



Supervisory Update News Summary

AS OF JULY 15, 2016

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Banking Commissioner Announces Assessment Reduction	Press Release June 22, 2016	Texas Banking Commissioner Charles G. Cooper announced that the 2016 quarterly assessment for the period of June – August is being reduced 11% for all Texas state-chartered institutions and foreign bank agencies and branches. Commissioner Cooper cited improving operating efficiencies and continued growth in the banking industry as the primary factors driving the reduction.	TDB
Woodhaven National Bank Converts to a State-Chartered Bank	Press Release June 30, 2016	<p>Texas Banking Commissioner Charles G. Cooper announced that Woodhaven National Bank, headquartered in Fort Worth, Texas, completed its conversion to a Texas state-chartered bank. As a result of the June 30, 2016 conversion, the bank changed its name to Woodhaven Bank.</p> <p>The bank is a subsidiary of Pinnacle Bancorp, Inc. and has \$566 million in assets. The bank was originally chartered in 1983 and is community-oriented serving the Fort Worth and surrounding communities with eight locations.</p>	TDB
Incident Response Testing – Upcoming Testing Exercise	Industry Notice July 15, 2016	<p>The Financial Services Information Sharing and Analysis Center (FS-ISAC) is hosting a two-day tabletop exercise to simulate an attack on payment systems and processes. The exercise simulates a real-world cyberattack against wire transfer systems to challenge incident response teams and test incident response plans. It is free to all regulated financial institutions, and FS-ISAC membership is not required.</p> <p>The 2016 exercise will be conducted over two consecutive days starting on either September 20, 2016 OR September 27, 2016. You pick the week that works best for your incident response team. The deadline for registration is September 9, 2016, and September 16, 2016, respectively. The exercise will require about one hour each day with a brief survey at the end. For additional details and to register, go to the FS-ISAC website.</p>	TDB

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Agencies Release List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies	PR-50-2016 June 17, 2016	The FDIC, FRB, and the OCC released the 2016 list of distressed or underserved metropolitan middle-income geographies, where revitalization or stabilization activities will receive CRA consideration as community development. The criteria for designating these areas are available on the FFIEC website (http://www.ffiec.gov/cra). The designations continue to reflect local economic conditions, including unemployment, poverty, and population changes.	FDIC FRB OCC
Agencies Issue Joint Statement on the New Accounting Standard on Financial Instruments – Credit Losses	PR-51-2016 June 17, 2016 FIL-39-2016 June 17, 2016 SR 16-12 June 17, 2016	The four federal financial institution regulatory agencies issued a joint statement regarding the new accounting standard, ASU No. 2016-13, <i>Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i> , issued by the FASB. The joint statement also provides initial supervisory views regarding the standard's implementation.	FDIC FRB OCC NCUA
Agencies Issue Host State Loan-to-Deposit Ratios	PR-52-2016 June 17, 2016	The FRB, FDIC, and the OCC issued the host state loan-to-deposit ratios that they will use to determine compliance with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. In general, section 109 prohibits a bank from establishing or acquiring a branch or branches outside of its home state primarily for the purpose of deposit production. Section 109 also prohibits branches of banks controlled by out-of-state bank holding companies from operating primarily for the purpose of deposit production.	FDIC FRB OCC
FDIC Issues List of Banks Examined for CRA Compliance	PR-56-2016 July 5, 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 April 2016. All Texas state-chartered banks reviewed received a “Satisfactory” rating.	FDIC

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<p>Agencies Release Final Revisions to Interagency Questions and Answers Regarding Community Reinvestment</p>	<p>PR-57-2016 July 15, 2016</p>	<p>The federal bank regulatory agencies with responsibility for CRA rulemaking published final revisions to "Interagency Questions and Answers Regarding Community Reinvestment." The Q&A document provides additional guidance to financial institutions and the public on the agencies' CRA regulations.</p> <p>The new and revised guidance addresses questions raised by bankers, community organizations, and others regarding the agencies' CRA regulations in the following areas:</p> <ul style="list-style-type: none"> • Availability and effectiveness of retail banking services. • Innovative or flexible lending practices. • Community development-related issues, including: (i) economic development; (ii) community development loans and activities that revitalize or stabilize underserved nonmetropolitan middle-income geographies; and (iii) community development services. • Responsiveness and innovativeness of an institution's loans, qualified investments, and community development services. 	<p>FDIC FRB OCC</p>
<p>Frequently Asked Questions on Identifying, Accepting and Reporting Brokered Deposits</p>	<p>FIL-42-2016 June 30, 2016</p>	<p>The FDIC is finalizing updates to its Frequently Asked Questions (FAQs) regarding identifying, accepting and reporting brokered deposits. This FIL supersedes FIL-2-2015 and FIL-51-2015.</p> <p>Key updates since the FAQs were issued in January 2015 address matters related to:</p> <ul style="list-style-type: none"> • Business professionals and deposit referral programs; • Deposits gathered though "dual hatted," "dual" and "call center" employees (as explained in the FAQs), or contractors; • Deposits underlying government-sponsored prepaid or debit card programs; • Whether certain nonmaturity deposits are brokered; and • Actions an FDIC insured depository institution should take if it holds certain brokered deposits and falls below well capitalized for PCA purposes. 	<p>FDIC</p>

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Information Technology Risk Examination (InTREx) Program	FIL-43-2016 June 30, 2016	<p>The FDIC updated its information technology and operations risk (IT) examination procedures to provide a more efficient, risk-focused approach. This enhanced program also provides a cybersecurity preparedness assessment and discloses more detailed examination results using component ratings.</p> <ul style="list-style-type: none"> • The InTREx Program is an enhanced, risk-based approach for conducting IT examinations. The Program helps to ensure that financial institution management promptly identifies and effectively addresses IT and cybersecurity risks. • All Uniform Rating System for Information Technology (URSIT) component and composite ratings assigned at each IT examination will be included in the Risk Management Report of Examination. • An assessment of the financial institution's cybersecurity preparedness will be included on the Information Technology and Operations Risk Assessment Page of every Risk Management Report of Examination. • The InTREx Program includes a streamlined IT Profile that financial institutions will complete in advance of examinations that replaces the IT Officer's Questionnaire (ITOQ). The IT Profile is intended to provide examination staff with more focused insight on a financial institution's IT environment and includes 65 percent fewer questions than appeared on the FDIC's legacy ITOQ. 	FDIC

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Revisions to the Consolidated Reports of Condition and Income (Call Report)	FIL-44-2016 July 1, 2016	<p>The FFIEC has approved revisions to the Call Report that will take effect September 30, 2016, and March 31, 2017. These Call Report revisions were proposed by the three federal banking agencies, under the auspices of the FFIEC, in September 2015 (see FIL-39-2015, dated September 18, 2015). The proposed revisions included certain burden-reducing changes, several new and revised Call Report data items, and a number of instructional clarifications.</p> <p>Changes include:</p> <ul style="list-style-type: none"> • Deletions of certain existing data items in five schedules; • Increases in existing reporting thresholds and the establishment of a new threshold for certain data items in six Call Report schedules; • Instructional revisions pertaining to the reporting of gains (losses) on certain equity securities and the custodial bank deduction for assessment purposes; and • New and revised data items and information, some of which are of limited applicability. These revisions involve Chief Executive Officer contact information, the Legal Entity Identifier, preprinted captions for itemizing components of certain data items, extraordinary items, time deposit data, external auditing programs, fair value option loans, trading revenue, "dually payable" deposits in foreign branches, and supplementary leverage ratio data. 	FDIC
Federal Reserve Releases Results of Supervisory Bank Stress Tests	Press Release June 23, 2016	The nation's largest bank holding companies continue to build their capital levels and improve their credit quality, strengthening their ability to lend to households and businesses during a severe recession, according to the results of supervisory stress tests announced by the Federal Reserve Board	FRB
Federal Reserve Releases Results of Comprehensive Capital Analysis and Review (CCAR)	Press Release June 29, 2016	The Federal Reserve Board announced it has not objected to the capital plans of 30 bank holding companies participating in the Comprehensive Capital Analysis and Review (CCAR), which includes Comerica Incorporated. The Board objected to two firms' plans. One other firm's plan was not objected to, but the firm is being required to address certain weaknesses and resubmit its plan by the end of 2016.	FRB

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Federal Reserve Board Formalizes Previously Announced One-Year Conformance Period Extension for Certain Volcker Rule Legacy Fund Investments	Press Release July 7, 2016	Formalizing its prior commitment to facilitate the orderly implementation of section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule, the Federal Reserve Board on Thursday announced that it will extend until July 21, 2017 the conformance period for banking entities to divest ownership in certain legacy investment funds and terminate relationships with funds that are prohibited under the rule. The Board announced in December 2014 that it would make this extension to provide for orderly divestitures and to prevent market disruptions. This is the final of the three one-year extensions that the Board is authorized to grant.	FRB
FinCEN Issues Required Inflation Adjustments for Civil Monetary Penalties	Federal Register Notice June 30, 2016	FinCEN is amending the regulations under the BSA to adjust the maximum amount or range, as set by statute, of certain civil monetary penalties within its jurisdiction to account for inflation. This action implements the requirements of the Federal Civil Penalties Inflation Adjustment Act of 1990, as further amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. The interim final rule is available at https://www.fincen.gov/statutes_regs/frn/pdf/2016-15653.pdf	FinCEN

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
<p>FASB Issues New Guidance on Accounting for Credit Losses</p>	<p>News Release June 16, 2016</p>	<p>FASB issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit losses (Topic 326) <i>Measurement of Credit Losses on Financial Instruments</i>. The new standard improves financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations.</p> <p>The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates.</p> <p>Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.</p> <p>The ASU on credit losses will take effect for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For public companies that are not SEC filers, the ASU on credit losses will take effect for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other organizations, the ASU on credit losses will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021.</p> <p>Additional Resources:</p> <p>FASB in Focus – June 16, 2016</p> <p>FASB Understanding Costs and Benefits – June 16, 2016</p> <p>Credit Losses: Why a New Credit Losses Standard? (Video)</p>	<p>FASB</p>

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
OCC Report Examines Risks Facing National Banks and Federal Savings Associations	NR 2016-79 July 11, 2016	<p>The OCC reported strategic, credit, operational, and compliance risks remain top concerns in its Semiannual Risk Perspective for Spring 2016.</p> <p>Highlights from the report include:</p> <ul style="list-style-type: none"> • Strategic risk remains high as banks struggle to execute their strategic plans and face challenges in growing revenue. • Credit risk is increasing because of strong loan growth combined with easing in underwriting standards. An increase in concentrations and risk layering, continues as banks strive for yield in an increasingly competitive environment. This is particularly evident in indirect auto, commercial and industrial, and commercial real estate. • Operational risk concerns include increasing cyber threats, reliance on third-party service providers, and resiliency planning. • Banks face challenges meeting the integrated mortgage disclosure requirements and amended Military Lending Act regulatory requirements, the latter of which takes effect on October 3, 2016, and managing Bank Secrecy Act risks. • Low energy prices, the potential for rising interest rates, and risks associated with banks partnering with marketplace lending firms are of concern and being monitored, as they may develop into broader system-wide issues. 	OCC

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INDUSTRY PUBLICATIONS

CSBS White Paper – [*The State of State Money Services Businesses Regulation and Supervision – May 2016*](#)

Dallas Fed – [*Quarterly Energy Update*](#)

Dallas Fed – [*Regional Economic Update: Texas Economy Faces Cross Currents*](#) – June 2016

Dallas Fed – [*Economic Indicators*](#) – Austin, Dallas-Fort Worth, El Paso, Houston, Permian Basin, San Antonio, and Texas

FRB’s [*Beige Book*](#) – July 13, 2016

[*Financial Stability Oversight Council 2016 Annual Report*](#)

OCC’s [*Quarterly Report on Bank Trading and Derivatives Activities*](#) – First Quarter 2016

[*OCC Mortgage Metrics Report*](#) - First Quarter 2016

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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
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
FHFA	Federal Housing Finance Agency

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ACRONYM/ABBREVIATION	MEANING
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
QRM	Qualified Residential Mortgage
SEC	Securities and Exchange Commission
SDN	Specially Designated National
TDB	Texas Department of Banking
Treasury	U.S. Department of Treasury