

Compliance Monthly is intended to keep you informed of regulatory changes in advance of their effective date so your institution can have the necessary policies, procedures and processes in place to be compliant at the time of enactment. Information contained in Compliance Monthly is not intended to provide specific advice and guidance. You should consult your own professional services provider in connection with matters affecting your own interests.

Finalized Rules:

Agencies Grant S. 2155 Stress Testing Exemption to All Institutions Under \$100B

Mandated stress tests under the Dodd-Frank Act have ended for banks and bank holding companies (BHCs) with less than \$100 billion in assets. As required by the regulatory reform law S. 2155 that was enacted in May, BHCs with less than \$100 billion were immediately exempted from company-run stress tests and other enhanced prudential standards, but not banks. Now, banks with less than \$250 billion in assets will receive stress test relief under S. 2155 no later than 18 months after passage (Nov. 25, 2019).

In a separate statement, the Fed announced that it will not collect assessments from BHCs and savings and loan holding companies with under \$100 billion in assets for the year 2018 and forward. The Fed also said it will not require BHCs with less than \$100 billion in assets to comply with certain regulatory requirements connected to enhanced prudential standards under Regulations Y, WW and YY

California Enacts Controversial Data Privacy Law

California Governor Jerry Brown signed a bill creating new data privacy requirements for businesses that handle consumer data in the state. The bill was passed as a compromise measure to avert a more intrusive ballot initiative this fall; while business groups find the legislation only marginally better than the initiative, the process of amending the new law would be easier.

Effective on January 1, 2020, the new law grants consumers a right to request that businesses disclose what personal information it has about individual consumers, what it uses the data for and how it is shared. It also requires businesses to delete that data upon request, among other provisions. Unlike the proposed ballot



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initiative, which would have granted a private right of action with statutory damages, the law limits enforcement authority to the state's attorney general. Consumers have a right to sue in response to a data breach, however.

For financial companies subject to the privacy provisions of the Gramm-Leach-Bliley Act, the law provides a narrow exception for consumer data collected, processed, sold or disclosed pursuant to GLBA, if the requirements of the state law are in conflict with GLBA. The California Bankers Association and other business groups will continue urging California lawmakers to amend the law as the compliance date draws closer.

Proposed Rules:

FEMA Proposes Updates to Flood Regulations

FEMA has published a proposal that would revise the National Flood Insurance Program's implementing regulations to codify certain provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014 that FEMA has already implemented, and to clarify certain existing rules relating to operations and the Standard Flood Insurance Policy. Comments are due by September 14, 2018.

FATF Seeks Comments on Draft Guidance

The Financial Action Task Force (FATF) has posted two requests for public views on its draft guidance to assist countries and competent authorities in the application of a risk-based approach to AML/CFT measures regarding securities and life insurance transactions. Comments are due by August 17, 2018. Final guidance documents are expected to be adopted by FATF at its October 2018 Plenary meeting.

Other Compliance News:

Agencies Outline Regulatory Approach to S. 2155 Policy Changes

In addition to outlining their approach to company-run stress testing and enhanced prudential standards in light of the new regulatory reform law, the agencies also announced how they intend to approach the implementation of several other provisions of S. 2155. Consistent with the new law, which allows banks to risk weight at 150 percent only those high-volatility commercial real estate loans that fall under the statutory "HVCRE ADC" definition, regulators affirmed that banks may report only those loans when filing their Call Report and FR Y-9C. Alternatively, institutions and holding companies can report and risk-weight HVCRE exposures in a manner consistent with the current instructions to the Call Report and FR Y-9C until the agencies take further action.

Regulators also clarified that they would not enforce existing final rules on the Volcker Rule, resolution planning or the treatment of municipal securities as high-quality liquid assets in ways that would contradict provisions included in the new law. They also announced that they will begin rulemaking to implement sections of the law raising the threshold for well-capitalized banks to be eligible for an 18-month examination cycle and treating certain municipal obligations as HQLA under the Liquidity Coverage Ratio. The agencies stated they are

determining what further action is needed to implement the exemption for appraisal requirements for certain rural transactions.

Agencies Issue Statements on Implementing S. 2155's HMDA Reporting Exemptions

The CFPB, FDIC and OCC each issued statements acknowledging the partial exemptions granted under S. 2155 for certain Home Mortgage Disclosure Act data reporting requirements for some insured depository institutions. The law provides a partial exemption to banks and credit unions for closed-end mortgage loans if the institution originated fewer than 500 closed-end mortgage loans in each of the two preceding calendar years, and for open-end lines of credit if the institution originated fewer than 500 open-end lines of credit in each of the two preceding calendar years.

The agencies noted that the new law will not affect the format of the loan/application registers for institutions filing HMDA data collected in 2018. Institutions that no longer have to report information for certain data fields as a result of the partial exemption will enter an exemption code for the specified field. More information will be provided in a revised filing instructions guide, which the CFPB expects to issue later this summer.

The agencies also reminded institutions that they will not require data resubmission for HMDA data collected in 2018 and reported in 2019 unless data errors are material. They added that they do not intend to assess penalties for errors in 2018 HMDA data, and will credit good-faith compliance efforts in their diagnostic examinations of 2018 HMDA data.