

Overview of Selected Regulations and Supervisory Guidance

This section provides an overview of recently released regulations and supervisory guidance, arranged in reverse chronological order. Press Release (PR) or Financial Institution Letter (FIL) designations are included so the reader may obtain more information.

Subject	Summary
Comments Requested on Proposed Illustrations of Consumer Information for Nontraditional Mortgage Product Risks (PR-93-2006, October 18, 2006; FIL-90-2006, October 5, 2006; and Federal Register Vol. 71, No. 192, p. 58672, October 4, 2006)	The FDIC, the Board of Governors of the Federal Reserve System (Federal Reserve Board), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), and the National Credit Union Administration (NCUA) (collectively, the Federal financial regulatory agencies) sought comment on proposed <i>Illustrations of Consumer Information for Nontraditional Mortgage Product Risks</i> (the illustrations). The illustrations were intended to assist institutions in implementing the consumer protection portion of the <i>Interagency Guidance on Nontraditional Mortgage Product Risks</i> . Comments were due December 4, 2006.
Final Rule Issued to Provide One-Time Assessment Credits to Insured Institutions (PR-91-2006, October 10, 2006; FIL-93-2006, October 18, 2006; and Federal Register Vol. 71, No. 201, p. 61374, October 18, 2006)	The FDIC issued the final rule to implement the One-Time Assessment Credit, as required by the Federal Deposit Insurance Reform Act of 2005. Under this rule, eligible institutions will share in an aggregated one-time deposit insurance assessment credit of \$4,707,580,238.19. The final rule took effect November 17, 2006.
Final Rule Issued on Assessment Dividends (FIL-92-2006, October 18, 2006; and Federal Register Vol. 71, No. 201, p. 61385, October 18, 2006)	The FDIC issued the final rule to implement assessment dividends, as required by the Federal Deposit Insurance Reform Act of 2005. The Act generally requires the FDIC to pay dividends from the Deposit Insurance Fund (DIF) to insured institutions when the DIF reserve ratio at the end of a calendar year exceeds 1.35 percent. The final rule takes effect January 1, 2007.
Interagency Guidance Issued on Non-traditional Mortgage Product Risks, and an Addendum to Credit Risk Management Guidance for Home Equity Lending Issued (PR-86-2006, September 29, 2006; FIL-89-2006, October 5, 2006; and Federal Register Vol. 71, No. 192, p. 58609, October 4, 2006)	The Federal financial regulatory agencies issued <i>Interagency Guidance on Nontraditional Mortgage Product Risks</i> and an <i>Addendum to the Credit Risk Management Guidance for Home Equity Lending</i> . These documents describe how financial institutions should both address the risks associated with underwriting nontraditional mortgage loan products and provide consumers with clear and balanced information before they make a product or payment choice.
Final Rule Issued Covering Changes to Deposit Insurance Coverages (FIL-83-2006, September 18, 2006; and Federal Register Vol. 71, No. 176, p. 53547, September 12, 2006)	The FDIC Board of Directors permanently adopted the final rule implementing provisions of the Federal Deposit Insurance Reform Act of 2005 pertaining to deposit insurance coverage. The final rule took effect October 12, 2006.
Comments Requested on a Proposed Rule on Risk-Based Capital Standards: Market Risk (PR-82-2006, September 5, 2006; FIL-87-2006, September 25, 2006; and Federal Register Vol. 71, No. 185, p. 55958, September 25, 2006)	The FDIC, Federal Reserve Board, OCC, and OTS (collectively, the Federal bank and thrift regulatory agencies) jointly issued a notice of proposed rulemaking (NPR) on possible modifications to the risk-based capital standards for market risk. The proposed rule would incorporate improvements to the current trading book regime as proposed by the Basel Committee on Bank Supervision and the International Organization of Securities Commissions in the joint document <i>The Application of Basel II to Trading Activities and the Treatment of Double Default Effects</i> , published in July 2005. The proposed rule would also apply to certain savings associations, which currently are not covered under the rule. The FDIC will accept comments on the NPR through January 23, 2007.

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Comments Requested on a Proposed Rule on Risk-Based Capital Standards: *Advanced Capital Adequacy Framework* (PR-82-2006, September 5, 2006; FIL-86-2006, September 25, 2006; and *Federal Register* Vol. 71, No. 185, p. 55830, September 25, 2006)

The Federal bank and thrift regulatory agencies jointly issued and sought comment on an NPR concerning the domestic application of selected elements of the Basel II capital framework. The proposed rule would require some core banks, and permit other banks, to use an internal ratings-based approach to calculate regulatory credit risk capital requirements and an advanced measurement approach to calculate regulatory operational risk capital requirements. The FDIC will accept comments on the NPR through January 23, 2007.

Comments Requested on Wide-Ranging Issues Related to Industrial Loan Companies (PR-77-2006, August 17, 2006; FIL-79-2006, August 29, 2006; and *Federal Register* Vol. 71, No. 163, p. 49456, August 23, 2006)

The FDIC sought public comment on wide-ranging issues involving industrial loan company charters. Comments were due by October 10, 2006.

Frequently Asked Questions Published Regarding Authentication in an Internet Environment (FIL-77-2006, August 21, 2006)

The Federal Financial Institutions Examination Council (FFIEC) published frequently asked questions to assist financial institutions and their technology service providers in conforming to the FFIEC guidance entitled *Authentication in an Internet Banking Environment*, which was issued on October 12, 2005.

Revised *Bank Secrecy Act/Anti-Money Laundering Examination Manual* Released (FIL-71-2006, August 2, 2006)

The FFIEC released a revised *Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual* on July 28, 2006. The manual can be accessed on the FFIEC BSA/AML InfoBase at <https://bsaaml.ffiec.gov/manual/>.

Revisions Issued to the FDIC Statement of Policy Regarding the National Historic Preservation Act (FIL-70-2006, August 1, 2006; and *Federal Register* Vol. 71, No. 143, p. 42399, July 26, 2006)

The FDIC revised its Statement of Policy (SOP) Regarding the National Historic Preservation Act of 1966. The purpose of the SOP is to inform affected parties of the FDIC's practices in applying the requirements of the National Historic Preservation Act and its implementing regulations. The SOP is relevant to applications for deposit insurance for de novo institutions, applications for establishment of domestic branches, and applications for the relocation of domestic branches or main offices.

Comments Requested on Proposed Deposit Insurance Rules (PR-70-2006, July 11, 2006; FIL-65-2006, July 25, 2006; and *Federal Register* Vol. 71, No. 141, p. 41910, July 24, 2006)

The FDIC sought comment on three proposed rules. The first proposed rule would create a new system for risk-based assessments. The second proposed rule would set the designated reserve ratio at 1.25 percent. The third proposed rule would govern the penalties for failure to pay assessments. Comments on the first two proposed rules were due September 22, 2006; comments on the third proposed rule were due September 18, 2006.

Comments Requested on Proposed Guidelines for Identity Theft Procedures (PR-71-2006, July 18, 2006; FIL-64-2006, July 18, 2006; and *Federal Register* Vol. 71, No. 137, p. 40786, July 18, 2006)

The Federal financial regulatory agencies and the Federal Trade Commission requested public comment on the proposed regulation to implement sections 114 and 315 of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act). The proposed regulation would require financial institutions and creditors to adopt reasonable policies and procedures to indicate the possible existence of identity theft and to validate addresses under certain circumstances. Comments were due September 18, 2006.

<p>Revisions Issued to the Uniform Standards of Professional Appraisal Practice (FIL-53-2006, June 23, 2006)</p>	<p>The Federal financial regulatory agencies issued a statement notifying regulated institutions of the Appraisal Standards Board's issuance of the 2006 version of the Uniform Standards of Professional Appraisal Practice. These changes were effective July 1, 2006.</p>
<p>Guidance Issued on Managing Risks in Relationships with Foreign-Based Third-Party Service Providers (FIL-52-2006, June 21, 2006)</p>	<p>The FDIC issued guidance to address the risks inherent in outsourcing relationships between U.S. financial institutions and foreign-based third-party service providers. The guidance outlines steps institutions should take to manage reputational, operational/transactional, compliance, strategic, and country risks.</p>
<p>Standard Flood Hazard Determination Form Updated (FIL-51-2006, June 21, 2006)</p>	<p>The FDIC notified FDIC-supervised institutions that the Federal Emergency Management Agency had issued a revised Standard Flood Hazard Determination Form, which included a new Office of Management and Budget control number and a revised expiration date of October 31, 2008. The form's format and content have not changed. Institutions were required to use the updated form beginning July 1, 2006.</p>
<p>Booklet Issued to Institutions on Lessons Learned from Hurricane Katrina (FIL-49-2006, June 15, 2006)</p>	<p>The FFIEC and the Conference of State Bank Supervisors jointly issued a booklet of the lessons that financial institutions learned in the aftermath of Hurricane Katrina. Institutions can use the booklet in preparing to respond to a catastrophic event. The booklet can be found at http://www.fdic.gov/regulations/resources/lessons/index.html.</p>
<p>Examination Procedures Issued for New Regulations on Medical Information (FIL-47-2006, May 25, 2006)</p>	<p>The FFIEC Task Force on Consumer Compliance issued examination procedures to assess compliance with the medical information regulations that became effective on April 1, 2006. The regulations implement the Protection of Medical Information provisions of the Fair Credit Reporting Act, as amended by the FACT Act. The new procedures were effective May 25, 2006.</p>
<p>Comments Requested on a Revised Statement Concerning Elevated Risk in Complex Structured Finance Activities (PR-44-2006, May 9, 2006; FIL-45-2006, May 16, 2006; and <i>Federal Register</i> Vol. 71, No. 94, p. 28326, May 16, 2006)</p>	<p>The Federal bank and thrift regulatory agencies and the Securities and Exchange Commission requested public comment on a revised proposed statement on the complex structured finance activities of financial institutions. The revised statement describes the types of internal controls and risk management procedures that should help financial institutions identify, manage, and address the heightened legal and reputational risks that may arise from certain complex structured finance transactions. Comments were due June 16, 2006.</p>
<p>Comments Requested on Access to Banking Services by Money Services Businesses (FIL-37-2006, May 2, 2006; and <i>Federal Register</i> Vol. 71, No. 47, p. 12308, March 10, 2006)</p>	<p>The FDIC notified FDIC-supervised institutions that the Department of the Treasury's Financial Crimes Enforcement Network had issued a request for public comment on an Advance Notice of Proposed Rulemaking regarding the impact of Bank Secrecy Act regulations on the ability of money services businesses to open and maintain accounts and obtain other banking services at banks and other depository institutions. Comments were due July 9, 2006.</p>