United States

09/23/2023

Reporting

FR Y14 Series – Capital Assessments and Stress Test Reports

The September 30 reporting forms and instructions were posted for the FR Y14M and FR Y14Q. They have incorporated the final/approved proposed changes .

Remember, some for the FR Y14Q changes were deferred to the June 30, 2023. For example, the Board proposed to revise the definition of informal advised or guidance lines on FR Y-14Q, Schedule H.1 (Corporate) to be an authorization for a line of credit that is unknown to the customer. These lines are excluded from reporting on Schedule H.1. The Schedule H.1 instructions also require firms to include ". . . any unused commitments that are reported on FR Y9c, Schedule L that would be reported in the relevant FR Y9c category if such loans were drawn." The clarification of the definition of informal advised or guidance lines was intended to bring Schedule H.1 more clearly into alignment with the FR Y9c. To avoid confusion and clarify the relationship to the FR Y-9C, the Board has not adopted the proposed revisions to the definition of informal advised or guidance lines. Further, to ensure alignment with the FR Y9c, the Board has removed the language surrounding the exclusions of informal advised or guidance lines. The aforementioned reference to FR Y9c, Schedule L will remain in the instructions without any exclusions, which should mitigate ambiguity. The Board has delayed the revision until the June 30, 2023, as of date.

FR Y14M - Home Page
FR Y14Q - Home Page

FFIEC 002- Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks
FFIEC 002s - Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank

The September 30 reporting forms were posted for September 20. There are not new data requirements.

FFIEC 002 - Home Page
FFIEC 002s - Home Page

Rules and Regulations

Reminder: October 1, The Updated Large Bank Capital Requirements Go into Effect

In August, the FRB Board announced the individual capital requirements for all large banks following stress testing conducted earlier this year. The results go into effect on October 1.

Large bank capital requirements are in part determined by the Board's stress test results, which provide a risk-sensitive and forward-looking assessment of capital needs. The Large Banks Capital Requirements table shows each bank's total common equity tier 1 capital requirement, which is made up of several components, including:

- The minimum capital requirement, which is 4.5 percent;

- The stress capital buffer requirement (determined from the stress test results) is at least 2.5 percent; and
- If applicable, a capital surcharge for global systemically important banks (G-SIBs), which is updated in the first quarter of each year to account for the overall systemic risk of each G-SIB.

News

Hill and McKernan Nominated to the FDIC Board

On September 20, President Biden nominated two Republicans to the FDIC Board of Directors. The nominees which must be approved by the Senate vacancies are Travis Hill and Jonathan McKernan. The FDIC Board cannot have more than three members from the same party, with two seats filled by the Comptroller of the Currency and the director of the Consumer Financial Protection Bureau.

Travis Hill previously worked at the FDIC as a senior adviser to the chairman and deputy to the chairman for policy, a position he held for fours years. He was as nominated as vice chair.

Jonathan McKernan is senior counsel at the Federal Housing Finance Agency. Prior to that, he was senior policy advisor to former Sen. Bob Corker (R-Tenn.) at the U.S. Department of the Treasury.

OCC Announces New Executive Committee Members

On September 22, the Office of the Comptroller of the Currency (OCC) announced three new members of its Executive Committee, effective October 10, 2022.

Beverly Cole has been selected as the Senior Deputy Comptroller for Midsize and Community Bank Supervision, and she will serve on its Committee on Bank Supervision. She will lead a team of 1,600 people in the supervision of more than 1,000 national banks and federal savings associations.

Minh-Hai Tran-Lam has been selected as the Senior Deputy Comptroller for the Office of Management and will serve on the OCC's Executive Committee. She will be responsible for leading the OCC's departments of financial management, human capital, administrative operations, and information technology.

Jay Gallagher has been selected as the Senior Deputy Comptroller for Supervision Risk and Analysis and will serve on the OCC's Executive Committee. He will oversee OCC staff responsible for Systemic Risk Identification and Support, Supervision System and Analytical Support, Economic and Policy Analysis, and Risk Analysis.
OCC: NR 2022-118

Canada

09/23/2022

News

OSFI - Cyber Risk and Banking Regulation

On September 20, Superintendent Routledge spoke at the BMO Capital Markets Digital Banking Summit, Toronto, Ontario.

"…Technological developments are threatening to outrun all of us. New technologies like quantum computing, and new players in advanced technologies are arriving at a rapid pace, sometimes disrupting or rearranging the order of things in the banking industry. Some new products, services and technologies that have been— and are being—introduced, remain outside of the regulatory system. They represent new risks but have the potential to unlock greater customer value for Canadians.

At OSFI, our approach to our mandate is to make strengthening public confidence in Canada's financial system the key driver of all we do. That said, we believe that Canadians expect us to temper - and not to unduly restrict – innovations, in a manner that fosters financial stability. Our objective, then, is to support innovative competition and reasonable risk-taking, but not at the expense of upsetting a stable financial system or, more importantly, eroding Canadians' trust in that system.

Given these challenges, how is OSFI proceeding?

First, we are pursuing a response to digitalization based on the principle that the same activity merits the same risk and same regulation. We want more innovation in financial services because they bring value to customers. But it is safest to have the benefits and added value of new technologies develop within the regulatory perimeter. We want to avoid developing a new regulatory system for new technologies – we aim to have the regulatory environment evolve in lockstep with industry's technological advancements. This, under the principle of same activity, same risk, same regulations. For example, to further address how Federally Regulated Financial Institutions should manage Technology and Cyber risks; in July this year, OSFI issued guideline B-13 on sound practices of Technology and Cyber Risk Management. As we stated in the guideline, there is no one-size-fits-all approach for managing technology and cyber risks given the unique risks and vulnerabilities that vary with a FRFIs' size, scope, and complexity and risk profile. This Guideline should be read, and implemented, from a risk-based perspective that allows FRFIs to compete effectively and take full advantage of digital innovation, while maintaining sound technology risk management. Another initiative that OSFI is working on that will allow FRFI to proactively take steps to strengthen their cyber resilience as they innovate and execute their digital transformation plans is I-CRT. Consistent with other leading regulatory bodies OSFI is piloting its own "intelligence-led cyber resilience testing" or I-CRT to help FRFIs identify weaknesses in technology and cyber security controls and tests their cyber resiliency. We are also repositioning our guideline on third-party outsourcing. We recognize that the financial services industry has long made use of third-party arrangements to achieve multiple goals, such as:

- Improving efficiency,
- Driving innovation,
- Managing shifting operational needs, and

- Optimizing services.

Those third-party arrangements are rapidly evolving and expanding. The third-party ecosystem is being used to deliver more and more new services and critical activities. This has increased operational complexity and the risk of financial loss at financial institutions as well as the risk of institutions being unable to deliver critical services due to disruption at a third-party or at subcontractors on which a third-party relies. Recall the system failure at Rogers in July that affected millions of Canadians and caused the disruption of everything from 911 calls to ATM withdrawals. The emergence of a concentrated number of dominant service providers in key segments of the economy amplifies this risk. Disruption at one or more such service providers could potentially result in a systemic event if multiple institutions were unable to deliver services to their customers on a timely basis. This could impact the financial resilience and reputations of your institutions. In response, we are repositioning our current Guideline B-10 on Outsourcing of Business Activities, Function and Processes to a Guideline on Third-Party Risk Management. This enlarged scope better reflects a more comprehensive set of third-party risks such as cyber, data, supply chain and subcontracting within an expanded and evolving third-party ecosystem. The revised guideline will place greater emphasis on governance and risk management programs introducing the concepts of risk and criticality as the basis of this risk-based approach to guide the intensity of an institution's third-party risk management. It will set outcomes-focused, principles-based expectations for institutions supporting the sound management of third-party risk throughout lifecycle of these arrangements. Guideline B-10 is an important prudential risk-management tool for OSFI. It will make the system safer. But getting it right is going to take a lot of care. We are trying to find a balance between safe prudential standards and healthy competition. On the one hand we want incumbents to manage third-party risk prudentially and safely. On the other hand, we don't want prudential risk management to become a barrier to entry for potential new entrants and third-party service providers. We want them adding value for customers in the system as soon as possible while at the same time understanding and appropriately mitigating associated risks. If they are performing an activity in financial services that is regulated, then they will have the same regulations as incumbents.

Second, to address the pace of digital innovation, we will refine our approval process so new entrants can join the regulatory system faster and more safely. Our aim is to manage risk, not stifle innovation and growth. As part of this initiative, we will assess the risks posed by technological innovations as players apply them to financial services. We will expand our understanding and appreciation of non-traditional business models because so many technological innovations arrive in financial services via non-traditional players. While the principle of same activity merits the same risk and same regulation holds true, we also want our approval process to take into account the size, complexity and risk profile of each individual institution. When we launched this B-10 consultation, we sought views from diverse stakeholders on the subject of our current process and how we can refine it. We will take this feedback into account as part of our ongoing work. Given that technological developments are not isolated to the Canadian financial system, we are also looking to our international counterparts. We would like to understand the similarities and differences to the Canadian environment and how other jurisdictions are addressing the digitalization of financial services. Ultimately, we aim to refine our approval process to make it fit for purpose, taking into account the appropriate measurement and management of risks within the business model, while allowing institutions and new entrants to compete and take risks in a rapidly evolving environment. We expect our process to keep pace and evolve as needed, so we are looking at potential test and learn approaches. We are striving to make our process clear, transparent, risk-based and efficient. While we are in the early stages of this initiative, we will continue to work with stakeholders, including industry and our federal and provincial partners, as this work continues.

Third, we are looking very seriously at so-called stablecoins, which are an important part of the emerging set of digital money innovations. Stablecoins differ from the expanding universe of cryptocurrencies in that their value is pegged to another currency, commodity or other financial instrument. The pegs typically, though not always, are backed by traditional assets like currency, government bonds, commercial paper, and even other digital assets. Some have argued they look a lot like banks. And if they are like banks, shouldn't these players be regulated like banks? We are working closely with our federal and provincial partners to ensure an appropriate and coordinated Canadian regulatory response to stablecoins. At the same time, we are also working with various government partners and international organizations to assess the implications of digital money on our regulatory frameworks. We plan on providing additional clarity to areas of risk management and governance that are specific to stablecoin arrangements.

These initiatives are important elements in our evolving response to the present risk environment. We want to ensure that our financial institutions are taking the long view, supporting their health and societal prosperity and stability. While none of us can predict the future, we can shape it – or "build it" – to some extent by working together to lay a prudential foundation today that can withstand the shocks to follow in future years, from whatever provenance."