



# Supervisory Update News Summary

AS OF FEBRUARY 15, 2017

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
State Regulators Promote “Fintech Friendly” Features of National Registry	<a href="#">Press Release</a> Feb. 14, 2017	<p>Financial regulators from Texas and Louisiana highlighted innovative, “fintech friendly” features of state regulation in remarks before the annual conference of the Nationwide Multistate Licensing System (NMLS).</p> <p>“We have embraced what we call ‘reg-tech’ to take state regulation to the next level,” said Charles G. Cooper, Chairman of the CSBS and Commissioner of the Texas Department of Banking in his opening <a href="#">remarks</a>. “It is a system that has made the licensing process more efficient, including for those operating on a national basis, all while ensuring transparency to the consumer.”</p> <p>“Because of NMLS, there is a robust, vibrant regulatory system for non-depository companies operating in the United States,” said Cooper. “NMLS is one of the great developments in financial regulation.”</p> <p>State regulators use NMLS as a common platform for licensing and registration.</p>	CSBS
Order Cancelling Charter of Family Legacy Trust Company	<a href="#">Order No. 2016-022</a> Dec. 30, 2016	<p>Charles G. Cooper, Texas Banking Commissioner, issued an order cancelling the charter of Family Legacy Trust Company, Plano, Texas (Family Legacy) after finding that Family Legacy has fully complied with all requirements imposed by law for the voluntary dissolution and liquidation of a state-chartered trust company.</p>	TDB
CSBS Releases BSA/AML Self-Assessment Tool	Industry Notice <a href="#">IN 2017-01</a> Jan. 18, 2017	<p>To help manage new and evolving risks associated with BSA/AML, state regulators, including the TDB, have worked with the CSBS to develop and release the new <a href="#">BSA/AML Self-Assessment Tool</a>. The Department is not requiring the use of this tool, but encourages using this tool as a supplemental instrument to strengthen BSA/AML risk management programs.</p>	TDB

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North Texas Electronic Crimes Task Force – Upcoming Tabletop Exercise	Industry Notice <a href="#">IN 2017-02</a> Jan. 19, 2017	The U.S. Secret Service conducted a comprehensive cyber tabletop exercise at the Dallas Federal Reserve Bank on Tuesday, February 7, 2017. The TDB recognizes the importance of Executive Leadership of Cybersecurity and encouraged bank management to attend this event. The exercise tested a financial institution’s processes for responding to a significant cyber incident, covering all phases of a business’ lifecycle from day-to-day functions through a crisis incident response. This exercise was geared towards executives, senior managers and information technology decision makers. It was not a technical exercise for Information Technology staff.	TDB
Free Financial Education Webinar -Money Smart Week Texas	Industry Notice <a href="#">IN 2017-03</a> Feb. 13, 2017	The TDB hosted a free financial education webinar on February 23, 2017. The event provided awareness about Money Smart Week Texas in which cities statewide host a week-long initiative to empower families and individuals with free financial education courses. The week long initiative occurs in April which is National Financial Literacy and Capability Month.	TDB
Federal Banking Agencies Fine Servicelink Holdings \$65 Million	<a href="#">PR-6-2017</a> Jan. 24, 2017	The federal banking agencies today fined ServiceLink Holdings, LLC (ServiceLink Holdings), \$65 million for improper actions by its predecessor company, Lender Processing Services, Inc. (LPS), which resulted in significant deficiencies in the foreclosure-related services that LPS provided to mortgage servicers.	FDIC FRB OCC
State Bank of Texas, Dallas, Assumes All of the Deposits of Seaway Bank and Trust Company, Chicago	<a href="#">PR-9-2017</a> Jan. 27, 2017	Seaway Bank and Trust Company, Chicago, was closed Jan 27, 2017 by the Illinois Department of Financial and Professional Regulation – Division of Banking, which appointed the FDIC as receiver. To protect the depositors, the FDIC entered into a purchase and assumption agreement with State Bank of Texas, Dallas, to assume all of the deposits of Seaway Bank and Trust Company. The ten branches of Seaway Bank and Trust Company will reopen as branches of State Bank of Texas during their normal business hours.	FDIC

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FDIC Issues List of Banks Examined for CRA Compliance	<a href="#">PR-10-2017</a> Feb. 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 November 2016. The Texas state-chartered bank evaluated during this period received a Satisfactory rating.	FDIC
FDIC Issues Revised Economic Scenarios for 2017 Stress Testing	<a href="#">PR-12-2017</a> Feb. 10, 2017	<p>The FDIC released revised economic scenarios for use by certain financial institutions with total consolidated assets of more than \$10 billion for the 2017 stress tests.</p> <p>The previously released scenarios (PR-11-2017) contained incorrect historical values for the BBB corporate yield in 2016.</p> <p>The baseline, adverse, and severely adverse scenarios include key variables that reflect economic activity, including unemployment, exchange rates, prices, income, interest rates, and other salient aspects of the economy and financial markets.</p> <p>The baseline scenario represents expectations of private sector economic forecasters. The adverse and severely adverse scenarios are not forecasts, rather, they are hypothetical scenarios designed to assess the strength and resilience of financial institutions and their ability to continue to meet the credit needs of households and businesses under stressed economic conditions.</p> <p>The FDIC coordinated with the FRB and the OCC in developing and distributing these scenarios. The <a href="#">FRB</a> and the <a href="#">OCC</a> also issued revised economic scenarios.</p>	FDIC
The FDIC Makes Joining the Money Smart Alliance Program Easier	<a href="#">FIL-8-2017</a> Feb. 14, 2017	The FDIC's Money Smart Alliance program is a network of financial institutions, nonprofits, and governmental organizations that use the FDIC's financial education curriculum to provide training to consumers, small businesses, and others. Qualified organizations can join the alliance or renew their membership on the program's recently enhanced website that also offers the ability for organizations to find potential collaborators and for consumers to find the names of organizations that may be offering training. These organizations may also be interested in an introductory webinar that will be held February 28, 2017.	FDIC

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Bank Founder Sentenced to Prison	<a href="#">Press Release</a> Jan. 24, 2017	<p>Barry R. Bekkedam, 49, of Hobe Sound, FL, was sentenced by U.S. District Court Judge C. Darnell Jones, II, to 11 months in prison and was ordered to pay a \$100,000 fine for his role in a fraud conspiracy to obtain \$13.5 million in public funds for NOVA Bank, of Berwyn, PA. On April 27, 2016, Bekkedam and co-defendant Brian Hartline were found guilty of conspiracy to defraud the United States, TARP fraud, and two counts of false statements to the federal government. Hartline had served as President and CEO of NOVA Bank and Bekkedam had served as Board Chairman.</p>	OIG - FDIC
Former Vice President of Maryland Bank Admits to Six-Year Scheme to Steal Over \$1.8 Million from Bank Customers	<a href="#">Press Release</a> Jan. 25, 2017	<p>Melissa Strohman, age 54, of Nottingham, Maryland, pleaded guilty in federal court to wire fraud and bank embezzlement, arising from a six-year scheme to steal over \$1.8 million from bank customers at the bank where she worked.</p> <p>According to her plea agreement, from April 2010 through July 2016, Strohman was SVP at a federal savings bank in Maryland, which had branches in Pikesville and Highlandtown. Strohman was responsible for managing the bank's savings department, including overseeing deposits and Individual Retirement Accounts for every customer. In addition, as the bank's Bank Secrecy Officer, Strohman was responsible for filing CTRs and SARs for any transactions that were deemed to be suspicious or potentially illegal.</p> <p>Strohman admitted that she used her position of trust at the bank to cause more than 200 unauthorized transfers and withdrawals of funds from six customers' bank accounts to pay for mortgages, credit card bills and property tax bills associated with Strohman and her family members. Three of the six victim customers were at least 80 years old, and for two of the accounts the customers were deceased.</p> <p>Strohman faces a maximum sentence of 20 years in prison for wire fraud, and a maximum of 30 years in prison for bank embezzlement.</p>	OIG - FDIC

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<p>Teller Supervisor Convicted of Concealing Theft of Bank Funds</p>	<p><a href="#">Press Release</a> Jan. 31, 2017</p>	<p>A McAllen woman has entered a guilty plea to falsifying bank records in order to conceal theft of \$1.25 million in bank funds, announced U.S. Attorney Kenneth Magidson.</p> <p>Jill Marie Myers, 42, was employed as the teller supervisor at the Edinburg branch of First National Bank, later PlainsCapital Bank. Among her duties, she was responsible for verifying the amount of U.S. currency maintained by the bank in its various “cash vaults” and then entering those amounts at the end of each day into the general ledger of the bank.</p> <p>An investigation into these records revealed that from approximately June 2004 until June 2014, U.S. currency belonging to the bank began to disappear from the vault at an average of \$10,000 per month. Myers admitted she created fraudulent entries in bank records in order to conceal theft of \$1.25 million in U.S. currency.</p> <p>The scheme was uncovered in June 2014 after PlainsCapital Bank acquired the Edinburg location of First National Bank.</p> <p>Myers faces up to 30 years in federal prison and a possible \$1 million fine. She has also agreed to pay restitution. Myers was permitted to remain on bond pending her sentencing hearing.</p>	<p>OIG-FDIC</p>
<p>New <i>Interest</i> Magazine from Office of Inspector General of Federal Reserve Board and CFPB</p>	<p><a href="#">Publication</a> Jan. 19, 2017</p>	<p>OIG special agents are on the front lines fighting fraud, waste, and abuse against Federal Reserve Board and CFPB programs and operations. The new <i>Interest</i> magazine discusses how they conduct their work and highlights recent results. This issue highlights their recent work to bring to justice bank executives who fraudulently purged bank records, individuals who kept customers’ money through a bogus loan modification scheme, and more.</p>	<p>OIG – FRB and CFPB</p>

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
<p>Statement of Mark Bialek, Inspector General for the Board of Governors of the Federal Reserve System and the CFPB, on Sentencing of Former FRB Employee</p>	<p><a href="#">Press Release</a> Jan. 30, 2017</p>	<p>On January 27, 2017, Nicholas Berthaume, a former employee of the Board of Governors of the Federal Reserve System (Board), was sentenced to 12 months' probation and fined \$5,000 for installing unauthorized software on a Board server. Berthaume pleaded guilty to one misdemeanor count of unlawful conversion of government property in violation of 18 U.S.C. § 641 on October 31, 2016. The investigation that led to this outcome was conducted by agents of the Board's Office of Inspector General (OIG).</p> <p>According to the plea agreement, Berthaume had access to certain Board computer servers in his role as a Communications Analyst. Berthaume installed unauthorized software on a Board server to connect to an online Bitcoin network in order to earn bitcoins. When confronted about these actions, Berthaume initially denied any knowledge of the wrongdoing. Later, however, Berthaume remotely deleted the software that he had installed in an effort to conceal his actions. Forensic analysis conducted by Board OIG agents and members of the Federal Reserve System's National Incident Response Team confirmed Berthaume's involvement, which resulted in his termination from the Board, and ultimately led to his admission of guilt.</p> <p>Berthaume's actions did not result in a loss of Board information. The Board has implemented security enhancements as a result of this incident.</p>	<p>OIG – FRB and CFPB</p>
<p>Federal Reserve Board Announces Finalized Rule Adjusting the Board's Maximum Civil Money Penalties</p>	<p><a href="#">News Release</a> Jan. 18, 2017</p>	<p>The FRB has finalized a rule adjusting the Board's maximum civil money penalties, as required by law.</p> <p>In November 2015, a law was passed that requires all federal agencies to adjust their maximum civil money penalty limits annually for inflation, rather than every four years as previously required. The maximum civil money penalty limits depend on several factors, including the severity and type of violation. Additionally, the law dictates the annual adjustment formula for federal agencies. A civil money penalty is a fine imposed by a federal agency as a result of misconduct.</p> <p>The final rule increases the maximum civil money penalty limits for 2017 by the amount required by law. The new penalty amounts apply as of January 15, 2017.</p>	<p>FRB</p>

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<p>Federal Reserve Board Announces Finalized Stress Testing Rules Removing Noncomplex Firms from Qualitative Aspect of CCAR Effective for 2017</p>	<p><a href="#">News Release</a> Jan. 30, 2017</p>	<p>The FRB finalized a rule adjusting its capital plan and stress testing rules, effective for the 2017 cycle. The final rule removes large and noncomplex firms from the qualitative assessment of the Federal Reserve's Comprehensive Capital Analysis and Review (CCAR), reducing significant burden on these firms and focusing the qualitative review in CCAR on the largest, most complex financial institutions.</p>	<p>FRB</p>
<p>Federal Reserve Board Releases Scenarios for 2017 Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Test Exercises and Issues Instructions to Firms Participating in CCAR</p>	<p><a href="#">News Release</a> Feb. 3, 2017</p>	<p>The FRB released the scenarios to be used by banks and supervisors for the 2017 Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act stress test exercises and also issued instructions to firms participating in CCAR.</p> <p>CCAR evaluates the capital planning processes and capital adequacy of the largest U.S.-based bank holding companies, including the firms' planned capital actions such as dividend payments and share buybacks and issuances. The Dodd-Frank Act stress tests are a forward-looking assessment to help assess whether firms have sufficient capital. Stress tests help make sure that banks will be able to lend to households and businesses even in a serious recession by ensuring that they have adequate capital to absorb losses they may sustain.</p> <p>This year, 13 of the largest and most complex bank holding companies will be subject to both a quantitative evaluation of their capital adequacy and a qualitative evaluation of their capital planning capabilities. Financial institutions are required to use the scenarios in both the stress tests conducted as part of CCAR and those required by the Dodd-Frank Act. As announced earlier by the Board, 21 firms with less complex operations will no longer be subject to the qualitative portion of CCAR, relieving them of significant burden. (Note: Comerica was one of the 21 firms.)</p>	<p>FRB</p>

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
The January 2017 Senior Loan Officer Opinion Survey on Bank Lending Practices	<a href="#">Survey</a> Feb. 6, 2016	<p>The January 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. Responses were received from 70 domestic banks and 23 U.S. branches and agencies of foreign banks.</p> <p>Regarding loans to businesses, the January survey results indicated that over the fourth quarter of 2016, on balance, banks left their standards on commercial and industrial (C&amp;I) loans basically unchanged while tightening standards on commercial real estate (CRE) loans. Furthermore, banks reported that demand for C&amp;I loans from large and middle-market firms, alongside small firms, was little changed, on balance, while a moderate net fraction of banks reported that inquiries for C&amp;I lines of credit had increased. Regarding the demand for CRE loans, a modest net fraction of banks reported weaker demand for construction and land development loans and loans secured by multifamily residential properties, while demand for loans secured by nonfarm nonresidential properties reportedly remained basically unchanged on net.</p>	FRB
Conversions to Federal Charter: Revised Comptroller’s Licensing Manual Booklet	<a href="#">OCC Bulletin 2017-5</a> Jan. 19, 2017	The OCC issued the “Conversions to Federal Charter” booklet of the Comptroller’s Licensing Manual. This revised booklet replaces the booklet titled “Conversions” issued in April 2010.	OCC
Third-Party Relationships: Supplemental Examination Procedures	<a href="#">OCC Bulletin 2017-7</a> Jan. 24, 2017	The OCC issued examination procedures to supplement OCC Bulletin 2013-29, “Third-Party Relationships: Risk Management Guidance,” issued October 30, 2013. The supplemental procedures promote consistency when examining national banks and federal savings associations’ (collectively, banks) risk management of third-party relationships. These procedures expand on the core assessment contained in the “Community Bank Supervision,” “Large Bank Supervision,” and “Federal Branches and Agencies Supervision” booklets of the Comptroller’s Handbook. These procedures use the concepts and definitions contained in OCC Bulletin 2013-29, including appendix A. Appendix B of OCC Bulletin 2013-29 provides additional guidance about third-party risk management practices in specific areas.	OCC

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<p>FinCEN Fines Western Union Financial Services, Inc. for Past Violations of Anti-Money Laundering Rules in Coordinated Action with DOJ and FTC</p>	<p><a href="#">News Release</a> Jan. 19, 2017</p>	<p>The FinCEN has assessed a \$184 million civil money penalty against Western Union Financial Services, Inc. (WUFSI). WUFSI consented to FinCEN’s determination that prior to 2012, WUFSI willfully violated the BSA’s AML requirements by failing to implement and maintain an effective, risk-based AML program and by failing to file timely SARs. FinCEN’s penalty is in conjunction with actions by the U.S. Department of Justice (DOJ) and the U.S. Federal Trade Commission (FTC).</p>	<p>FinCEN</p>
<p>Accounting Standards Update 2017-04— Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment</p>	<p><a href="#">ASU No. 2017-04</a> January 2017</p>	<p>The purpose of this Update is to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill.</p> <p>A public business entity that is a SEC filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019.</p> <p>A public business entity that is not an SEC filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020.</p> <p>Early adoption is permitted for interim or annual impairment tests performed on testing dates after January 1, 2017.</p>	<p>FASB</p>

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INDUSTRY PUBLICATIONS
<a href="#"><i>CSBS The State Perspective on Fintech</i></a>
<a href="#"><i>FDIC Consumer News</i></a> Winter 2017
FRB Office of Inspector General - <a href="#"><i>Interest – Investigations Magazine 2017</i></a>
FRB <a href="#"><i>Beige Book</i></a> – January 18, 2017
FRB Dallas - <a href="#"><i>Economic Indicators</i></a> Austin, DFW, El Paso, Houston, Permian Basin, San Antonio, and Texas
FRB Dallas - <a href="#"><i>Texas Business Outlook Surveys</i></a> Manufacturing, Service Sector and Retail
FinCEN <a href="#"><i>314(a) Fact Sheet</i></a> – February 14, 2017
OCC's Comptroller's Handbook Booklet – <a href="#"><i>Conversions to Federal Charter</i></a>

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

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### ACRONYMS AND ABBREVIATIONS

ACRONYM/ABBREVIATION	MEANING
AML	Anti-Money Laundering
ASU	Accounting Standards Update
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
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Authority

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<b>ACRONYM/ABBREVIATION</b>	<b>MEANING</b>
FHFA	Federal Housing Finance Agency
FinCEN	Financial Crimes Enforcement Network
FRB (or Fed or FR)	Federal Reserve Board
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
Treasury	U.S. Department of Treasury