



Supervisory Update News Summary

AS OF NOVEMBER 15, 2017

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
CFPB Outlines Principles for Consumer-Authorized Financial Data Sharing and Aggregation	Press Release Oct. 18, 2017	The CFPB outlined principles for protecting consumers when they authorize third party companies to access their financial data to provide certain financial products and services. These principles are intended to help foster the development of innovative financial products and services, increase competition in financial markets, and empower consumers to take greater control of their financial lives. The principles reiterate the importance of protecting consumers to all stakeholders that provide, use, or aggregate consumer-authorized financial data.	CFPB
CSBS Announces Fintech Advisory Panel Members	Press Release Oct. 19, 2017	The CSBS announced that 33 financial technology companies have agreed to serve on the CSBS Fintech Industry Advisory Panel. The panel brings together state regulators and industry leaders, who will identify ways to help modernize the state regulatory system. The advisory panel will have three working groups: money transmission and payments; lending; and community banking and innovation.	CSBS
Texas Banking Department Issues Supervisory Memorandum 1042 - Effect of Criminal Convictions on Licensing	Policy/Guidance Oct. 17, 2017	<p>The TDB issued Supervisory Memorandum 1042 related to the Effect of Criminal Convictions on Licensing. Pursuant to Texas Occupations Code § 53.021(a)(1), the Department may suspend or revoke a license, disqualify a person from receiving a license, or deny a person the opportunity to take a licensing examination on the grounds that the person has been convicted of an offense that directly relates to the duties and responsibilities of the licensed occupation. This policy addresses the reasons a particular crime is considered to directly relate to the duties and responsibilities of a particular license and any other criterion that affects the licensing decisions of the Department.</p> <p>The Department currently charters or issues licenses or permits to the following entities: state-chartered banks and foreign bank agencies, trust companies, money services businesses, sellers of prepaid funeral benefits, and perpetual care cemeteries.</p>	TDB

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<p>Texas Department of Banking Industry Notice: FinCEN Issues Advisory to Financial Institutions Regarding Widespread Political Corruption in Venezuela and Proceeds Moving Through U.S. Financial System</p>	<p>Industry Notice 2017-14 Nov. 13, 2017</p>	<p>The TDB issued an Industry Notice regarding the new FinCEN Advisory FIN-2017-A006 to alert financial institutions of widespread public corruption in Venezuela and the methods Venezuelan senior political figures (and their associates and front persons) may use to move and hide corruption proceeds. This advisory also provides financial red flags to assist in identifying and reporting to FinCEN suspicious activity that may be indicative of Venezuelan corruption, including the abuse of Venezuelan government contracts, wire transfers from shell corporations, and real estate purchases in the South Florida and Houston, Texas regions.</p>	<p>TDB</p>
<p>Agencies Issue Temporary Exceptions to Appraisal Requirements in Areas Affected by Severe Storms and Flooding Related to Hurricanes Harvey, Irma, and Maria</p>	<p>PR-81-2017 Oct. 17, 2017 FIL-56-2017 Oct. 26, 2017 SR 17-10 Oct. 17, 2017</p>	<p>Responding to widespread damage caused by Hurricanes Harvey, Irma, and Maria, four federal financial institution regulatory agencies took action to facilitate the recovery process by temporarily easing appraisal requirements for real estate-related financial transactions in areas declared to be a major disaster.</p> <p>The agencies will not require financial institutions to obtain appraisals for affected transactions (1) if the properties involved are located in areas declared major disasters; (2) if there are binding commitments to fund the transactions within 36 months of the date the areas were declared major disasters, and (3) if the value of the real properties support the institutions' decisions to enter into the transactions.</p> <p>The exceptions apply to transactions in areas of Florida, Georgia, Puerto Rico, Texas, and the U.S. Virgin Islands and expire three years after the date the president declared each area a major disaster. The exceptions are being made under the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and its implementing regulations.</p> <p>Financial institutions that use the appraisal exception must maintain information estimating the collateral's value that sufficiently supports their credit decision to enter into the transaction. The agencies will monitor institutions' real estate lending practices to ensure the transactions are being originated in a safe and sound banking manner.</p>	<p>FDIC FRB OCC</p>

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FDIC Makes Public September Enforcement Actions	PR-83-2017 Oct. 27, 2017	The FDIC released a list of orders of administrative enforcement actions taken against banks and individuals in September. No administrative hearings scheduled for November 2017. Administrative enforcement actions taken include: <i>Termination of Consent Orders</i> Charter Bank, Corpus Christi, Texas; Issued 9/21/2017.	FDIC
FDIC Meeting of Advisory Committee on Community Banking	PR-84-2017 Oct. 27, 2017	The FDIC held a meeting of the Advisory Committee on Community Banking on Wednesday, November 1. At the meeting, FDIC senior staff briefed Committee members on a number of topics, including banks' resilience in the face of hurricanes and other natural disasters, the FDIC's Small Business Lending Survey, de novo applications, and initiatives to implement recommendations from the Economic Growth and Regulatory Paperwork Reduction Act review process. Staff also discussed supervisory policy issues, such as efforts to implement Home Mortgage Disclosure Act procedures and Current Expected Credit Loss (CECL) standards. The agenda for the meeting and a link to the video are available at the FDIC's Advisory Committee on Community Banking website.	FDIC
FDIC Issues List of Banks Examined for CRA Compliance	PR-85-2017 Nov. 3, 2017	The FDIC issued its list of state nonmember banks recently evaluated for compliance with the CRA. The list covers evaluation ratings that the FDIC assigned to institutions in August 2017. Five banks in Texas were evaluated, with four receiving a Satisfactory rating and one receiving a Needs Improvement rating.	FDIC

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Liquidity Coverage Ratio: Frequently Asked Questions	FIL-53-2017 Oct. 23, 2017 SR 17-11 Oct. 23, 2017	<p>The FDIC, FRB, and OCC are issuing a FAQ document to address questions received by the agencies regarding the applicability of the liquidity coverage ratio (LCR) rule (12 CFR Part 329) in specific situations. The LCR rule was adopted by the agencies in September 2014 and implements a quantitative liquidity requirement consistent with the standard established by the Basel Committee on Banking Supervision.</p> <p>The LCR rule is applicable only to depository institutions with \$10 billion or more in total consolidated assets that are consolidated subsidiaries of internationally active banking organizations.</p>	FDIC FRB
Proposed Revisions to the Consolidated Reports of Condition and Income (Call Report) for June 2018	FIL-58-2017 Nov. 9, 2017	<p>In their continuing effort to reduce data reporting and other burdens for small and large institutions, the federal banking agencies, as members of the FFIEC, are requesting comment on additional burden-reducing revisions to all three versions of the Call Report. The proposed reporting changes include the removal or consolidation of existing data items and certain new or increased reporting thresholds. These revisions are proposed to take effect June 30, 2018. Institutions are encouraged to comment on the proposal by January 8, 2018.</p> <p>The revisions proposed in the Federal Register notice more significantly affect schedules and data items in the FFIEC 041 and FFIEC 031 Call Reports.</p>	FDIC
Banker Teleconference Series: Small Business Resources for Community Banks	FIL-59-2017 Nov. 15, 2017	<p>The FDIC will discuss small business resources and research pertinent to community banks, including the Money Smart for Small Businesses financial education program; the FDIC's Small Business Lending Survey; and CRA consideration for small business lending, services, and investments. A teleconference is scheduled for Tuesday, December 12, 2017, from 2:00 p.m. to 3:30 p.m. Eastern Time. Advance registration is required. The FDIC's Division of Depositor and Consumer Protection (DCP) offers a series of events for bankers, including teleconferences and webinars, to maintain open lines of communication and update bank management and staff on important bank regulatory and emerging issues in the compliance and consumer protection area.</p>	FDIC

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Federal Reserve Board Announces Approval of Application by Southside Bancshares, Inc.	Press Release Oct. 31, 2017	The FRB announced its approval of the application under section 3 of the Bank Holding Company Act by Southside Bancshares, Inc., Tyler, Texas, to acquire Diboll State Bancshares, Inc., and thereby indirectly acquire First Bank & Trust East Texas, both of Diboll, Texas.	FRB
Federal Reserve Board Announces Annual Indexing of Reserve Requirement Exemption Amount and of Low Reserve Tranche for 2018	Press Release Nov. 3, 2017	<p>The FRB announced the annual indexing of two amounts used in determining reserve requirements of depository institutions. These amounts are the reserve requirement exemption amount and the low reserve tranche.</p> <p>All depository institutions must hold a percentage of certain types of deposits as reserves in the form of vault cash, as a deposit in a Federal Reserve Bank, or as a deposit in a pass-through account at a correspondent institution. Reserve requirements currently are assessed on the depository institution's net transaction accounts (mostly checking accounts). Depository institutions must also regularly submit reports of their deposits and other reservable liabilities.</p> <p>For net transaction accounts in 2018, the first \$16 million, up from \$15.5 million in 2017, will be exempt from reserve requirements. A 3 percent reserve ratio will be assessed on net transaction accounts over \$16 million up to and including \$122.3 million, up from \$115.1 million in 2017. A 10 percent reserve ratio will be assessed on net transaction accounts in excess of \$122.3 million.</p> <p>These annual adjustments, known as the reserve requirement exemption amount adjustment and the low reserve tranche adjustment, are based on growth in total reservable liabilities and net transaction accounts, respectively, at all depository institutions between June 30, 2016 and June 30, 2017.</p> <p>The new low reserve tranche and reserve requirement exemption amount will apply to the 14-day reserve maintenance period that begins January 18, 2018. For depository institutions that report deposit data weekly, this maintenance period corresponds to the 14-day computation period that begins Tuesday, December 19, 2017. For depository institutions that report deposit data quarterly, this maintenance period corresponds to the seven-day computation period that begins Tuesday, December 19, 2017.</p>	FRB

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Federal Reserve Board Approves Fee Schedule for Federal Reserve Bank Priced Services	Press Release Nov. 13, 2017	<p>The FRB announced the approval of fee schedules, effective January 2, 2018, for payment services the Federal Reserve Banks provide to depository institutions (priced services).</p> <p>The Reserve Banks project that they will recover 100 percent of their priced services costs in 2018. The Reserve Banks expect to fully recover actual and imputed expenses, including profit that would have been earned if a private business firm provided the services. Overall, the Reserve Banks estimate that the price changes will result in a 1.4 percent average price increase. The Reserve Banks estimate that the price changes will result in a 0.4 percent average price increase for check customers. The Reserve Banks estimate that the price changes will result in a 3.6 percent average price increase for FedACH® customers. The FedACH price increase is in response to increasing operating costs associated with an ongoing technology upgrade. The Reserve Banks estimate that the price changes will result in a 1.2 percent average price decrease for Fedwire® Funds customers. The fees will remain unchanged for the Reserve Banks' National Settlement Service and Fedwire Securities Service.</p>	FRB

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
<p>Timing Expectations for the Completion of Safety-and-Soundness Examination and Inspection Reports for Regional Banking Organizations</p>	<p>SR 17-12 Oct. 26, 2017</p>	<p>This Supervision and Regulation letter sets forth timing expectations for the completion of safety-and-soundness examination and inspection reports for domestic regional financial institutions and the submission of the reports to the institutions. These standards apply to examination and inspection reports for domestic institutions supervised by the FR with greater than \$10 billion and less than \$50 billion in total consolidated assets, including state member banks, bank holding companies, savings and loan holding companies, and their subsidiary Edge Act and agreement corporations. Effective immediately, FR supervisory staff should complete and send safety-and-soundness examination and inspection reports issued by the FR to the institution within the following timeframes:</p> <ul style="list-style-type: none"> • 90 calendar days from the start date for all reports issued to noncomplex holding companies; and, • 100 calendar days from the start date for all reports issued to state member banks, complex holding companies, and their nonbank and Edge Act subsidiaries. <p>In cases when reports are subject to statutory requirements for review by the CFPB, Reserve Banks may add up to 30 calendar days to the above standards. Reserve Banks may exceed the timing requirements included in this letter at the discretion of Reserve Bank senior management; however, deviations from these standards are expected to be rare, and should be appropriately documented in workpapers. At the discretion of senior Reserve Bank management, additional exemptions from these timeframe guidelines may be considered for FR led examinations that are conducted jointly or concurrently with another insured depository institution regulator.</p>	<p>FRB</p>

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
October 2017 Senior Loan Officer Survey on Bank Lending Practices	FRB Survey Data Nov. 6, 2017	<p>The October 2017 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the standards and terms on, and demand for, bank loans to businesses and households over the past three months, which generally corresponds to the third quarter of 2017. Responses were received from 72 domestic banks and 23 U.S. branches and agencies of foreign banks; except when indicated, this summary refers to the responses of domestic banks.</p> <p>Regarding loans to businesses, respondents to the October survey indicated that, on balance, banks eased their standards and terms on C&I loans and experienced weaker demand for such loans. Meanwhile, banks' standards on most categories of CRE loans remained basically unchanged, while demand for CRE loans reportedly weakened.</p> <p>For loans to households, banks reported that their lending standards on all categories of residential real estate (RRE) loans either eased or remained basically unchanged over the third quarter on balance, and that demand for all categories of RRE loans weakened. In contrast, banks reportedly tightened their standards and terms on credit card and auto loans, while demand for these loans reportedly remained basically unchanged.</p>	FRB

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FASB Outlook Q4 2017	Publication Oct. 31, 2017	<p>In this issue of FASB Outlook: Chairman’s Update on Big Ticket Projects; For the Investor: Where Corporate Reporting Meets the Markets; Featured Video: New Projects from Agenda Consultation, and Need to Know: Implementing New Standards.</p> <p>Regarding implementing new standards, the FASB launched a new web portal that details how the FASB positions organizations for a successful and smooth transition to new standards. It serves as a “one-stop-shop” for implementation materials for FASB’s major standards.</p> <p>The portal contains links to implementation guidance for the following:</p> <ul style="list-style-type: none"> Revenue Recognition Leases Credit Losses Not-for-Profit Financial Reporting Hedging Other standards. 	FASB
2017 Advisory to Financial Institutions Regarding Disaster-Related Fraud	FIN-2017-A007 Oct. 31, 2017	<p>The FinCEN issued this advisory to warn financial institutions about the potential for fraudulent transactions in the wake of disasters, including recent hurricanes and wild fires. This advisory is not intended to deter legitimate donations and relief assistance efforts. Rather, the purpose is to help financial institutions identify and prevent fraudulent activity that may interfere with legitimate relief efforts.</p>	FinCEN

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Advisory on North Korea's Use of the International Financial System	FIN-2017-A008 Nov. 2, 2017	<p>The FinCEN issued this advisory to further alert financial institutions to North Korean schemes being used to evade U.S. and United Nations (UN) sanctions, launder funds, and finance the North Korean regime's weapons of mass destruction (WMD) and ballistic missile programs. This advisory is being issued in tandem with the final rule issued by FinCEN under Section 311 of the USA PATRIOT Act prohibiting U.S. financial institutions from opening or maintaining a correspondent account for, or on behalf of, Bank of Dandong, and as a follow up to the September 26, 2017, designations by Treasury's OFAC, which targeted several representatives of designated North Korean financial institutions.</p> <p>This advisory provides financial red flags of illicit North Korean schemes, including the use of financial representatives world-wide. It also highlights the use of China-based front or shell companies, trading companies, and financial institutions operating in areas bordering the Democratic People's Republic of Korea (DPRK). These red flags will assist financial institutions in identifying and reporting suspected illicit activity by the North Korean government and its financial institutions</p>	FinCEN

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
<p>FinCEN Penalizes Texas Bank for Violations of Anti-Money Laundering Laws Focusing on Section 312 Due Diligence Violations</p>	<p>News Release Nov. 1, 2017</p>	<p>The FinCEN announced the assessment of a \$2 million civil money penalty against Lone Star National Bank (Lone Star) of Pharr, Texas for willfully violating the BSA. The action underscores the dangers that institutions face when taking on international correspondence activities without properly equipping themselves to manage such business. As noted in FinCEN’s assessment, among other lapses, Lone Star failed to comply with section 312 of the USA PATRIOT Act, which imposes specific due diligence obligations with respect to correspondent banking.</p> <p>Many of the lapses in Lone Star’s BSA compliance were previously covered in an earlier action by the OCC, but FinCEN’s action focusing on the bank’s 312 violations specifically highlights the need for a financial institution to avoid taking on international business for which it is not prepared. Lone Star’s Mexican financial institution customer was moving millions of dollars through Lone Star in a manner inconsistent with the parameters of a relationship which, at the outset, required greater scrutiny. Lone Star failed to identify and consider public information about the foreign bank owner’s alleged involvement in securities fraud. It also failed to verify the accuracy of assertions by the foreign bank with respect to source of funds, purpose of the account, and expected activity.</p>	<p>FinCEN</p>
<p>Acting Comptroller of the Currency Presents First Full Service National Bank Charter Since Financial Crisis</p>	<p>NR 2017-130 Oct. 27, 2017</p>	<p>Acting Comptroller of the Currency Keith A. Noreika presented the first full service national bank charter since the financial crisis to Winter Park National Bank of Florida. Winter Park National Bank is the first de novo national bank and first de novo approved for federal deposit insurance in Florida since the financial crisis.</p>	<p>OCC</p>

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
OCC Bulletin: New, Modified, or Expanded Bank Products and Services: Risk Management Principles	OCC Bulletin 2017-43 Oct. 20, 2017	This bulletin informs national banks, federal savings associations, and federal branches and agencies of foreign banks (collectively, banks) of the principles they should follow to prudently manage the risks associated with offering new, modified, or expanded products and services (collectively, new activities). New activities should be developed and implemented consistently with sound risk management practices and should align with banks' overall business plans and strategies. New activities should encourage fair access to financial services and fair treatment of consumers and should be in compliance with applicable laws and regulations.	OCC
Federal Branches and Agencies Supervision: Revised Guidance	OCC Bulletin 2017-46 Oct. 27, 2017	The OCC issued the following guidance: <ul style="list-style-type: none"> • <i>The OCC's Approach to Federal Branch and Agency Supervision.</i> The revised paper replaces the paper of the same title issued on October 8, 2014. The revision incorporates changes in supervision processes relative to large and complex federal branches and agencies. • The "Federal Branches and Agencies" booklet of the <i>Comptroller's Licensing Manual</i>. This updated booklet replaces the booklet of the same title issued in July 2015. The updated booklet clarifies processes for reviewing and evaluating conversion applications. 	OCC
Bank Enforcement Actions and Related Matters: Updated Guidance	OCC Bulletin 2017-48 Oct. 31, 2017	The OCC updated its policies and procedures regarding bank enforcement actions and related matters. This policy is effective on December 1, 2017. The updates are reflected in the "Bank Supervision Process," "Community Bank Supervision," "Federal Branches and Agencies Supervision," and "Large Bank Supervision" booklets of the <i>Comptroller's Handbook</i> . The updates provide the agency with guidelines on consistent terminology, communication, format, follow-up, analysis, documentation, and reporting of bank enforcement actions.	OCC

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Texas State Securities Board: Houston Advisor Who Preyed on Elderly Clients Sentenced to 5 Years	News Release Nov. 2, 2017	<p>Lawrence Allen DeShetler, an investment adviser in The Woodlands, convinced five clients – two of whom were in their 80s – to cash out legitimate investments and transfer the money to him so he could get them higher returns.</p> <p>DeShetler instead deposited the money into bank accounts over which he had sole authority, defrauding the clients of \$1.9 million – and ultimately landing himself in prison. On Nov. 2, U.S. District Judge Marcia A. Crone of the Eastern District of Texas sentenced DeShetler to 60 months in prison and ordered him to pay restitution of \$948,058.</p>	TSSB

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INDUSTRY PUBLICATIONS
Finance Commission of Texas - Condition of the Texas State Banking System – September 2017
FRB Dallas - Economic Indicators Austin, DFW, El Paso, Houston, Permian Basin, San Antonio, and Texas
FRB Dallas - Texas Business Outlook Surveys - Monthly Manufacturing and Service Sector and Retail
Comptroller’s Licensing Manual: Subsidiaries and Equity Investments - October 2017
Comptroller’s Licensing Manual: Subordinated Debt - November 2017
Comptroller’s Licensing Manual: Background Investigations - November 2017
Comptroller’s Licensing Manual: Business Combinations - November 2017
Comptroller’s Licensing Manual: Branches and Relocations - November 2017
OCC Policy and Procedure Manual: Impact of CRA Ratings on Licensing Applications - November 2017

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OTHER RESOURCES
Bloomberg Business and Financial News
Consumer Financial Protection Bureau (CFPB)
The Financial Forecast Center - Discount Rate Information
FFIEC Information Technology Handbook InfoBase
FFIEC BSA/AML Examination Manual InfoBase
Financial Accounting Standards Board (FASB)
Financial Action Task Force (FATF)
Financial Crimes Enforcement Network (FinCEN)
FinCEN - Money Services Businesses (MSB)
Office of Foreign Assets Control, U.S. Treasury (OFAC)
Real Estate Market Reports (Texas A&M RE Center)
Temporary Liquidity Guarantee Program
Texas Constitution and Statutes
The Texas Economy – Texas Comptroller
Texas and National Economy – Federal Reserve Bank of Dallas
Troubled Asset Relief Program (TARP)
Uniform Bank Performance Reports (UBPR) and Users Guide

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ACRONYMS AND ABBREVIATIONS

ACRONYM/ABBREVIATION	MEANING
AML	Anti-Money Laundering
ASU	Accounting Standards Update
BIS	Bank for International Settlements
BSA	Bank Secrecy Act
CFPB	Consumer Financial Protection Bureau
CFR	Code of Federal Regulations
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act
DOJ	Department of Justice
FASB	Financial Accounting Standards Board
FC	Finance Commission of Texas
FCA	Farm Credit Administration
FDIC	Federal Deposit Insurance Corporation
FDIC-OIG	FDIC Office of Inspector General

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ACRONYM/ABBREVIATION	MEANING
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Authority
FHFA	Federal Housing Finance Agency
FinCEN	Financial Crimes Enforcement Network
FRB (or Fed or FR)	Federal Reserve Board or Federal Reserve
FTC	Federal Trade Commission
HUD	Housing and Urban Development Department
NCUA	National Credit Union Association
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Asset Control
OIG	Office of Inspector General
SDN	Specially Designated National
SEC	Securities and Exchange Commission
TDB	Texas Department of Banking
TSSB	Texas State Securities Board
Treasury	U.S. Department of Treasury