. This delay is a result of a presidential memorandum issued on February 3, 2017, which directed the DOL to examine the fiduciary rule for adverse effects on the ability of U.S. citizens to receive complete access to retirement information and financial advice.

More specifically, the DOL's final rule:

— Extends for 60 days the applicability date of the final regulation defining who is a "fiduciary" under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986.

— Extends for 60 days the applicability dates of the Best Interest Contract Exemption and the Class Exemption for Principal Transactions. Fiduciaries relying on these exemptions for covered transactions must adhere only to the impartial conduct standards (including the best interest standard), as conditions of the exemptions during the transition period from June 9, 2017 through January 1, 2018.

- Delays the applicability of amendments to Prohibited Transaction Exemption 84-24 (relating to annuities) until January 1, 2018, other than the impartial conduct standards, which will become applicable on June 9, 2017.
- Extends for 60 days the applicability dates of amendments to other previously granted exemptions related to fiduciary advice.

The DOL states that it intends to complete its review under the presidential memorandum prior to January 1, 2018, when all of the exemptions' conditions are scheduled to become fully applicable. Further, by that date it will decide whether to make or propose additional changes to the fiduciary rule or associated exemptions. In the absence of additional action by the DOL, the current delay will not affect the requirement to enter into a Best Interest Contract and other requirements that are currently scheduled for January 1, 2018.

[Press Statement]

3.2 SEC adopts JOBS Act amendments to adjust for inflation

On April 5, 2017, the Securities and Exchange Commission (SEC) approved inflation adjustment amendments under the Jumpstart Our Business Startups (JOBS) Act. The amendments increase a threshold used to determine eligibility for benefits offered to Emerging Growth Companies and increased the amount of money companies can raise through crowd funding. The JOBS Act, enacted on April 5, 2012, requires the SEC to make this inflation adjustment to certain JOBS Act rules every five years. The new thresholds will become effective when they are published in the Federal Register.

[Press Statement]

3.3 FINRA enables firms to comply under shortened settlement cycle

On April 7, 2017 the Financial Industry Regulatory Authority (FINRA) published Regulatory Notice 17-12 announcing that it is updating the Regulatory Extension System (REX) to enable firms to file time extension requests under the shortened T+2 settlement cycle. Firms may file such requests beginning September 11, 2017 through the batch file process and by completing the REX online request form. This update is in response to the U.S. Securities and Exchange Commission's (SEC) amendment of Rule 15c6-1(a) under the Securities Exchange Act of 1934 to shorten the standard settlement cycle for most broker-dealer transactions from T+3 to T+2.

[Press Statement] [Regulatory Notice 17-12]

4. Insurance

4.1 NAIC promotes national retirement planning week

The National Association of Insurance Commissioners (NAIC) promoted national retirement week during April 3-7. The NAIC highlighted the "Retirement Security Initiative," which aims to educate consumers about the choices they have for retirement planning. The NAIC also provides its Insure U Retirement microsite, which details the importance of planning for retirement regardless of age or income.

[Press Statement]

Contact us

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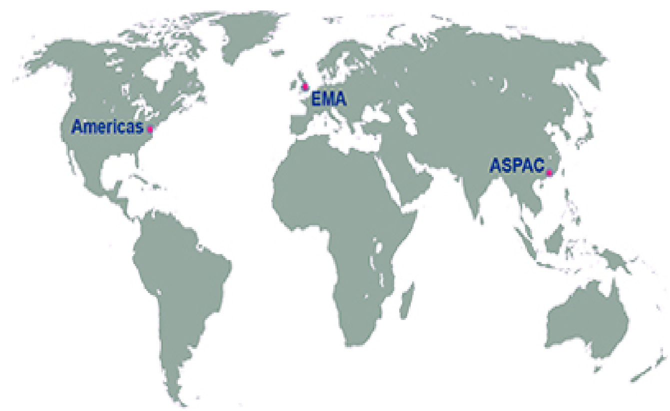

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