



Supervisory Update News Summary

AS OF DECEMBER 15, 2016

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
CFPB Rural and Underserved Counties - Final 2017 List	Compliance & Guidance Nov. 17, 2016	There are several rules that refer to “rural or underserved” and “rural” counties. The CFPB has released the new list for 2017 of rural or underserved counties.	CFPB
CFPB Warns Financial Companies About Sales and Production Incentives That May Lead to Fraud or Consumer Abuse	News Release Nov. 28, 2016	<p>The CFPB issued a bulletin warning supervised financial companies that creating incentives for employees and service providers to meet sales and other business goals can lead to consumer harm if not properly managed. Tying bonuses or employment status to unrealistic sales goals or to the terms of transactions may intentionally or unintentionally encourage illegal practices such as unauthorized account openings, unauthorized opt-ins to overdraft services, deceptive sales tactics, and steering consumers into less favorable products. The CFPB bulletin outlines various steps that institutions can and should take to detect, prevent, and correct such production incentives so that they do not lead to abuse of consumers.</p> <p>CFPB Compliance Bulletin 2016-03 – Detecting and Preventing Consumer Harm from Production Incentives</p>	CFPB

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Statement by the Conference of State Bank Supervisors on Comptroller's Announcement of New Federal Charters	Press Release Dec. 2, 2016	<p>The CSBS issued a statement regarding the Comptroller's announcement of new federal charters. Quote attributable to John W. Ryan, president and chief executive officer at CSBS: "Today's announcement represents an historic expansion of the role of the federal government, one that will permeate into the economies in all 50 states and distort the financial system with unwelcome consequences."</p> <p>CSBS has the following concerns about a new OCC charter:</p> <ul style="list-style-type: none"> • Federal fintech charter will distort the marketplace and institute command-and-control innovation. • The OCC is expanding its mandate absent statutory authority. • Despite assurances to the contrary, we believe consumers will be at risk. <p>The CSBS submitted a comment letter to the OCC on Nov. 14.</p>	CSBS
Finance Commission of Texas and Texas Credit Union Commission Adopt Amendments to Home Equity Lending Interpretations	Texas Administrative Code Nov. 24, 2016	<p>The FC and the CU Commission completed a review of Chapters 151, 152, and 153 of the Texas Administrative Code, Title 7, Part 8. The following home equity lending interpretations were amended and adopted effective November 24, 2016:</p> <p>§153.5, concerning three percent fee limitation; §153.8, concerning security of the equity loan; §153.13, concerning preclosing disclosures; §153.14, concerning one-year prohibition; and §153.17, concerning authorized lenders.</p> <p>Amendments were technical in nature. The preambles are available for 7 TAC §153.5; 7 TAC §153.8, 7 TAC §153.13, 7 TAC §153.14 and 7 TAC §153.17 in the Texas Register.</p>	FC
Supervisory Memorandum 1032 Revised	Law & Guidance Dec. 5, 2016	SM 1032 regarding Other Real Estate Owned for Trust Companies has been revised. The form referenced in the policy was removed from the Appendix and replaced with a link to the form on the Department's website.	TDB

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Supervisory Memorandum 1023 Revised	Law & Guidance Dec. 7, 2016	SM 1023 regarding the Examination Frequency Policy for Money Services Businesses has been revised. The policy expands the 18-month examination frequency schedule to well managed 1 or 2 rated licensed MSBs, regardless of the volume of business conducted. Previously, the volume of business conducted was a factor in determining examination frequency.	TDB
FDIC Makes Public October Enforcement Actions	PR-103-2016 Nov. 25, 2016	The FDIC released a list of orders of administrative enforcement actions taken against banks and individuals in October. The list Includes: <i>Removal/Prohibition Order</i> Marco A. Barrera, International Bank of Commerce, Laredo, TX; 10/3/2016	FDIC
FDIC Issues List of Banks Examined for CRA Compliance	PR-106-2016 Dec. 2, 2016	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 September 2016. All the state-chartered banks in Texas evaluated during this period received Satisfactory ratings.	FDIC
Federal Banking Agencies Finalize Rule Expanding Number of Banks and Savings Associations Qualifying for 18-month Examination Cycle	PR-107-2016 Dec. 12, 2016	The FDIC, the FRB, and the OCC issued interagency final rules that increase the number of small banks and savings associations eligible for an 18-month examination cycle rather than a 12-month cycle. Under the final rules, qualifying well-capitalized and well-managed banks and savings associations with less than \$1 billion in total assets are eligible for an 18-month examination cycle. Previously, only firms with less than \$500 million in total assets were eligible for the extended examination cycle. The interagency rules are intended to reduce regulatory compliance costs for smaller institutions, while maintaining safety and soundness protections. These rules have been in effect since February 29, 2016, pursuant to the interim final rules previously adopted by the agencies.	FDIC FRB OCC

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<p>FDIC Office of Inspector General Press Releases</p>	<p>Press Releases Dec. 12-14, 2016</p>	<p>The following press releases, issued by the U.S. Department of Justice, were recently posted to the FDIC’s Office of Inspector General (OIG) website. Such press releases reflect actions resulting from the OIG’s partnerships with U.S. Attorneys’ Offices throughout the country and other OIGs and law enforcement entities.</p> <p>Former Bank President Indicted in Connection with \$100,000,000 Bank Failure</p> <p>The 23-count indictment charges John Shelley, the former bank president of The Bank of Union in El Reno, OK with defrauding in several ways: (1) by issuing loans with under- or unsecured collateral and falsifying financial statements for several high-dollar bank borrowers; (2) by originating nominee loans to circumvent the bank’s legal lending limit; (3) by concealing the bank’s true financial condition from the Board; (4) by soliciting a fraudulent investment; and (5) by falsely representing the bank’s true status to the FDIC.</p> <p>Southwest Kansas Couple Plead Guilty to Money Laundering</p> <p>George and Agatha Enns deposited cash and third-party checks into a joint account at Plains State Bank in Plains, KS. The account was used for depositing checks that Mr. Enns received during his trips to Mexico. He carried the money into the U.S. without reporting the funds at the border. Funds in the account at Plains SB were transferred out of state to purchase corn seed. The seed was shipped to the border where the corn was transported into Mexico at the direction of Mr. Enns. This process is called trade based money laundering.</p>	<p>FDICIG</p>

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<p>Federal Reserve Board Broadening Scope of Post-Employment Restrictions Applicable to Federal Reserve Bank Senior Examiners and Officers</p>	<p>Press Release Nov. 18, 2016</p>	<p>The FRB is broadening the scope of post-employment restrictions applicable to FRB senior examiners and officers. The revised policy expands the number of Reserve Bank examiners subject to the one-year post-employment restriction to include central points of contacts (CPCs), deputy CPCs, senior supervisory officers (SSOs), deputy SSOs, enterprise risk officers, and supervisory team leaders. The new policy will more than double the number of senior examiners subject to this post-employment restriction from about 100 employees to about 250 employees.</p> <p>In addition, a new policy prohibits former FRB officers from representing financial institutions and other third parties before current FR System employees for one year after leaving their FR position. The new policy also imposes a one year ban on current Reserve Bank employees discussing official business with these former officers.</p> <p>The restriction on former officers will be effective on December 5, 2016, and the revised senior examiner policy will be effective on January 2, 2017.</p> <p>The FRB issued SR 16-16 addressing Special-Post Employment Restriction for Senior Examiners on November 16, 2016.</p>	<p>FRB</p>
<p>Federal Reserve Board Issues Final Rule Regarding Dividend Payments on Reserve Bank Capital Stock</p>	<p>Press Release Nov. 23, 2016</p>	<p>The FRB issued a final rule that amends Regulation I to implement provisions of the Fixing America's Surface Transportation (FAST) Act. The final rule is the same as the interim final rule the Board issued in February. The FAST Act reduced the dividend rate applicable to Reserve Bank depository institution stockholders with total assets of more than \$10 billion (large member banks) to the lesser of 6 percent or the most recent 10-year Treasury auction rate prior to the dividend payment. The dividend rate for other member banks remains at 6 percent. Reserve Banks typically pay dividends to member banks in June and December each year.</p> <p>The final rule, which takes effect January 1, 2017, also adjusts the treatment of accrued dividends when a Reserve Bank issues or cancels capital stock owned by a large member bank.</p>	<p>FRB</p>

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Agencies Issue Final Rule on Method to Adjust the Threshold for Exempting Small Loans from Special Appraisal Requirements and Announce 2017 Threshold	Press Release Nov. 23, 2016	<p>The CFPB, FRB, and OCC issued a final rule detailing the method that will be used to make annual inflation adjustments to the threshold for exempting small loans from special appraisal requirements. The final rule also applies the calculation method to the exemption threshold for 2017. The threshold will remain at \$25,500, based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in effect on June 1, 2016.</p> <p>The Dodd-Frank Act amended the Truth in Lending Act to add special appraisal requirements for higher-priced mortgage loans, including a requirement that creditors obtain a written appraisal based on a physical visit to the home's interior before making a higher-priced mortgage loan. The rules implementing these requirements contain an exemption for loans of \$25,000 or less and also provide that the exemption threshold will be adjusted annually to reflect increases in the CPI-W.</p>	FRB OCC CFPB
FRB Announces Changes in 2017 to Beige Book Publication	Press Release Nov. 30, 2016	<p>The FRB announced changes that will begin in 2017 to its <i>Beige Book</i> publication. The modifications will standardize specific core topics included in each of the 12 FRB District reports, provide a more consistent presentation of the national summary, and enhance the design of the publication.</p> <p>The national summary, along with each District report, will consistently cover three core topics: overall economic activity, employment and wages, and prices. Each District report will continue to include other topics or industry-specific reports of particular interest in that District. Additionally, the national summary will include highlights from each District.</p>	FRB
Supervisory Expectations for Risk Management of Reserve-Based Energy Lending Risk	SR 16-17 Dec. 1, 2016	<p>The FRB issued Supervision and Regulation Letter 16-17 to enhance existing energy lending guidance, found in the FRB <i>Commercial Bank Examination Manual</i>, and to update financial institutions and supervisory staff about key risks and risk management factors for reserve-based lending activities.</p> <p>While this guidance is being issued largely in response to recent oil and gas industry developments, the risk-management principles are broadly applicable irrespective of market conditions.</p>	FRB

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Procedures for a Banking Entity to Request an Extended Transition Period for Illiquid Funds	SR 16-18 Dec. 9, 2016	<p>The FRB issued Supervision and Regulation Letter 16-18 to provide banking entities with information on the procedures for submitting a request for an extended transition period for a hedge fund or private equity fund (referred to as "covered fund") that qualifies as an illiquid fund pursuant to section 13 of the BHC Act of 1956, also known as the Volcker Rule. Under the statute, a banking entity must apply to the Board for an extended transition period for an illiquid fund regardless of the banking entity's primary financial regulatory agency.</p> <p>This guidance applies to all banking entities, including those banking entities with \$10 billion or less in total consolidated assets, subject to section 13 of the BHC Act, regardless of the banking entity's primary financial regulatory agency.</p>	FRB
OCC Fees and Assessments: Calendar Year 2017 Fees and Assessments Structure	OCC Bulletin 2016-43 Dec. 1, 2016	This bulletin informs all national banks, federal savings associations, and federal branches and agencies of foreign banks of fees and assessments charged by the OCC for calendar year 2017. For the 2017 assessment year, the OCC has adjusted the rates for all asset categories. The bulletin becomes effective January 1, 2017.	OCC
OCC to Consider Fintech Charter Applications, Seeks Comment	NR 2016-152 Dec. 2, 2016	Comptroller of the Currency Thomas J. Curry announced that the OCC would move forward with considering applications from financial technology (fintech) companies to become special purpose national banks. The OCC published a paper discussing the issues and conditions that the agency will consider in granting special purpose national bank charters. The paper is available on the agency's website at occ.gov and comments may be submitted through January 15, 2017.	OCC

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INDUSTRY PUBLICATIONS
TDB's Texas Bank Report – December 2016
Department of Banking Agency Profile – December 2016
TDB's Overall Texas Banking Activity – Financial Data as of September 30, 2016
TDB's Top 100 Banks in Texas – Financial Data as of September 30, 2016
FDIC Quarterly Banking Profile - Third Quarter 2016
FDIC State Profiles – Third Quarter 2016
FRB's 2015 Interchange Fee Revenue, Covered Issuer Costs, and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions – November 30, 2016
FRB Beige Book – November 30, 2016
Dallas Fed's Agricultural Survey
Dallas Fed's Economic Indicators Austin, DFW, El Paso, Houston, Permian Basin, San Antonio, and Texas
Dallas Fed's Texas Business Outlook Surveys Manufacturing, Service Sector and Retail
OCC's Comptroller's Handbook Booklet – Bank Premises and Equipment
OCC's Comptroller's Handbook Booklet – Consigned Items and Other Customer Services

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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
ASU	Accounting Standards Update
AML	Anti-Money Laundering
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
DOJ	Department of Justice
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act
FCA	Farm Credit Administration
FDIC	Federal Deposit Insurance Corporation
FRB (or Fed or FR)	Federal Reserve Board
FFIEC	Federal Financial Institutions Examination Council

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ACRONYM/ABBREVIATION	MEANING
FHFA	Federal Housing Finance Agency
FHA	Federal Housing Authority
FC	Finance Commission of Texas
FASB	Financial Accounting Standards Board
FinCEN	Financial Crimes Enforcement Network
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
SEC	Securities and Exchange Commission
SDN	Specially Designated National
TDB	Texas Department of Banking
Treasury	U.S. Department of Treasury