Supervisory Update News Summary

As of February 15, 2018

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
State Regulators Take First Step to Standardize Licensing Practices for Fintech Payments	Press Release Feb. 6, 2018 Press Release TDB Feb 6, 2018	Seven states (Georgia, Illinois, Kansas, Massachusetts, Tennessee, Texas and Washington) have agreed to a multi-state compact that standardizes key elements of the licensing process for money services businesses (MSB). Other states are expected to join this compact. The agreement: If one state reviews key elements of state licensing for a money transmitter – IT, cybersecurity, business plan, background check, and compliance with the federal BSA – then other participating states agree to accept the findings. The result is expected to significantly streamline the MSB licensing process. This multi-state compact represents the first step among state regulators in moving towards an integrated, 50-state system of licensing and supervision for fintechs.	CSBS TDB
State Financial Regulators Release BSA/AML Compliance Tool for Money Services Businesses	Press Release Feb. 13, 2018	State financial regulators have released a new, voluntary tool to help money services businesses better manage BSA/AML risk. Developed by CSBS and state regulators, the BSA/AML Self-Assessment Tool aims to help institutions better identify, monitor and communicate BSA/AML risk. The tool is intended to reduce uncertainty surrounding BSA/AML compliance, support more transparency and address de-risking practices within the financial sector.	CSBS
First National Bank of Edgewood, Dallas, Converts to a State-Chartered Bank under New Name	Press Release Jan. 26, 2018	Texas Banking Commissioner Charles G. Cooper announced today that the First National Bank of Edgewood, headquartered in Dallas, has completed its conversion to a Texas state-chartered bank from a national charter. The new charter is effective as of January 25, 2018 at which point the bank will operate under the name MapleMark Bank. MapleMark Bank, acquired in October 2017 under its original name and charter as a wholly-owned subsidiary of Maple Financial Holdings, Inc., Dallas, Texas will enter the state banking system with $81 million in assets and 27 employees. The bank's executive team is led by Chairman and CEO Tony Davis and President Eric Davis.	TDB

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Texas Banking Commissioner Provides Testimony to House Investments and Financial Services	Testimony Jan. 31, 2018	Texas Banking Commissioner Charles G. Cooper provided testimony to the House Committee on Investments and Financial Services. Commissioner Cooper discussed the TDB regulatory response to Hurricane Harvey. The hearing was held on January 31, 2018.	TDB
FDIC Issues List of Banks Examined for CRA Compliance	PR-7-2018 Feb. 5, 2018	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 2017. The Texas bank evaluated during this period received a Needs Improvement (NI) rating.	FDIC
FDIC Releases Economic Scenarios for 2018 Stress Testing	PR-9-2018 Feb. 6, 2018	The FDIC released the economic scenarios that will be used by certain financial institutions with total consolidated assets of more than $10 billion for stress tests required under the Dodd-Frank Act. 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. The FDIC coordinated with the FRB and the OCC in developing and distributing these scenarios.	FDIC

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New Tax Law: Accounting and Reporting Implications	FIL-6-2018 Jan. 18, 2018 SR 18-2 Jan. 18, 2018	The banking agencies issued the Interagency Statement on Accounting and Reporting Implications of the New Tax Law to provide guidance to institutions on certain accounting and reporting implications of the new tax law, which was enacted on December 22, 2017. In accordance with U.S. GAAP, the changes enacted in the new tax law are relevant to the preparation of financial statements and regulatory reports (e.g., the Consolidated Reports of Condition and Income or Call Report) for December 31, 2017. • For Call Report purposes as of December 31, 2017, an institution's deferred tax assets (DTAs) and deferred tax liabilities (DTLs) are to be remeasured at the enacted tax rates expected to apply when these assets and liabilities are expected to be realized or settled. • Because the impact of the remeasurement of the deferred tax effects of items reported in accumulated other comprehensive income (AOCI) is recorded through income tax expense, this creates a disproportionate tax effect in AOCI as the recorded DTA or DTL related to an item reported in AOCI no longer equals the tax effect included in AOCI for that item. On January 10, 2018, the Financial Accounting Standards Board (FASB) approved issuing a proposal to allow reclassification of this disproportionate tax effect from AOCI to retained earnings. Institutions may apply the FASB's proposed reclassification guidance for Call Report purposes as of December 31, 2017. • An institution may consider its net operating loss (NOL) carryback potential when determining the amount of temporary difference DTAs, if any, subject to the deduction thresholds in the regulatory capital rules for purposes of calculating and reporting its regulatory capital as of December 31, 2017 (and through the end of its last tax year beginning on or before that date). • For tax years beginning on or after January 1, 2018, the new tax law generally removes the ability to use NOL carrybacks to recover taxes paid in prior tax years. As a result, all temporary difference DTAs will be subject to the deduction thresholds for regulatory capital purposes in such tax years. • Institutions are expected to use all available information to make a good faith effort to reasonably estimate the effects of the new tax law when preparing their December 31, 2017, and subsequent regulatory reports. Institutions may use the measurement period approach described in documents recently issued by the Securities and Exchange Commission and the FASB when preparing these regulatory reports.	FDIC FRB

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Community Bank Webinar: Implementation Examples for the Current Expected Credit Losses Methodology (CECL)	FIL-8-2018 Feb. 2, 2018	The FDIC and the FRB, in conjunction with FASB, the SEC, and CSBS, will host a webinar to discuss how smaller, less complex community institutions can implement CECL. The webinar is scheduled for Tuesday, February 27, 2018, at 1:00 pm Eastern Time (ET). Webinar materials will be archived for future viewing.	FDIC
Three Former Tellers at Elk City Bank Sentenced to Prison for $427,000 Embezzlement	Press Release Jan. 26, 2018	Breanna Lashea Vinson, 26, of Elk City, Oklahoma; Shanquaie Stevenson, 27, of Weatherford, Oklahoma; and Kayla Rene Jackson, 27, of Elk City were sentenced to federal prison for conspiracy to embezzle funds from a federally insured bank, in connection with a $427,632.90 embezzlement from Great Plains National Bank ("GPNB") in Elk City, announced Robert J. Troester, Acting United States Attorney for the Western District of Oklahoma. On August 17, 2017, Vinson, Stevenson, and Jackson pleaded guilty to charges of conspiracy to embezzle funds from mid-2014 to 2016 at GPNB in Elk City. Vinson, Stevenson, and Jackson were GPNB tellers who had access to the bank's cash vault. At their plea hearings, the defendants admitted that they routinely stole cash from GPNB's vault or teller drawers, and they created false vault balancing sheets to conceal the missing cash. In October 2016, GPNB officials discovered that the vault and a teller drawer were missing $427,632.90. Jackson stopped working at GPNB in April 2016; Vinson and Stevenson were still employees of the bank when the cash shortage was discovered. United States District Judge Vicki Miles-LaGrange sentenced Vinson and Stevenson each to 18 months in federal prison, followed by two years of supervised release. Judge Miles-LaGrange sentenced Jackson to one year and one day in federal prison, followed by two years of supervised release. In addition, the defendants were ordered to pay restitution to GPNB and an insurance company. Vinson was ordered to pay $317,432.90 in restitution, and Stevenson was ordered to pay $247,432.90 in restitution. Jackson was ordered to pay $157,432.90 in restitution. Judge Miles-LaGrange ordered $147,432.90 of each defendant's restitution amount to be joint and several with the other defendants.	FDIC-OIG

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Couple Pleads Guilty to Structuring Financial Transactions to Evade Reporting Requirements	Press Release Feb. 12, 2018	United States Attorney Maria Chapa Lopez announced that Bobby L. Ratcliffe (59) and Wanda F. Ratcliffe (55), both of Reddick, Florida, have pleaded guilty to conspiracy to structure financial transactions to evade reporting requirements. Each faces up to five years in federal prison; a sentencing date has not yet been set. According to the plea agreement, Bobby and Wanda Ratcliffe structured cash deposits and withdrawals into and out of bank accounts that they controlled. The couple often traveled to Jacksonville, Orlando, and Tampa to conduct the transactions. To avoid Currency Transaction Reports, which are required for currency transactions exceeding $10,000 in a single day, they made individual deposits of less than $10,000 at different credit unions, or branches of the same credit union, on the same day or over consecutive days. In addition to structuring cash deposits, the Ratcliffes made structured cash withdrawals by writing and cashing numerous personal checks made payable to themselves. Between August 2014 and July 2015, they wrote more than 1,750 checks to themselves for cash. Although the aggregate amount of withdrawals exceeded $10,000, no individual check was greater than $10,000 on a single day. In less than a year, the couple structured more than $4.5 million.	FDIC-OIG
Federal Reserve Restricts Wells Fargo's Growth Until Firm Improves Governance and Controls. Concurrent with Fed Action, Wells to Replace Three Directors by April, One by Year End	Press Release Feb. 2, 2018	Responding to recent and widespread consumer abuses and other compliance breakdowns by Wells Fargo, the FRB announced that it would restrict the growth of the firm until it sufficiently improves its governance and controls. Concurrently with the Board's action, Wells Fargo will replace three current board members by April and a fourth board member by the end of the year. In addition to the growth restriction, the Board's consent cease and desist order with Wells Fargo requires the firm to improve its governance and risk management processes, including strengthening the effectiveness of oversight by its board of directors. Until the firm makes sufficient improvements, it will be restricted from growing any larger than its total asset size as of the end of 2017. The Board required each current director to sign the cease and desist order.	FRB

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Federal Reserve Board Fines US Bancorp $15 Million and Orders it to Improve Risk Management and Oversight	Press Release Feb. 15, 2018	The FRB ordered Minneapolis-based US Bancorp to improve risk management and oversight of its banking subsidiaries' compliance with U.S. economic sanctions, and BSA and anti-money-laundering requirements. The Board also required US Bancorp to ensure that firm personnel make timely and complete disclosures to regulatory authorities and imposed a $15 million penalty. Under the terms of the Board's consent cease and desist order, US Bancorp must strengthen oversight of firmwide risk-management and compliance programs for preventing violations of anti-money-laundering and U.S. sanctions laws and put in place procedures to ensure it provides adequate and complete responses to examiner inquiries.	FRB

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Senior Loan Officer Opinion Survey on Bank Lending Practices	Survey January 2018	The FRB's January 2018 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 fourth quarter of 2017. Responses were received from 71 domestic banks and 23 U.S. branches and agencies of foreign banks. Unless otherwise indicated, this summary refers to the responses of domestic banks. Regarding loans to businesses, respondents to the January survey indicated that, on balance, banks eased their standards and terms on commercial and industrial (C&I) loans to large and middle-market firms while demand for such loans was basically unchanged. Meanwhile, banks' standards on most categories of commercial real estate (CRE) loans tightened, while demand for CRE loans reportedly weakened. For loans to households, banks reported that, on balance, their lending standards on consumer loans, as well as for most categories of residential real estate loans, remained basically unchanged over the third quarter. Meanwhile, banks reported weaker demand for auto loans and residential mortgages. Banks also responded to a set of special questions inquiring about their outlook for lending policies and loan performance over 2018. On balance, banks reported expecting to ease standards on residential mortgages and C&I loans to large and middle-market firms, while expecting to tighten standards on CRE loans and credit card loans. Demand for C&I loans is also expected to strengthen on net. Meanwhile, banks anticipate that loan performance will improve, on net, for C&I loans while deteriorating for consumer loans. The performance of most categories of loans backed by real estate is expected to remain basically unchanged on net.	FRB
Agricultural Lending Increases, As Do Interest Expenses for Farmers	Publication Feb. 2, 2018	Lending at agricultural banks increased sharply in the fourth quarter, after appearing to stabilize in previous quarters. Large loans drove the increase in farm lending, which may heighten concerns about cash flow in 2018 as interest rates have continued to rise steadily. At the same time, farm income has stabilized somewhat, but at a low level. And while the farm economy has remained relatively steady, further increases in loan obligations could stretch borrowers' repayment capacity in the coming year. Read the complete issue of the Agricultural Finance Databook for additional insights on national farm lending.	FRB-KC

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Payments Fraud Losses Remain a Problem for Financial Institutions	News Release Feb. 6, 2018	According to a new survey of nearly 300 financial institutions (FIs) across the country, payments fraud losses remain an issue for a majority of respondents. The survey also found that customer diligence, such as reviewing transaction activity and statements online and reporting suspicious activity to their FIs, is very effective across all payments types, including cards, checks, and automated clearinghouse and wire transfers. The 2017 Financial Institution Payments Fraud Mitigation Report, released by the FRB of Minneapolis, aimed to identify ways to reduce payments fraud. The report provides information about use and relative effectiveness of payments fraud detection and prevention methods as rated by FI respondents. Risk mitigation methods for each payment type are grouped into three categories: transaction screening and scoring, authentication methods, and other reporting and risk management methods.	FRB-Minneapolis
BSA Independent Testing Compliance	Publication Dec. 2017	Independent testing is one statutory requirement of an effective BSA/AML compliance program. Independent testing assists a bank's board of directors and management to evaluate the effectiveness of their BSA programs and implement stronger controls as needed. This article addresses several key aspects of independent testing, considerations for those institutions outsourcing independent testing, and examples of red flags that can alert the board or management to potential issues.	FRB - Minneapolis
FASB Improves Income Tax Accounting Related to the Tax Cuts and Jobs Act	News Release Feb. 14, 2018	FASB issued an Accounting Standards Update (ASU) that helps organizations address certain stranded income tax effects in accumulated other comprehensive income (AOCI) resulting from the Tax Cuts and Jobs Act. (ASU 2018-02-Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income.) The ASU provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The amendments are effective for all organizations for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted.	FASB

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FinCEN Names ABLV Bank of Latvia an Institution of Primary Money Laundering Concern and Proposes Section 311 Special Measure	News Release Feb. 13, 2018	FinCEN issued a finding and notice of proposed rulemaking (NPRM), pursuant to Section 311 of the USA PATRIOT Act, seeking to prohibit the opening or maintaining of a correspondent account in the United States for, or on behalf of, ABLV Bank. FinCEN is proposing this action based on its finding set out in the NPRM that ABLV is a foreign bank of primary money laundering concern. As described in the finding, ABLV has institutionalized money laundering as a pillar of the bank's business practices. ABLV's management permits the bank and its employees to orchestrate money laundering schemes; solicits high-risk shell company activity that enables the bank and its customers to launder funds; maintains inadequate controls over high-risk shell company accounts; and seeks to obstruct enforcement of Latvian anti-money laundering and combating the financing of terrorism (AML/CFT) rules to protect these business practices. Section 311 actions alert the U.S. financial sector to foreign institutions, such as ABLV, that are of primary concern and through the public rulemaking process, if necessary, cut them off from the U.S. financial sector.	FinCEN
FinCEN Penalizes U.S. Bank National Association for Violations of Anti-Money Laundering Laws	News Release Feb. 15, 2018	FinCEN, in coordination with the OCC and the U.S. Department of Justice, announced the assessment of a $185 million civil money penalty against U.S. Bank for willful violations of several provisions of the BSA. U.S. Bank's obligation will be satisfied by payment of $70 million to the U.S. Department of the Treasury with the remaining amount satisfied by payments in accordance with the DOJ's actions. Since 2011, U.S. Bank willfully violated the BSA's program and reporting requirements by failing to establish and implement an adequate anti-money laundering program, failing to report suspicious activity, and failing to adequately report currency transactions.	FinCEN

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
OCC Report Discusses Key Risks for Federal Banking System	NR 2018-4 Jan. 18, 2018	The OCC reported credit, operational, and compliance risks are key concerns for the federal banking system in its Semiannual Risk Perspective for Fall 2017. Highlights from the report include: • The credit environment continues to be influenced by aggressive competition, tighter spreads, and slowing loan growth. These factors are driving incremental easing in underwriting practices and increasing concentrations in select loan portfolios—leading to heightened risk if the economy weakens or markets tighten quickly. • Operational risk continues to challenge banks because of increasing complexity of cybersecurity threats, use of third-party service providers, and increasing concentrations in third-party service providers for some critical operations. • Compliance risk remains elevated as banks continue to manage money laundering risks, as well as consumer compliance risks, particularly due to the increasing complexity in consumer compliance regulations. The report covers risks facing national banks and federal savings associations based on data as of June 30, 2017. The report presents data in four main areas: the operating environment, bank performance, trends in key risks, and supervisory actions. It focuses on issues that pose threats to those financial institutions regulated by the OCC and is intended as a resource to the industry, examiners, and the public.	OCC
OCC Assesses $75 Million Civil Money Penalty Against U.S. Bank National Association	NR 2018-17 Feb. 15, 2018	The OCC announced a $75 million civil money penalty against U.S. Bank National Association of Cincinnati, Ohio, for deficiencies in the bank's BSA and AML compliance program. These deficiencies were the subject of the OCC's 2015 consent order against the bank.	OCC
Notice Adjusting Civil Money Penalties for 2018	OCC Bulletin 2018-1 Jan. 16, 2018	On January 12, 2018, the OCC published in the Federal Register a notice to adjust the maximum amount of each civil money penalty (CMP) within its jurisdiction, pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (2015 Adjustment Act). The adjusted maximum penalties are effective immediately for violations occurring on or after November 2, 2015.	OCC

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Governor Abbott Extends Disaster Declaration for Texas Counties Impacted by Hurricane Harvey	Proclamation Jan. 17, 2018	Texas Governor Greg Abbott renewed the disaster proclamation for 60 counties. This includes the counties in the original proclamation on August 23, 2017 of Aransas, Austin, Bee, Brazoria, Calhoun, Chambers, Colorado, DeWitt, Fayette, Fort Bend, Galveston, Goliad, Gonzales, Harris, Jackson, Jefferson, Jim Wells, Karnes, Kleberg, Lavaca, Liberty, Live Oak, Matagorda, Nueces, Refugio, San Patricio, Victoria, Waller, Wharton and Wilson counties as well as the counties subsequently added to include Angelina, Atascosa, Bastrop, Burleson, Bexar, Brazos, Caldwell, Cameron, Comal, Grimes, Guadalupe, Hardin, Jasper, Kerr, Lee, Leon, Madison, Milam, Montgomery, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Trinity, Tyler, Walker, Washington and Willacy counties.	TxGov

INDUSTRY PUBLICATIONS
Texas Comptroller of Public Account's Fiscal Notes - Special Edition - A Storm to Remember – Hurricane Harvey and the Texas Economy - February 2018
FDIC Quarterly 2017 – Includes the Quarterly Banking Profile – Third Quarter 2017 and featured articles: "Factors Shaping Recent Trends in Banking Office Structure for Community and Noncommunity Banks" and "Community Bank Mergers Since the Financial Crisis: How Acquired Community Banks Compared With Their Peers"
FDIC Center for Financial Research Working Paper - "The Dark-Side of Banks' Nonbank Business: Internal Dividends in Bank Holding Companies" by Jonathan Pogach and Haluk Unal
FRB Beige Book - January 17, 2018
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

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

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

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