

## Quote of the Week

**“How a firm conducts its business and treats its customers must be at the heart of how it operates. This has to start at the top. Today’s consultations mark a fundamental change in the regulators’ ability to hold individuals to account, which is what the public expects.”**

- [Martin Wheatley, UK FCA Chief Executive](#)



Photos by Charles Skinner

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## Regulatory Watch List

**↑ Off-Sure** CFTC investigates whether US brokers are [de-guaranteeing](#) overseas affiliates to exempt from rules. Defends industry lawsuit claiming need to use [guidance](#) rather than rules on cross-border trades to keep flexibility.

**↓ Gated-up** Stability council welcomes passage of diluted SEC money [market](#) fund rule after a two-year debate. Refuses to sign-off until it sees if unintended [consequences](#) from treatment of retail funds and limit on redemption.

**↑ Resolute** Portugal wants recapitalization of Banco Espirito Santo after \$4.5bn [quarterly](#) loss, suspends shares. Exposures to rest of group and suggested [management](#) non-compliance an [early](#) test for EU resolution measures.

**↓ Sanctioned** US regulators raise [compliance](#) bar after embargo breaches disproportionately hit [overseas](#) banks. Joint EU-US actions against Russian financial [sector](#) adds new front to western banks [role](#) in economic diplomacy.

## US Banking

### FSOC Fund Management Risk, no new SIFs

On Jul. 31, [FSOC](#) announced a focused [review](#) of fund management industry to assess stability risks.

- Council discussed their ongoing assessment of potential industry-wide and firm-specific risks.
- Financial stability risks which may arise from the asset management industry and its activity.
- FSOC directed staff do more focused analysis of industry products and activity to assess risk.
- Reviewed SEC MMF rules, if any unintended consequence on retail, liquidity fees and gates.
- Did not proceed with a *S.120 recommendation* for more stringent regulation of MMF activity.
- Will not designate further company or insurer while review in process until a final decision.

### Fed Community Bank Loan Coverage Exam

On Jul. 22, [Fed](#) issued [loan](#)-coverage requirements for soundness examinations of community banks.

- Updates loan sampling expectations in exams, to assure minimum coverage of bank portfolio.
- Minimum coverage-for *judgmental samples* in full-scope or asset-quality target examinations.
- Select for review a sample of loans of size and scope to reach sound conclusions for portfolio.
- For lower-rated banks select loans when large, insider, problem, watch, renewed, new credits.
- Treatment for commercial, industrial and CRE loans is different than retail consumer lending.

### FDIC Tools for Small Banks on Regulation

On Jul. 29, [FDIC](#) issued [guidance](#) on [tools](#) to assist community banks to [manage](#) regulatory obligation.

- Technical assistance videos on training, rules, director-education, directors' college program.
- FDIC only *requires* hiring external consultants in 2% of exams e.g. for enforcement reviews.
- Stated ways to conduct an independent review of key bank functions using internal resources.
- Outside directors may review loans, appraisal, Internal audit on AML, Finance on provisions.
- Highlights frequent *matters requiring board attention* (MRBA) for evolving risk landscape.
- Most common deficiency loans-69% for credit administration, loan review, grading and data.
- Board/management 45% of reports, on policy, audit, planning, risk, resource, staff, oversight.
- Issued regulatory and supervisory roundup to overview new issued regulation and guidance.

### FDIC S-Corp Dividends under Basel III

On Jul. 21, [FDIC](#) issued [guidance](#) to *S-corporation* banks, under Basel III capital conservation [buffers](#).

- Clarifies how it will evaluate requests from S-corporation banks to make dividend payments.
- Where a dividend will otherwise be prohibited under the Basel III capital conservation buffer.
- Buffer will be phased-in between 2016-2018, and will only become fully effective in 2019.
- Income tax for S-corporation banks paid by its investors, to whom income passes-through to.
- If S-corporation bank has income but does not pay dividend, shareholders may be taxed on it.
- Basel rules allow banks to ask approval to pay dividend that would not be allowed by buffer.
- Absent safety-and-soundness concern re bank, FDIC expects to approve requests by S-corps.
- Limited to the payment of dividends that cover shareholder taxes on their portion of earnings.



### FDIC Third-party Payment Processor Lists

On Jul. 28, [FDIC](#) issued [guidance](#) re supervision of relationships with *third-party payment processors*.

- On approach of banks establishing relationship with *third-party payment processors* (TPPPs).
- Had listed examples of merchant categories in payments industry seen as higher-risk sectors.
- Lists led to misunderstanding that examples of merchant categories were prohibited by FDIC.
- A bank that properly manages its relationships can provide services to any lawful customers.
- To clarify its guidance, FDIC is now removing these lists of examples of merchant categories.
- Focus is to ensure bank has procedures for due diligence, underwriting, monitor relationships.
- If bank follows guidance, will not be criticized for maintaining relationships with TPPPs.

## US Consumer

### CFPB Access to Mortgage Credit Data

On Jul. 24, [CFPB](#) proposed [rule](#) to improve access to credit information about the mortgage markets.

- Updated reporting requirements within *Home mortgage disclosure act* (HMDA) regulations.
- Proposing changes to rules that establish what data financial entities are required to provide.
- *Dodd-Frank* expanded HMDA data reported, for potential discriminatory lending practices.
- Report property value, loan terms, fees, teaser rate, applicant's or borrower's age and credit.
- Information on underwriting and pricing, such as applicant's debt-to-income, rates and fees.
- Simplify reporting, standardize thresholds, so only banks with over 25 loans a year covered,
- Ease reporting for small banks, standard data, electronic reporting and greater access to data.

### CFPB, FTC Foreclosure Relief Scammers

On Jul. 23, [CFPB](#), [FTC](#) and 15 States announced a sweep of foreclosure relief [scams](#) on [mortgagees](#).

- Used deception and false promises to collect \$25mn illegal fees of distressed homeowners.
- CFPB charged three firms for using deceptive marketing, promising to prevent foreclosures.
- Separately, FTC is filing 6 lawsuits, and the States are taking 32 actions for similar issues.
- Illegal practices of collecting upfront fees for promising to make modification to mortgages.
- Charged with violating *Reg O*, aka *Mortgage Assistance Relief Services* (or MARS) Rule.
- Inflated success rates, tricked consumers into thinking they were given legal representation.

### CFPB Partnerships with Social Services

On Jul. 30, [CFPB](#) announced national, local social-service partnerships to [provide](#) financial education.

- CFPB will partner with organizations to train social service staff to give education to clients.
- Groups to educate clients on low-to-moderate incomes so they can make informed decisions.
- Issued online toolkit, [your money, your goals](#), with comprehensive guide, and [video](#) version.
- Topics on budgeting daily expenses, managing debt, avoiding financial tricks on investments.
- Trains social services caseworkers to educate their clients in financial decision-making skill.
- Includes budgeting daily expenses, managing debts, avoiding traps, choosing bank accounts.

### CFPB Accepts Prepaid Cards Complaints

On Jul. 21, [CFPB](#) began accepting [complaints](#) of consumers on prepaid cards and nonbank products.

- Prepaid cards include gift cards, benefit cards, debit-type general purpose reloadable cards.
- CFPB requires firms to respond to complaints in 15 days and describe steps they have taken.
- Also expects companies to close all except the most complicated complaints within 60 days.
- Consumers are given a tracking number after submitting complaint, and can check its status.
- CFPB plans rule to raise consumer protections for general purpose reloadable prepaid cards.
- Card complaints include consumer's problems with managing, opening, and closing accounts.
- Overdraft issues or incorrect, unexpected fees, frauds, scams, and unauthorized transactions.
- Advertising, disclosures, marketing practices, adding money and savings or reward features.



### CFPB Consumer Complaint Narratives

On Jul. 16, [CFPB](#) proposed enabling [consumers](#) to provide their narratives when reporting complaints.

- Enables sharing of a description of events that are included in *consumer complaint database*.
- Publish consumer narratives to give context to the complaint and identify trends to the public.
- Current [database](#) is anonymous, only provides individual information on complaints received.
- Specifies location, product type, issue covered by the complaint, and the company's response.
- New rule proposal adds to existing fields, now includes consume narrative of what happened.
- Recognizes need for privacy, consumers must provide consent to have complaints published.
- Consumer can opt-out at any time, no personal information given, company can file response.



## US Investment

### SEC Money Market Funds Systemic Rule

On Jul. 23, [SEC](#) adopted money market fund [rules](#) on floating NAV, imposing redemption fees, gates.

- Address risk of investor runs on money funds, while preserving current benefits for investors.
- New rule is less sweeping than prior proposal, no longer requires MMF to hold capital buffer.
- SEC chair [White](#) commissioner [Aguilar](#), [Stein](#), [Piowar](#), [Gallagher](#), [ICI](#), [SIFMA](#) issued view.

### Floating NAV

- Only requires a floating *net asset value* (NAV) for a specified sub-set of money market funds.
- For an *institutional prime* money market fund, or *institutional municipal* money market fund.
- Requires that daily share prices of funds float with changes in market-based value of assets.
- Value the securities in MMF portfolio rounded to the fourth decimal place (*e.g.*, as \$1.0000).
- Other types of MMF may continue to maintain a constant share price of \$1.00 for investors.
- Includes retail and government MMFs, which did not face significant run in stress situations.
- *Government* MMF defined as investing 99.5% in cash, governments or collateralized repos.
- *Retail* funds are when policies and procedures limit investors in the fund to *natural persons*.
- *Municipal* fund required to transact at floating NAV, unless meets definition of retail MMF.

### Liquidity Fees and Gates

- Allows Board of fund to impose *liquidity fees* and *redemption gates* during periods of stress.
- Raises prior thresholds for imposing a fee or gate to higher level of remaining liquid assets.
- If *weekly liquid assets* falls below 30% of total assets, board *may* impose liquidity fee to 2%.
- If assets falls below 10%, MMF is *required* to impose a liquidity fee of 1% on redemptions.
- Fees are only imposed if MMF's board agrees that they are in the best interests of the fund.
- If liquid assets under 30%, MMF Board could temporarily suspend redemptions, via a *gate*.
- Required to lift a gate within 10 business days, not have gates over 10 days in a 90-day period.

### Effectiveness

- Rules adopted effective 60 days *after Federal Register*, re-proposal have 60-day comments.
- 18-month delay for diversification, stress test, disclosures, form and clarifying amendments.

### MMF Reporting, Disclosure, Diversification

- Issued rules on diversification, disclosures and stress testing requirements, updated reporting.
- Treats affiliates as a single issuer to meet 5% diversification limit, lowers 25% basket to 10.
- Requires reporting by *private funds* operating like MMFs, to see if funds migrating to sector.
- Disclose daily on web, liquid assets levels, net inflows, NAV per share, fees, gates, support.
- Material event disclosure on new *Form N-CR*, if fees, gates, support, NAV fall under \$0.9975
- Stress test ability to have weekly liquid assets of 10%, improved quality of reports to boards.
- *Re-proposed amendments* to *Form N-MFP* to address provisions referenced to credit ratings.
- SEC *proposed exemption* on confirmation rule for transactions in MMF with a floating NAV.
- Exempts broker-dealers providing immediate written trade notification, may report monthly.



### Treasury Simplify Tax Accounting for NAV

On Jul. 23, [Treasury](#) issued [guidance](#) re [accounting](#) for gains or losses in certain money market funds.

- Shareholder frequently trading via sweep, may have a high volume of small gains and losses.
- Tax compliance burdensome, if taxpayers had to identify cost basis, gain, loss on each trade.
- Proposed guidance simplifies aggregate annual method of tax accounting for gains and losses.
- While still proposal, holders in floating MMFs can rely on rule to use simplified method now.
- Allows shareholder to measure net gain or loss without transaction-by-transaction calculation.
- Net gain or loss determined as rise in value of shares, less net investment holding in a period.
- Provides relief from “*wash sale*” rules for loss on shares of floating MMF that is repurchased.

## International

### FSB Interest Rate Benchmark Reforms

On Jul. 22, [FSB](#) proposed [plans](#) for the reform and strengthening of existing interest rate [benchmarks](#).

- Major rates e.g. LIBOR, EURIBOR, TIBOR, widely used as financial product benchmarks.
- Market manipulation, false reporting, lowered confidence in reliability of *IBOR* benchmarks.
- [IOSCO](#) issued [assessments](#) if key [benchmarks](#) are complying with their Jul. 2013 [principles](#).
- Private sector [group](#) identified additional rates, and transitional [issues](#) if moves to alternatives.
- Strengthen existing *IBORs* on unsecured bank funding by underpinning with transaction data.
- Develop alternative, *nearly risk-free rates*, as derivatives better suited to such reference rate.
- Adopt multiple-rate approach to reform major benchmarks, review all major currency areas.
- Currency groups will work with private sector to implement new designs and methodologies.

### FSB FX Benchmark Practices Integrity

On Jul. 15, [FSB](#) proposed [recommendations](#) on the integrity of practices for setting of FX [benchmarks](#).

- Review calculation methodology to construct the *WM/Reuters* (WMR) FX benchmark rates.
- Publication of reference rate by central banks, market infrastructure for executing fix trades.
- Behavior of participants at time of major FX benchmarks-primarily WMR 4pm London fix.
- [IOSCO](#) forthcoming review recommendations and FSB to report to G-20 Brisbane Summit.

### MAS Benchmarks Legislative Proposals

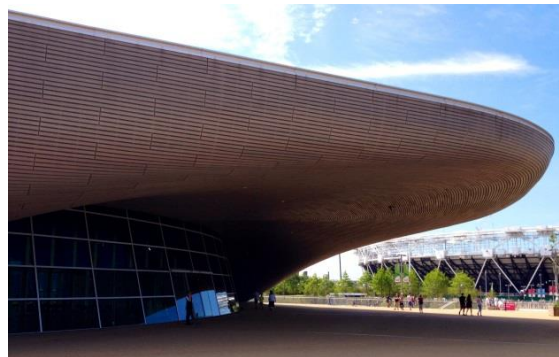
On Jul. 29, [MAS](#) proposed legislative [amendments](#) on regulatory [framework](#) for financial benchmarks.

- Legislation makes manipulation of benchmark liable to criminal and civil sanctions per SFA.
- Applies to manipulative acts occurring within Singapore and benchmarks administered there.
- Administrators and submitters of benchmarks designated by MAS to be regulated, [licensed](#),
- MAS will designate *key benchmarks* that are systemic and are susceptible to manipulation.
- Plans designate *Singapore Interbank Offered Rates* (SIBOR) and *swap offered rates* (SOR).
- Approve a chief executive officer and director of holder of benchmark administration license.
- Defines financial benchmark, administering it, using monitoring and conducting surveillance.

### HK Mandatory Reporting OTC Derivatives

On Jul. 18, [SFC](#), [HKMA](#) proposed [rules](#) for OTC derivative mandatory [reporting](#) and recordkeeping.

- Report *interest rate swaps* (IRS) -floating vs. fixed, basis swaps in certain currency, indices.
- And for *non-deliverable forward* transactions (NDFs) in currencies, certain precious metals.
- Entities report trades if done as a counterparty, done in HK for affiliate, or by asset managers.
- *HK persons* only report if a counterparty, and exceed threshold of \$3bn for IRS, \$1bn NDF.
- Initial thresholds exempt 95% of HK persons, propose to lower later stage, not before 2017.
- Report all new trades from date subject to rule, and historical trades still outstanding on date.
- *Backloading* excludes trades expiring in 3 to 6 month, only include when firm a counterparty.
- Report new transactions T + 2, trades in first 3 months may be reported at end of six months.



### IOSCO Social Media and Advice Tools

On Jul. 24, [IOSCO](#) issued a [report](#) on social media and automated advice tool usage by intermediaries.

- Found greater use of social media and tools by firms also causes new challenges to regulators.
- Social media increases number of interactions between investors and market intermediaries.
- Firms that permit social media, prohibit staff making recommendations or providing advice.
- Regulators use social media in supervision, to identify personal relationship between parties.
- Intermediary may use automated tools to pass advice to customers in more efficient manner.
- Firms are using advice tools to assist with their suitability, *Know Your Customer* (KYC) rules.
- Regulators allow automated advice tools, few have specific rules, rely on suitability, reports.

## ECB Asset Quality Assessment Disclosure

On Jul. 17, [ECB](#) issued a disclosure [process](#) for the [results](#) of comprehensive asset-quality [assessment](#).

- Results distinguish capital shortfall from *asset quality review* (AQR), and on stress scenarios.
- Disclosure [template](#) sets a format for findings, will be published in second half of Oct. 2014.
- To assess bank balance sheets before the ECB takes responsibility for SSM, from Nov. 2014.
- Use AQR results to adjust start point of stress test, use *joined-up methodology* issued in Aug.
- Assess banks' own data and outcomes of their internal models, challenge by own calculation.
- Inform banks of the results only shortly before they are also communicated to wider markets.

## EBA Recovery Plan Content, Assessment

On Jul. 18, [EBA](#) issued final [standards](#) for *BRRD* [recovery](#) plan [assessment](#), [content](#) and [scenarios](#).

- Authorities must assess recovery plans, and to agree joint decisions over cross-border groups.
- Assess completeness, quality and credibility of bank recovery plans in the event of resolution.
- Content of summary, governance information, strategic analysis communications, structure.
- Map businesses to legal entities and branches, describe group's legal and financial structures.
- Intra-group exposure, funding and guarantees, exposure to third parties or service providers.
- Cover specific range of scenarios designed by a bank when perform testing of recovery plan.
- Scenarios based on specifics of each bank, e.g, activities, size, connectedness, funding model.

## ESMA UCITS Credit Risk on Derivatives

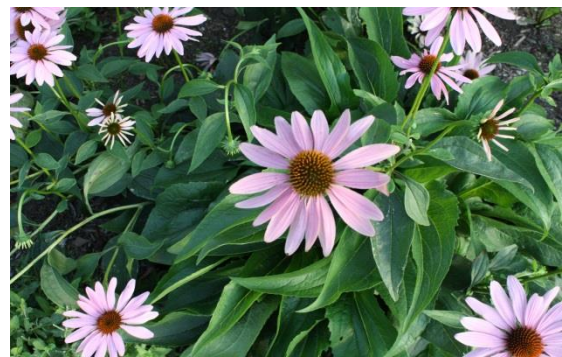
On Jul. 22, [ESMA](#) consulted on [counterparty](#) risk of UCITS with centrally-cleared OTC derivatives.

- For UCITS with OTC derivatives transactions that need to be centrally cleared under EMIR.
- UCITS directive allows investing in *exchange-traded derivative* (ETD) and OTC derivatives.
- Only OTC derivatives are currently subject to counterparty risk exposure limits per UCITS.
- Consults if limits on counterparty risk need to be calculated on centrally-cleared OTC trades.
- Whether same rule should apply to UCITS for both centrally-cleared OTC trades and ETDs.
- Assess impact of clearing member default to a UCITS as CCPs have collateral, so lower risk.

## EBA Other Systemic Institutions (O-SIIs)

On Jul. 18, [EBA](#) proposed [criteria](#) for identifying *other systemically important institutions* (O-SIIs).

- Use mandatory *quantitative* indicators on size, interconnectedness, relevance and complexity.
- National authorities to obtain scores indicating systemic importance of bank that is *not* GSIFI.
- Banks scoring above a certain upper threshold must be identified as O-SIIs, meet extra rules.
- Banks scoring below certain threshold (lower threshold) are never to be identified as O-SIIs.
- Authorities can qualify banks scoring between the lower and the upper thresholds as O-SIIs.
- Based on their supervisory judgment, but only on basis of specified list of optional indicators.
- Authorities may exclude very small firm from the process, if unlikely to pose systemic threat.
- Firms identified as an O-SII may need a buffer of up to 2% of the total risk exposure amounts.



## Council Adopts CSD Depositories Directive

On Jul. 23, [EU](#) Council adopted [rules](#) of settlement systems and central securities depositories (CSD).

- Harmonizes settlement periods and practice to address risks from CSD operations, services.
- Required for ECB *Target 2* securities initiative to settle trades in euros and will begin in 2015.
- All transferable securities to be book entry and be recorded in CSD before trading on market.
- CSDs will benefit from uniform requirements for licensing and obtain an EU-wide passport.
- On Jun, 23, [EC](#) requested ESMA's advice on *delegated acts* to impose settlement [discipline](#).
- Includes the calculation of cash penalties for those participants which cause settlement fails.
- Where it fails to deliver security on settlement date, pays a cash penalty to CSD, have buy-in.



## FCA, PRA Responsible, Accountable Banks

On Jul. 30, [FCA](#), [PRA](#) proposed [improvements](#) in [responsibility](#) and [accountability](#) of banking sector.

- Proposes new *senior managers regime* to help clarify lines of responsibility at top of banks.
- *Certification regime* to require firms to assess fitness and propriety of staff in key positions.
- *Conduct rule* statement of high level principle, on standards of behavior for bank employees.
- Proposals align long-term risk and rewards by firms' deferring paying variable remuneration.
- Defer bonuses for a minimum of five or seven years, depending on seniority, phased vesting.
- In case risk management or conduct failing by senior management come to light at later date.
- PRA also issued final rules on [clawbacks](#) that require seven-year minimum period to obtain.

## FCA Banking Services for Small Business

On Jul. 18, [FCA](#), [CMA](#) issued study on [banking](#) to small business, [proposed](#) full [market](#) investigation.

- CMA updated *Office of Fair Trading's* (OFT) *personal current account*-PCA-market review.
- Study found banking competition not working, concentrated, low-switching, generic products.
- Does not meet need of personal consumers or *small and medium sized enterprises* (SMEs).
- Many customers see little difference between largest banks in terms of the services on offer.
- Provisional [decision](#) by CMA for a full market investigation reference issued for [consultation](#).
- Investigation into PCA market, £8bn revenues, SME banking, £2bn business accounts, loans.

## BoE role of Leverage Ratio, Non-Bank Risk

On Jul. 18, [BoE](#) Cunliffe spoke on [role](#) of leverage ratio, need to monitor risks outside banking sector.

- In crisis, markets only valued banks at 2% of assets, viewed banks as over 50-times levered.
- By contrast. regulatory leverage was *only* 30, banks had a 6.7% CET1, *Tier 1* of almost 9%.
- Disparity shows financial reporting is key, and investors had little confidence in capital rules.
- Risk-weighted assets calculated using internal models, model risk is fundamental weakness.
- Leverage ratio is more than a safety net, guard on weaknesses in banks' ability to model risk.
- International standard for leverage will not be set pre-2019, UK reviewing if will use earlier.

## PRA, Treasury on EU Resolution Directive

On Jul. 24, [PRA](#) proposed [rules](#) to [implement](#) EU *Bank Recovery and Resolution Directive* (BRRD).

- Applies to banks, building society, investment firms, and also to holding company of entities.
- New rules for recovery plans, information for resolution planning, notifying risk of failures.
- Amend BoE bail-in to contractually recognize liabilities in third-country law if out of scope.
- Firms must add terms to contracts, so creditors aware liabilities may be subject to UK bail-in.
- Transparent to creditors, mitigates legal risk of cross-border resolution on bailing-in creditors.
- Undertake scenario testing of recovery options with idiosyncratic and system-wide scenarios.
- How financial support of affiliates is provided, and publish these agreements at least annually.
- Follows [Treasury](#) Jul. 23 proposed [transposing](#) of *BRRD* into UK legislation, limited changes.
- BoE [director](#) Andrew [Gracie](#) spoke to support use of *gone-concern loss absorbing capacity*.



## FCA Price Comparison Websites Concerns

On Jul. 18, [FCA](#) found price [comparison](#) websites in [insurance](#) failed to meet consumer expectations.

- Report sets out findings of thematic review on intermediation of general insurance products.
- Sites do not always supply information needed by consumers to help make informed decision.
- Concern too much focus on headline price, if consumers misled into buying add-on product.
- Do not make clear provider role in distribution of product or nature of service they are giving.
- Some consumers believed site provided quotes on best policy for them, or assessed suitability.
- Sites, that are in group of an insurer or broker, do not always disclose this conflict of interest.

## AML & Enforcement

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### US Due Diligence on Beneficial Ownership

On Jul. 30, [Treasury](#) FinCEN proposed [rulemaking](#) to strengthen customer due diligence obligations.

- Adds new requirement that entities know and verify identity of beneficial owners of clients.
- Identifying, verifying beneficial owner aims to stop criminals using US system for laundering.
- Applies to banks, broker dealers, mutual fund, FCM and introducing brokers in commodities.
- Identify real people who own, control, profit from the companies they provide services to.
- Meets commitment to [G-8 Jun. 2013 plan](#) on company beneficial ownership transparency.
- Collect beneficial ownership in a standardized way to identify individual owning 25% entity.
- Understand nature and purposes of customer relationship, and conduct ongoing monitoring.
- To maintain and update customer information, and identify and report suspicious transaction.

### NY Fed on New US Compliance Landscape

On Jul. 23, [NY Fed](#) Counsel Baxter spoke on new compliance landscape for issues such as sanctions.

- Suggested reason why US economic sanctions enforcement cases were against foreign banks.
- Foreign banks saw sanctions as technical US rules, inconsistent to their larger value system.
- Europe did not have such sanctions, and it was legal there to do business with these countries.
- Saw no organizational value system to support US rule, treated as if dealing with any country.
- Failure to correlate rules with company values eroded what is called a *culture of compliance*.
- Tended to foster staff who are inclined to look for loopholes, or to turn blind eye to breaches.
- Compliance staff at such firms will also suffer from a stifled motivation and lack of authority.
- Urged taking all actions to ensure a company's value system, compliance rules not in conflict.

### DoJ \$7bn Citi Settlement for Toxic MBS

On Jul. 14, [DOJ](#) announced a \$7bn [settlement](#) with Citigroup for misleading investors of MBS quality.

- Settlement resolves federal, state civil claims related to Citi's sales of RMBS prior to 2009.
- Citi must pay \$4.5 billion in cash to DOJ, and \$2.5 billion in aid to lower-income borrowers.
- Also paid \$208mn on FDIC claim, \$102mn on claims of California, \$92mn for claims of NY.
- Pay liquidated damages to affordable housing organization if it does not meet by end-2018.

### US Court fines BofA , Countrywide \$1.3bn

On Jul. 30, [US Court](#) imposed a \$1.267bn [fine](#) on [Bank](#) of America for misrepresenting mortgages.

- Ordered BofA's Countrywide unit, which was acquired in 2008, and BofA, to pay a penalty.
- Countrywide and ex-officer Rebecca Mairone, committed mail and wire fraud in loan sales.
- Lied to Fannie and Freddie that the loans were quality investments that met their parameters.
- Ordered the ex-officer Mairone to pay a civil penalty to US of \$1mn, in several instalments.
- First case in which a bank or any of executives have been found liable under the *FIRREA* law.

### UK, US Fines Lloyds Bank for LIBOR

On Jul. 28, [UK FCA](#), [BoE](#), [CFTC](#), and [DoJ](#) fined Lloyd's Bank total \$370mn on LIBOR misconduct.

- Lloyds already paid BoE £7mn compensation for lower *Special Liquidity Scheme* SLS fees.
- FCA fined bank £105mn for misconduct that related to SLS, *repo rate* benchmark LIBOR.
- The *Repo Rate*, now discontinued benchmark, was published daily by BBA until Dec. 2012.
- Bank artificially inflated submission to narrow repo spread to reduce SLS fee payable to BoE.
- Colluded with Rabobank to influence JPY rate of LIBOR to benefit of their trading positions.



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