

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
<p>Assistance to Financial Institutions and Customers Affected by Hurricanes</p>	<p>Various initiatives have been implemented to reduce regulatory burden on financial institutions in areas recently affected by hurricanes. These include providing flexibility in the administration of regulatory requirements for brokered deposit waivers, main office and branch relocations and closings, and appraisals. Other ongoing efforts to assist financial institutions and their customers include establishing regulatory agency hotlines, issuing guidance to assist with the recovery process, and disseminating critical information on the regulators' websites.</p> <p>The Federal Financial Institutions Examination Council (FFIEC) announced the formation of an interagency Supervisory Policy Working Group on September 19, 2005, to enhance the agencies' coordination and communication on, and supervisory responses to, issues facing the banking industry in the aftermath of the recent hurricanes. The FFIEC's website (www.ffiec.gov/katrina) provides links to all member agencies' websites where additional information is available.</p>
<p>Comments Requested on Suggested Domestic Risk-Based Capital Modifications (PR-105-2005 and Federal Register, Vol. 70, No. 202, page 61068, October 20, 2005)</p>	<p>The four Federal banking agencies (the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation [FDIC], the Office of the Comptroller of the Currency [OCC], and the Office of Thrift Supervision [OTS]) published an interagency Advance Notice of Proposed Rulemaking regarding potential revisions to the existing risk-based capital framework. These changes would apply to banks, bank holding companies, and savings associations. Comments must be received by January 18, 2006.</p>
<p>Authentication in an Internet Banking Environment (FIL-103-2005, October 12, 2005)</p>	<p>The Federal financial institution regulatory agencies (the Board of Governors of the Federal Reserve System, the FDIC, the OCC, the OTS, and the National Credit Union Administration) issued guidance for banks offering Internet-based financial services. This guidance describes enhanced methods regulators expect banks to use when authenticating the identity of customers using online products and services. Financial institutions are expected to comply by year-end 2006.</p>
<p>Relationship Manager Program (FIL-98-2005, October 6, 2005)</p>	<p>The FDIC has implemented the Relationship Manager Program (RMP) for all FDIC-supervised financial institutions. The RMP is designed to strengthen lines of communication between bankers and the FDIC, as well as improve the coordination, continuity, and effectiveness of FDIC supervision.</p>
<p>Revised Plan for Implementation of Basel II Framework (PR-98-2005, September 30, 2005)</p>	<p>The four Federal banking agencies announced revised plans for the U.S. implementation of Basel II. The agencies plan to introduce in a notice of proposed rulemaking additional prudential safeguards to address concerns raised by the Fourth Quantitative Impact Study.</p>
<p>Implementation of the Central Data Repository (FIL-93-2005, September 15, 2005)</p>	<p>The FDIC, OCC, and Board of Governors of the Federal Reserve System will implement the Central Data Repository (CDR) to process the Reports of Condition and Income (Call Reports) beginning with third quarter 2005. The CDR will require banks to validate their Call Report data before they will be accepted. The new CDR system will be the only method available for banks to submit Call Reports. Banks were advised via FIL-55-2005, June 29, 2005, and PR-59-2005, June 30, 2005, of the need to enroll in the CDR to file their Call Report data via the new system.</p>

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Residential Tract Development Lending Frequently Asked Questions (FIL-90-2005, September 8, 2005)	The Federal financial institution regulatory agencies issued guidance on residential tract development lending to assist institutions in complying with the agencies' appraisal and real estate lending requirements.
List of Distressed and Underserved Nonmetropolitan Middle-Income Geographies (PR-82-2005, August 30, 2005)	The Board of Governors of the Federal Reserve System, the FDIC, and the OCC announced the availability of the list of distressed and underserved nonmetropolitan middle-income geographies in which bank revitalization or stabilization activities will receive Community Reinvestment Act (CRA) consideration as "community development," pursuant to the revised CRA rules issued by the agencies on August 2, 2005. The list is available at www.ffiec.gov/cra .
New Information Technology Examination Procedures (FIL-81-2005, August 18, 2005)	The FDIC has updated its risk-focused information technology (IT) examination procedures for FDIC-supervised financial institutions. The IT-Risk Management Program examination procedures apply to all FDIC-supervised banks, regardless of size, technical complexity, or prior examination rating.
Guidance on Implementing a Fraud Hotline (FIL-80-2005, August 16, 2005)	The FDIC is providing guidance to financial institutions on implementing a fraud hotline to minimize potential and actual fraud risks as part of a bank's governance and enterprise risk management program.
Recommendations Sought for Reducing Regulatory Burden (<i>Federal Register</i>, Vol. 70, No. 154, Page 46779, August 11, 2005, and FIL-82-2005, August 19, 2005)	The Federal financial institution regulatory agencies asked for recommendations on how to reduce regulatory burden in rules related to Banking Operations; Directors, Officers, and Employees; and Rules of Procedure. Comments were due by November 9, 2005.
Proposed New Rule on Insurability of Funds Underlying Stored Value Cards (<i>Federal Register</i>, Vol. 70, No. 151, Page 45571, August 8, 2005, and FIL-83-2005, August 22, 2005)	The FDIC proposed a new rule on the insurability of funds subject to transfer or withdrawal through the use of stored value cards and other nontraditional access devices, such as computers. This proposed rule replaces the proposed rule issued in April 2004. Comments were due by November 7, 2005.
Bank Secrecy Act Anti-Money Laundering Examination InfoBase (FIL-76-2005, August 9, 2005)	The FFIEC introduced its Bank Secrecy Act/Anti-Money Laundering Examination (BSA/AML) InfoBase, an automated tool for examiners and the industry. This automated tool features the FFIEC's BSA/AML Examination Manual, examination procedures and appendices, frequently asked questions, and links to resources that may be helpful in understanding BSA/AML requirements and examination expectations. The InfoBase is available at www.ffiec.gov/bsa_aml_infobase .
Proposed Rules on Post-Employment Restrictions for Senior Examiners (PR-74-2005, August 4, 2005, and <i>Federal Register</i>, Vol. 70, No. 150, Page 45323, August 5, 2005)	The Federal banking agencies issued proposed rules to implement a special post-employment restriction for one year on certain senior examiners employed by an agency or Federal Reserve Bank. Comments were due by October 4, 2005.

Subject	Summary
Supervisory Guidance on the Eligibility of Asset-Backed Commercial Paper Liquidity Facilities and the Resulting Risk (FIL-74-2005, August 4, 2005)	The Federal financial institution regulatory agencies issued supervisory guidance clarifying the application of the asset quality test for liquidity facilities that provide support to an asset-backed commercial paper (ABCP) program. This guidance supplements the “Final Rule on Capital Requirements for Asset-Backed Commercial Paper Programs” issued July 28, 2004 (see FIL-87-2004).
Final Community Reinvestment Act Rules (Federal Register, Vol. 70, No. 147, Page 44256, August 2, 2005, and FIL-79-2005, August 9, 2005)	The FDIC, OCC, and the Board of Governors of the Federal Reserve System issued final CRA rules intended to reduce regulatory burden on community banks while making CRA evaluations more effective in encouraging banks to meet community development needs. The final rules raise the small-bank asset threshold to less than \$1 billion without regard to holding company affiliation. The new rules also reduce data collection and reporting burden for “intermediate small banks” (banks with assets of at least \$250 million but less than \$1 billion). The final rules took effect September 1, 2005.
Proposed Amendment to Part 363 - Annual Independent Audits and Reporting Requirements (Federal Register, Vol. 70, No. 147, Page 44293, and FIL-72-2005, August 2, 2005)	The FDIC is proposing to raise the asset threshold from \$500 million to \$1 billion for requirements relating to internal control assessments and reports by management and external auditors, and the requirement that members of the audit committee, who must be outside directors, be independent of management. Comments were due by September 16, 2005.
Guidance on Risks of Voice Over Internet Protocol (VoIP) (FIL-69-2005, July 27, 2005)	The FDIC issued guidance to financial institutions on the security risks associated with voice over Internet protocol (VoIP). VoIP refers to the delivery of traditional telephone voice communications over the Internet.
Guidance on Mitigating Risks From Spyware (FIL-66-2005, July 22, 2005)	The FDIC issued guidance recommending an effective spyware prevention and detection program based on an institution’s risk profile. Spyware is software that collects information without the prior knowledge or informed consent of the data’s owner. This guidance discusses the risks associated with spyware from both a bank and consumer perspective and provides recommendations to mitigate these risks.
Guidance on How Financial Institutions Can Protect Against “Pharming” Attacks (FIL-64-2005, July 18, 2005)	The FDIC issued guidance describing the practice of “pharming,” how it occurs, and potential preventive approaches. Financial institutions offering Internet banking should assess potential threats posed by pharming attacks and protect Internet domain names, which — if compromised — can heighten risks to the institutions.
Identity Theft Study Supplement on “Account-Hijacking” Identity Theft (FIL-59-2005, July 5, 2005)	The FDIC issued a supplement to its December 14, 2004, study on account-hijacking identity theft (see FIL-132-2004). The supplement reviews and responds to public comments on the original study, surveys recent trends in identity theft and account hijacking, and discusses authentication technologies.
Bank Secrecy Act/Anti-Money Laundering Examination Manual (FIL-56-2005, June 30, 2005)	The FFIEC has issued the BSA/AML Examination Manual . The Manual, which BSA/AML examiners began using during third quarter 2005, is available at www.ffiec.gov/press/pr063005.htm .

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Fair Credit Reporting Act Medical Information Interim Final Rules (<i>Federal Register</i> , Vol. 70, No. 111, Page 33996, June 10, 2005, and FIL-51-2005, June 16, 2005)	The Federal financial institution regulatory agencies issued interim final rules under the Fair Credit Reporting Act that create exceptions to the statutory prohibition against obtaining or using medical information in connection with credit eligibility determinations. The interim final rules also address the sharing of medical information among affiliates. The interim final rules will take effect on March 7, 2006.
Guidance on Developing an Effective Pre-employment Background Screening Process (FIL-46-2005, June 1, 2005)	The FDIC's guidance can be an effective risk management tool that provides management with a degree of certainty that the information provided in the background screening is accurate and the applicant does not have a criminal background.
Credit Risk Management Guidance for Home Equity Lending (FIL-45-2005, May 24, 2005)	The Federal financial institution regulatory agencies issued guidance promoting sound risk management practices for home equity lines of credit and loans. In some cases, the agencies have found that credit risk management practices for home equity lending have not kept pace with the product's rapid growth and eased underwriting standards.
Unsafe and Unsound Use of Limitation of Liability Provisions in External Audit Engagement Letters (FIL-41-2005, and <i>Federal Register</i> , Vol. 70, No. 89, Page 24576, May 10, 2005)	The Federal financial institution regulatory agencies are seeking public comment on a proposed advisory that alerts financial institutions' boards of directors, audit committees, management, and external auditors to the safety and soundness implications of provisions that limit the external auditor's liability in a financial statement audit. Comments were due by June 9, 2005.
International Banking Final Rule (FIL-40-2005, May 6, 2005 and <i>Federal Register</i> , Vol. 70, No 65, Page 17550, April 6, 2005)	The FDIC has adopted various amendments and revisions to its international banking rules, effective July 1, 2005. The final rule amends Parts 303, 325, and 327 relating to international banking and revises Part 347, Subparts A and B.
Accounting and Reporting for Commitments to Originate and Sell Mortgage Loans (FIL-39-2005, May 3, 2005)	The Federal financial institution regulatory agencies issued guidance on the application of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities , as amended, to mortgage loan commitments. The guidance also addresses related regulatory reporting requirements and valuation considerations.