The Washington Report

Americas FS Regulatory Center of Excellence

The week ended October 21, 2016

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Contents

1. Safety and soundness

1.1 Financial Stability Board publishes methodology for assessing resolution regimes in the banking sector

On October 19, 2016, the Financial Stability Board (FSB) published a methodology to assess the implementation of its "Key Attributes of Effective Resolution Regimes for Financial Institutions" (Key Attributes) in the banking sector. The Assessment Methodology is designed to promote consistent assessments across jurisdictions and provide guidance to jurisdictions when adopting or reforming bank resolution regimes to implement the Key Attributes. The FSB notes that the Key Attributes serve as an "umbrella" standard for resolution regimes in all types of financial institutions but not all attributes are equally relevant to all sectors and some require adaptation and sector-specific interpretation. The currently released Assessment Methodology is specific to the banking sector.

A resolution progress report published by the FSB in August 2016, revealed that progress on implementation of the Key Attributes has been uneven. "Substantial work" is yet to be done to put effective resolution regimes in place and to operationalize resolution plans for cross-border firms. The Assessment Methodology was released to facilitate an informed and consistent analysis of compliance with the Key Attributes and to assist jurisdictions in their reform efforts.

Separately, the FSB notes that jurisdictions have agreed to undergo an assessment of their bank resolution regimes on the basis of the Assessment Methodology. [Press Statement] [Assessment Methodology]

1.2 BCBS releases progress report on adoption of the Basel III framework in member jurisdictions

The Basel Committee on Banking Supervision (BCBS) released its eleventh progress report on the adoption of the Basel regulatory framework on October 19, 2016. The report provides an overview of the progress made by BCBS member nations as of end-September 2016 in adopting the Basel III standards. The BCBS has released reports every six months since October 2011 to highlight the progress made; the Basel III regulatory framework becomes fully effective by 2019.

Key takeaways from the report include:

- All member jurisdictions (27 jurisdictions) have final risk-based capital rules, liquidity coverage ratio (LCR) regulations, and capital conservation buffers in force;
- 26 member jurisdictions have issued final rules for the countercyclical capital buffers;
- 25 member jurisdictions have issued final or draft rules for their domestic systemically important bank frameworks;
- 18 member jurisdictions have issued final or draft rules for margin requirements for non-centrally cleared derivatives;
- All members that are home jurisdictions to global systemically important banks (G-SIBs) have a final framework in force;
- Members are now turning to the implementation of the net stable funding ratio (NSFR) and the leverage ratio;
- Some member jurisdictions report challenges in meeting the agreed implementation deadlines for some standards, including the revised Pillar 3 framework (by end-2016), the standardized approach for measuring counterparty credit risk (by January 2017), capital requirements for central counterparty (CCP) exposures (by January 2017), and capital requirements for equity investments in funds (by January 2017).

The BCBS has published its assessment reports on the implementation of Basel risk-based capital regulations, and the domestic adoption of the Basel LCR standards for some of its member nations, as well as the implementation of the Basel G-SIB framework on its website. The Committee aims to have assessed the consistency of risk-based capital and LCR standards of all 27 member jurisdictions by the end of 2016 and 2017 respectively. [Press Statement] [Progress Report]

1.3 Federal Reserve plans to collect transaction data for U.S. Treasury securities

The Federal Reserve Board (Federal Reserve) issued a press release on October 21, 2016, announcing plans to collect data from banks on secondary market transactions in U.S. Treasury securities. The Federal Reserve also plans to enter into negotiations with Financial Industry Regulatory Authority (FINRA) to act as its data collection agent. A proposed rule on the data collection effort is forthcoming.

Separately, FINRA issued Regulatory Notice 16-39 on October 19, 2016, announcing that it had received approval from the Securities and Exchange Commission to require its member firms to report transactions in U.S. Treasury securities, except savings bonds, to FINRA's Trade Reporting and Compliance Engine (TRACE). Firms must begin reporting the covered transactions beginning July 10, 2017.

[Press Statement]; [FINRA Regulatory Notice 16-39] [Federal Reserve Press Statement]

1.4 BIS Working Paper looks at potential for international spillover from domestic macroprudential policy

The Bank for International Settlements (BIS) released a working paper entitled, "International prudential policy spillovers: a global perspective," on October 20, 2016. The paper reports on a global study analyzing the impact of prudential measures on international lending based on BIS international banking statistics and the International Banking Research Network's (IBRN) prudential instruments database. The study results reveal that changes in macro-prudential policy via loan-to-value limits and local currency reserve requirements have a significant impact on international bank lending. In particular, the results suggest that tightening of macroprudential policy measures can give rise to "potentially sizable expansionary international spillovers." The study also found that balance sheet characteristics play an important role in determining the impact of these effects, with better capitalized banking systems and those with more liquid assets and less core deposits reacting more. [Working Paper]

2. Enterprise and consumer compliance

2.1 CFPB Student Loan Ombudsman publishes annual report highlighting defaults and federal rehabilitation programs

On October 17, 2016, the Consumer Financial Protection Bureau (CFPB or Bureau) released the Annual Report of its Student Loan Ombudsman. The report analyzes consumer complaints from student loan borrowers received by the Bureau between September 2015 and August 2016. During this time, the Bureau handled approximately 5,500 private student loan complaints, and 2,300 debt collection complaints related to private and federal student loans. In the last six months of the report period, the Bureau took in 3,900 federal student loan servicing complaints. The Bureau estimates that one in four student loan borrowers are past due or in default on a student loan.

The report highlights debt collection and servicing deficiencies across federal programs designed to help defaulted student loan borrowers get on track and into affordable repayment plans. The CFPB report finds that:

- One-in-three borrowers that worked with a debt collector to "rehabilitate" a debt will re-default within two years due to servicing and program failures;
- Debt collection practices delay or derail borrowers seeking to get out of default;
- Misaligned debt collection incentives focus on short-term impacts for debt collectors and do not support long-term success for the borrowers; and
- Communication gaps cause consumer confusion and payment shock when transferring out of default.

The CFPB Student Loan Ombudsman offered recommendations to policymakers and the industry to improve the recovery process for student loan borrowers. These recommendations include:

- Streamlining access to income-driven repayment (IDR) plans for all federal student loan borrowers;
- Strengthening borrowers communication during the rehabilitation transition to IDR; and
- Strengthening transparency through improved access to data about the performance of previously defaulted loans.

The CFPB's Student Loan Ombudsman also sent a voluntary information request to student loan servicers seeking new information on how previously-defaulted borrowers perform over time. [Press Statement] [Annual Report]

2.2 FINRA submits rule on financial exploitation of seniors and vulnerable adults to SEC for final approval

On October 20, 2016, the Financial Industry Regulatory Authority (FINRA) filed a proposed rule change with the Securities and Exchange Commission (SEC) that, if approved by the SEC, would:

- Amend FINRA Rule 4512 (Customer Account Information) to require members to make reasonable efforts to obtain the name of and contact information for a trusted contact person for a customer's account; and
- Adopt new FINRA Rule 2165 (Financial Exploitation of Specified Adults) to permit members to place temporary holds on disbursements of funds or securities from the accounts of specified customers where there is a reasonable belief of financial exploitation of these customers. A "specified adult" would be defined as a natural person age 65 or older, or a natural person age 18 or older "who the member reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests."

FINRA expects to publish the final rule no later than 60 days after SEC approval and to establish an effective date that is not more than 180 days following publication. [FINRA SR 2016-039]

2.3 FDIC approves proposed rule to implement flood insurance provision

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) approved the release of a proposed rule on October 19, 2016, that would amend its regulations regarding loans in areas with special flood hazards to implement the private flood insurance provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters). In particular, the rule would require regulated lending institutions to accept policies that meet the statutory definition of private flood insurance (as defined in Biggert-Waters). The rule would also permit regulated lending institutions to accept, on a discretionary basis and subject to certain conditions, flood insurance provided by private insurers that does not meet the statutory definition.

The proposed rule is a joint rule to be released by the FDIC along with the Federal Reserve Board, the Office of the Comptroller of the Currency, the National Credit Union Administration, and the Farm Credit Administration. Following approval by all of the issuing agencies, the proposal will be published in the Federal Register and a 60-day comment period will begin. [Proposed Rule]

2.4 FRBNY hosts third annual Conduct/Culture workshop

The Federal Reserve Bank of New York (FRBNY) hosted its third annual workshop on reforming culture and behavior in the financial services industry on October 20, 2016. The all-day, invitation-only event featured panel discussions on a variety of topics, including: finance and society; institutional investors, governance, and culture; financial institution supervision and culture; measuring conduct and culture; and technology and culture.

FRBNY President and Chief Executive Officer William Dudley provided the opening remarks. He stated, "If we focus on nothing else in today's conference, let's explore how best to structure incentives and reinforce accountability to align with core purposes and first principles." He suggested that incentives drive behavior, and behavior establishes the social norms that drive culture. If the incentives are wrong and accountability is weak, the result is bad behavior and cultures. This, he said, implies a role for both firms and supervisors.

Mr. Dudley also suggested the participants consider ways in which new laws or regulations might help the industry to reform culture and behaviors. He proposed two solutions: 1) a database of banker misconduct to combat the problem of "rolling bad apples," and 2) an industry-wide survey to establish a baseline assessment of culture that can be used to measure progress. He invited the industry to take the initiative on these issues, and to look to the public sector for support. [Dudley Remarks]

2.5 FDIC publishes results of the 2015 National Survey of Unbanked and Underbanked Households

The Federal Deposit Insurance Corporation (FDIC) released the results of its 2015 National Survey of Unbanked and Underbanked Households on October 20, 2016. The FDIC survey began in 2009 and is conducted every other year in partnership with the U.S. Census Bureau. It provides detailed national, state, and local data to inform understanding of access to banking and to support economic inclusion efforts. The survey measures the share of households that are unbanked, meaning no one in the household has a bank account. It also measures how many households are underbanked, meaning they have a bank account but look outside the banking system to meet transaction or credit needs. Based on the current survey results, 27 percent of U.S. households were unbanked or underbanked in 2015.

Responses from approximately 36,000 households were collected for the 2015 survey. Highlights include:

- The number of U.S. households without a bank account fell significantly in 2015. Seven percent of U.S. households were unbanked in 2015, compared to 7.7 percent in 2013 and 8.2 percent in 2011. The decline in the share of unbanked households was broad based, with improvements noted across minority households, households with very low incomes (i.e., less than $15,000 per year) and households headed by individuals without any college education.
- Use of online and mobile banking to access accounts increased substantially from 2013 to 2015, with 36.9 percent reported online banking as their primary method for accessing a bank account.
- Use of smartphones to engage in banking activities grew at a rapid pace with 9.5 percent of households reportedly relying on mobile banking as their primary method for accessing a bank account, compared to only 5.7 percent in 2013.
- Overall, 56.3 percent of households saved; that is, they set aside money in the previous 12 months that could be used for unexpected expenses or emergencies, even if the funds were later spent.
- Examining consumer credit use in the past 12 months, including credit cards, personal loans, and personal lines of credit, the survey reveals that 63.8 percent of households held credit only from bank sources, 4.1 percent held credit only from non-bank sources, 4 percent held credit from both bank and non-bank sources, and 28 percent had no credit from any source.

- Some 13.7 percent of households exhibited potential demand for consumer credit from banks, and half of these households indicated that they had stayed current on bills in the prior 12 months. Households that applied for, but were denied, bank credit; refrained from applying for credit because they thought they might not qualify; or relied on alternative financial service providers for credit were considered to have potential demand for bank credit. This is the first time this information was collected in the survey.
- Between 2013 and 2015, the proportion of households that used a prepaid card in the past 12 months increased from 7.9 percent to 9.8 percent. This growth occurred broadly across socioeconomic and demographic groups.
- The majority of unbanked households said they think that banks have no interest in serving households like theirs, and a significant share of unbanked households said they do not trust banks. [Press Statement] [Survey Report]

3. Insurance

3.1 NAIC advancing a state model law on cybersecurity

The National Association of Insurance Commissioners (NAIC) is working to develop an insurance data model law to establish standards for data security. On October 19, 2016, the NAIC announced that it is heightening cybersecurity activity, raising awareness, and advancing a state model law on cybersecurity. Further, during the National Cybersecurity Awareness Month, NAIC leaders communicated the need for national consistency regarding data breach laws and regulations. Key requirements under the new data model law would include overseeing third-party service providers, establishing standards for investigating a data breach, and providing requirements for notifying regulators and consumers.

The NAIC has also developed a "Roadmap for Cybersecurity Consumer Protections," (Roadmap) and "Principles for Effective Cybersecurity: Insurance Regulation Guidance" (Principles). The Roadmap outlines the protections that consumers are entitled to from insurance companies, agents and other businesses when they collect, maintain and use consumers' personal information, including information on the notice that is to be given to consumers when their personal information has been involved in a data breach. The Principles contain 12 guiding principles that encourage state insurance regulators to provide effective cybersecurity guidance to protect the insurance sector's data security and infrastructure as well as consumers. It also provides guidance on how State insurance regulators and insurance industry participants can collaborate in identifying risks and offering practical solutions. [Press Statement] [NAIC Roadmap] [Principles for Effective Cybersecurity]

4. Capital markets and investment management

4.1 FINRA submits rule on financial exploitation of seniors and vulnerable adults to SEC for final approval

On October 20, 2016, the Financial Industry Regulatory Authority (FINRA) filed a proposed rule change with the Securities and Exchange Commission (SEC) that, if approved by the SEC, would:

- Amend FINRA Rule 4512 (Customer Account Information) to require members to make reasonable efforts to obtain the name of and contact information for a trusted contact person for a customer's account; and
- Adopt new FINRA Rule 2165 (Financial Exploitation of Specified Adults) to permit members to place temporary holds on disbursements of funds or securities from the accounts of specified customers where there is a reasonable belief of financial exploitation of these customers. A "specified adult" would be defined as a natural person age

65 or older, or a natural person age 18 or older "who the member reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests."

FINRA expects to publish the final rule no later than 60 days after SEC approval and to establish an effective date that is not more than 180 days following publication. [FINRA SR 2016-039]

This item was also covered under the Enterprise and Consumer Compliance section.

4.2 FINRA finalizes rule set governing capital acquisition brokers; registration to begin January 2017

On October 17, 2016, the Financial Industry Regulatory Authority (FINRA) issued Regulatory Notice 16-37 introducing a set of rules for firms referred to as "capital acquisition brokers" (CAB). CABs are firms that engage in a limited range of activities, which include advising companies and private equity funds on capital raising and corporate restructuring, and acting as placement agents for sales of unregistered securities to institutional investors under limited conditions. These firms do not engage in many of the activities typically associated with traditional broker-dealers, such as acting as an introducing broker with respect to customer accounts, handling customer funds or securities, accepting orders to purchase or sell securities, engaging in proprietary trading or market-making.

The new set of rules reflect the limited business activities of CABs. Firms that meet the definition of a CAB may elect to register as a CAB and to be governed by this narrower set of rules. FINRA encourages member firms that would qualify as CABs to consider converting to CAB status to assure they will be subject to a regulatory regime tailored to the limited nature of their business. FINRA also encourages firms that are not members to consider registering as a CAB to remove any possible ambiguity about their status as non-broker-dealers while also being subject to regulatory oversight that is tailored to their business.

FINRA's CAB rules will become effective on April 14, 2017, though applications to register as a CAB or as a CAB associated person will be accepted beginning January 3, 2017.
[Regulatory Notice 16-37] [CAB Rules]

4.3 FINRA to begin dissemination of trade reporting information on collateralized mortgage obligations

The Financial Industry Regulatory Authority (FINRA) issued Regulatory Notice 16-38 on October 17, 2016, announcing that the Securities and Exchange Commission (SEC) had approved amendments to the Trade Reporting and Compliance Engine (TRACE) rules and public dissemination protocols to:

- Provide for dissemination of transactions in collateralized mortgage obligations (CMOs);
- Reduce the time frame for reporting transactions in CMOs executed after issuance; and
- Simplify the reporting requirements for transactions in CMOs executed prior to issuance.

FINRA will disseminate information about CMO transactions based on transaction size and level of activity in the CMO security. Information for transactions valued under $1 million will be disseminated trade-by-trade immediately upon receipt of the transaction report. Information for transactions valued at $1 million or more will be disseminated on an aggregated basis weekly and monthly when there have been five or more transactions in that security of $1 million or more in the period reported by at least two different market participant identifiers.

The new TRACE reporting rules will require: i) CMO transactions executed on or after issuance to be reported within 60 minutes of execution, and ii) CMO transactions executed before the date of issuance of the security to be reported no later than the first settlement date of the security.

These new rules and dissemination protocols become effective March 20, 2017. [Regulatory Notice 16-38]

4.4 CPMI and IOSCO seek comment on definitions for a second batch of critical OTC derivatives data elements

On October 19, 2016, the Bank for International Settlements' (BIS) Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) published a consultative report entitled "Harmonization of critical OTC derivatives data elements (other than UTI and UPI) - second batch." The report responds to the G20's agreement in 2009 that all over-the-counter (OTC) derivatives contracts would be reported to trade repositories (TRs). It also continues the efforts of the CPMI and IOSCO to develop global guidance on the harmonization of data elements reported to TRs, which are important for the aggregation of data by authorities, including the Unique Transaction Identifier (UTI) and the Unique Product Identifier (UPI).

The purpose of the report is to help develop guidance for authorities on defining the second batch of critical data elements that are important for the globally consistent and meaningful aggregation of data on OTC derivatives transactions, other than the UTI and the UPI. A total of twenty-seven (27) critical data elements are included in the report. For each element, the definition specifies the naming convention, standard, format, list of allowable values, and cross-references for identifying interdependencies between data elements. The guidance aims to provide consistent "definitions" of data elements with the same characteristics, referencing existing industry standards where they exist, and allowing for application independent from the chosen communication protocol.

The CPMI and IOSCO are seeking comments on each of the proposed "definitions," considering whether, for each critical data element, the definition:

— Provides sufficient guidance to authorities to support consistent data reporting and meaningful global data aggregation;

— Appropriately reflects different market practices existing at a global level; and

— Appropriately reflects current industry standards that may already be in use globally.

The report complements the first consultative report seeking input on the "first batch" of critical OTC derivatives data elements, which was released by the CPMI and IOSCO in September 2015. A consultative report on a third batch of critical data elements is expected to be released in 2017. The groups have also released consultative reports on *Harmonization of the Unique Transaction Identifier* and *Harmonization of the Unique Product Identifier*.

The consultation period will remain open for comments through November 30, 2016. [Press Statement] [Consultative Report]

4.5 FINRA to begin trade reporting for U.S. Treasury securities in July 2017

The Financial Industry Regulatory Authority (FINRA) issued Regulatory Notice 16-39 on October 19, 2016, announcing the Securities and Exchange Commission's (SEC) approval of FINRA's proposal to require member firms to report transactions in U.S. Treasury securities, except savings bonds, to FINRA's Trade Reporting and Compliance Engine (TRACE). Firms must begin reporting the covered transactions beginning July 10, 2017.

In a related action, the Federal Reserve Board (Federal Reserve) announced plans to collect data from banks on secondary market transactions in U.S. Treasury securities. The Federal Reserve also plans to enter into negotiations with FINRA to act as its data collection agent. A proposed rule on the data collection effort is forthcoming. [Press Statement]; [FINRA Regulatory Notice 16-39] [Federal Reserve Press Statement]

This item was also covered under the Safety and Soundness section.

4.6 Enforcement actions

The Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), and the Financial Industry Regulatory Authority (FINRA) announced the following enforcement actions in the past week:

— The SEC announced that a foreign bank has agreed to admit to wrongdoing and to pay nearly $1.6 million, including approximately $1.5 million in civil money penalties and $75,000 in disgorgement and prejudgment interest, to settle charges that it provided investment advice and induced securities transactions for U.S. customers for more than a decade without registering as an investment adviser or broker-dealer as required under U.S. securities laws.

— The SEC filed a complaint against an attorney who served on the executive committee of a financial services company's board of directors, charging the attorney with insider trading. The SEC alleges the attorney used nonpublic information regarding an impending merger to purchase securities in the company's acquisition target prior to a public announcement. The U.S. Attorney's Office has filed a criminal case against the lawyer in a parallel action. The SEC's complaint charged the lawyer with violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. The litigation is currently ongoing.

— The CFTC obtained a federal court default judgment order adopting the CFTC's Report and Recommendation against a company and its principal (the Defendants) for engaging in illegal, off-exchange transactions in precious metals with retail customers on a leveraged basis. The off-exchange leveraged transactions were never actually delivered to the defendants' customers, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), rendering the transactions illegal. The Defendants were ordered to pay a $1.54 million civil monetary penalty and to disgorge nearly $30,000 in ill-gotten gains to settle charges. The Order also imposed permanent trading and registration bans against the Defendants.

— FINRA entered into an agreement with a financial advisory firm to address FINRA's allegations that the firm violated its trade reporting, Order Audit Trail System (OATS) reporting, and record keeping requirements, and that the firm's supervisory system was not reasonably designed to ensure the accuracy of such reports and records. The firm agreed to pay a penalties of $2.8 million to settle charges, without admitting or denying FINRA's charges.

5. Cybersecurity

5.1 Agencies issue joint ANPR to apply enhanced cybersecurity standards to large financial services entities

On October 19, 2016, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation jointly issued an advance notice of proposed rulemaking (ANPR) regarding enhanced cybersecurity risk-management and resilience standards for the large and interconnected entities under their supervision as well as the service providers of those entities. The ANPR covers five categories of cyber standards: (i) cyber risk governance; (ii) cyber risk management; (iii) internal dependency management; (iv) external dependency management; and (v) incident response, cyber resilience, and situational awareness.

The agencies are considering applying the enhanced cybersecurity standards to depository institutions and depository institution holding companies with total consolidated assets of $50 billion or more, the U.S. operations of foreign banking organizations with total U.S. assets of $50 billion or more, and financial market infrastructure companies, including financial market utilities, and nonbank financial companies supervised by the Federal Reserve. Other financial entities, including community banks that are not covered entities, would continue to be subject to existing guidance, standards, and examinations.

The agencies envision applying the standards in a tiered manner, imposing more stringent standards on the systems of those entities that are critical to the functioning of the financial sector. Firms with these "sector-critical systems" would be required to substantially mitigate the risk of a disruption or failure due to a cyber event. The agencies are seeking comment on all aspects of the ANPR as well as comments on potential methodologies that could be used to quantify cyber risk and to compare cyber risk at entities across the financial sector. The comments will close on January 17, 2017. [Press Statement] [Notice of ANPR]

5.2 FFIEC releases frequently asked questions on Cybersecurity Assessment Tool

The Federal Financial Institutions Examination Council (FFIEC) issued a Frequently Asked Questions (FAQs) guide related to the FFIEC Cybersecurity Assessment Tool (CAT) on October 17, 2016. The FFIEC previously published the CAT in June of 2015 as a voluntary tool to help financial institutions' management identify risk and determine their cybersecurity preparedness. The eighteen (18) FAQs clarify points in the CAT and supporting materials based on questions received by the FFIEC members over the course of the last year.

FFIEC comprises the principals of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency (OCC), the Consumer Financial Protection Bureau, and the State Liaison Committee.

Although the use of the CAT is voluntary for banks, the OCC has stated that its examiners would gradually incorporate the CAT into the examination of national banks, federal savings associations, and federal branches and agencies as a part of its process to benchmark and assess banks' cybersecurity efforts. In addition to releasing the FFIEC's FAQs, the OCC has separately released answers to questions that bankers have posed to OCC examiners and policy staff members. [OCC Bulletin 2016-34] [FAQs]

5.3 NAIC advancing a state model law on cybersecurity

The National Association of Insurance Commissioners (NAIC) is working to develop an insurance data model law to establish standards for data security. On October 19, 2016, the NAIC announced that it is heightening cybersecurity activity, raising awareness, and advancing a state model law on cybersecurity. Further, during the National Cybersecurity Awareness Month, NAIC leaders communicated the need for national consistency regarding data breach laws and regulations. Key requirements under the new data model law would include overseeing third-party service providers, establishing standards for investigating a data breach and providing requirements for notifying regulators and consumers.

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This item was also covered under the Insurance section above.

5.4 Federal regulators, Administration officials, and financial industry participants meet to discuss cybersecurity and financial stability issues

On October 20, 2016, the Treasury Secretary and the Assistant to the President for Homeland Security and Counterterrorism co-hosted a meeting with financial services executives, financial regulators, and Administration officials to discuss cybersecurity and the financial stability implications of a significant cyber incident. Key takeaways from the meeting follow:

— Participants noted the importance of public-private partnerships in coordinating potential response activities to a significant cyber incident, maintaining resilience in the sector's core functionality, and ensuring the trust and confidence in individual firms and the sector as a whole during operational stress.

— Government leaders, financial regulators, and private sector participants reiterated their commitment to improving cybersecurity in the financial sector through enhanced public-private collaboration at the most senior levels.

— The Financial Services Sector Coordinating Council, a non-profit organization dedicated to partnering the financial sector with the government, detailed the establishment of a CEO Cybersecurity council to meet regularly with government counterparts.

— Participants discussed procedures for coordinating cybersecurity incident response efforts among financial sector companies, executive branch agencies, and financial regulators, consistent with Presidential Policy Directive 41 released in July 2016.

— Participants discussed the Group of Seven (G-7) finance ministers and central bank governors' endorsement of the "Fundamental Elements of Cybersecurity for the Financial Sector," which was published by the G-7 on October 11, 2016. The publication sets out necessary features for enhanced cybersecurity for public and private entities in the financial sector. [Press Statement]

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