FALL 2017

Statistics News

Regulatory Reporting

Federal Reserve Bank of Dallas

UPCOMING DUE DATES

FFIEC 031/041/051
Due October 30, 2017

FFIEC 002
Due October 30, 2017

FR Y-8
Due October 30, 2017

FR Y-9C
Due November 9, 2017

FR Y-9LP
Due November 14, 2017

FR Y-12
Due November 14, 2017

FFIEC 030
Due November 14, 2017

FFIEC 019
Due November 14, 2017

FR Y-11
Due November 29, 2017

FR 2314
Due November 29, 2017

FR Y-7Q
Due December 29, 2017

(Not all reports are applicable to all HCs)

NEED ASSISTANCE?

If you have suggestions for articles on reporting issues, regulatory report changes, or other topics for the *Regulatory Reporting Newsletter*, please send your ideas **here**.

Proposed Simplifications to the Capital Rule

In their effort to continue reducing regulatory burdens of banking organizations, member agencies of the Federal Financial Institutions Examination Council (FFIEC) proposed a rule on September 27, 2017, entitled "Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996." The banking organizations affected by this proposal include national banks, state member banks, state nonmember banks, savings associations, top-tier bank holding companies and savings and loan holding companies domiciled in the United States not subject to the Board's Small Bank Holding Company Policy Statement (12 CFR part 225, appendix C). The proposed rule does not, however, include certain savings and loan holding companies that are substantially engaged in insurance underwriting or commercial activities or that are estate trusts, as well as bank holding companies and savings and loan holding companies that are employee stock ownership plans. Most aspects of the proposed rule would only apply to banking organizations that have less than $250 billion in total consolidated assets and less than $10 billion in total foreign exposure.

To demonstrate their intent of meaningfully reducing burden, this proposal is aimed at simplifying a number of the more complex aspects of the existing capital rule, such as:

- Simplifying the capital treatment for certain higher-risk acquisition, development or construction (ADC) loans. As part of this proposal, certain new ADC exposures that would have been considered high volatility commercial real estate (HVCRE) may receive a lower-risk weight going forward than they would have received under the current rule (130 percent, rather than 150 percent). However, other new ADC exposures that would not have been considered HVCRE may receive a higher-risk weight (130 percent, rather than 100 percent).
- Revising the treatment of exposures subject to common equity tier 1 capital threshold deductions, including mortgage servicing assets (MSAs), certain temporary deferred tax assets (DTAs) and significant investments in the capital instruments of unconsolidated financial institutions. The proposal would raise the limit for MSAs and DTAs, individually, to 25 percent of common equity tier 1 capital and would not include a combined limit. Additionally, the proposal would remove the distinction between significant and nonsignificant investments in the capital of unconsolidated financial institutions and establish a combined limit on these investments of 25 percent of common equity tier 1 capital.

Proposed Simplifications to the Capital Rule, con't.

- Simplifying the current limitations on minority interest includable in regulatory capital. Rather than basing the limitation on the minimum required capital of its subsidiaries, banking organizations would be allowed to include common equity tier 1, tier 1 and total capital minority interest, up to 10 percent of the banking organization's common equity tier 1, tier 1 and total capital (before the inclusion of any minority interest), respectively.

Consistent with the report submitted by the agencies to Congress earlier this year, and pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996, the agencies expect that this proposed rule would lead to a significant reduction of regulatory burden. Comments on this proposed rule will be accepted for 60 days. For more information, or to review the joint press release and the full text the proposed rule, please visit: www.federalreserve.gov/newsevents/pressreleases/bcreg20170927a.htm

Shared National Credit (SNC) Examination Results

The SNC program evaluates credit risk, trends and management practices related to the most substantial and more complex credits that are used among various financial institutions that are regulated. The governing duties are shared by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. The most recent results are from examinations performed in third quarter 2016 and first quarter 2017. The information below summarizes the results for Part I, Leveraged Lending, and Part II, Oil and Gas Lending. Parts III and IV, containing information on the Volume, Credit Quality and Trends of the SNC portfolio, and Ownership of Risk, can be found in the full report.

Part 1: Leveraged Lending—Leveraged lending is sensitive to many economic pressures, and loan transactions are not very flexible due to the possibility of financial risk and structure of the loans. Examiners noted several issues that could be improved. Among the issues identified were underwriting practices, including the need for covenants that are more effective, stronger repayment terms and debt provisions to control increasing debt. Although there has been an improvement in the last few years, examiners still saw aggressive projections used on transactions that should have actually been considered nonpass originations.

In addition, there was a large decrease in the ratio of adversely risk rated commitments to total commitments (not including oil and gas). The ratio went from 11.1 percent in 2014 to 8.1 percent, the decrease of which can be attributed to improvements in underwriting and better risk management. This has caused nonpass loan originations to stay at a low acceptable level, in contrast with the 2014 review when over 90 nonpass originations were found.

Part 2: Oil and Gas Lending—The oil and gas industry has recovered in small increments in 2016 and first quarter 2017. However, oil supplies are still high and there has been more borrower defaults and bankruptcy filings. This trend is likely to continue throughout the rest of this year as companies make changes to streamline operations and merge with others to survive the current conditions.

The full report is available at: www.federalreserve.gov/newsevents/pressreleases/files/bcreg20170802a1.pdf

Final Guidelines for Evaluation of Joint Account Requests

Under the Federal Reserve Act, the Federal Reserve Banks (Reserve Banks) have the authority to open accounts for member banks and other eligible depository institutions (DIs). Individual Federal Reserve accounts for eligible institutions are routinely opened and maintained by Reserve Banks.

In the past, joint accounts—those where the rights and liabilities are shared among multiple depository institution account holders—have not been available as a standard account option. The Board of Governors of the Federal Reserve System (the Board) has approved final guidelines for evaluating requests for joint accounts at Reserve Banks intended to facilitate settlement between and among DIs participating in private-sector payment systems. Requests will be evaluated on a case-by-case basis. The type and extent of information necessary to evaluate a particular request will depend on the complexity of the arrangement.

The Board proposed guidelines based on the following six principles:

1. Each joint account holder should meet all applicable legal requirements to have a Federal Reserve account and the Reserve Bank will not have any obligation to any nonaccount holder with respect to the funds in the account.
2. The private-sector arrangement should demonstrate that it has a sound legal and operational basis for its payment system, including an effective legal framework for achieving settlement finality.
3. The design and rules of the private-sector arrangement should be consistent with the Federal Reserve's policy objectives to promote a safe, efficient and accessible payment system for U.S. dollar transactions and be consistent with the intended use of the arrangement.
4. The provision of the joint account should not create undue credit, settlement or other risks to the Reserve Banks.
5. The provision of a joint account should not create undue risk to the overall payment system.
6. The provision of a joint account should not adversely affect monetary policy operations.

More details and specifics regarding the guidelines are available at: www.federalreserve.gov/newsevents/pressreleases/files/other20170809a1.pdf

Regulatory Reporting Natural Disaster Information

The Federal Reserve recognizes that a major disaster or emergency may adversely affect the ability of some affected banking organizations to submit accurate and timely regulatory reports to the Federal Reserve. A banking organization having difficulty submitting accurate or timely data because of a major disaster or emergency should contact its primary federal regulatory agency to discuss the situation. The Federal Reserve does not expect to take supervisory action against a banking organization that takes reasonable and prudent steps to comply with the Federal Reserve Board's reporting requirements but is unable to make timely filings due to a major disaster or emergency.

After a natural disaster, banking organizations in the affected areas may find that their levels of delinquent and nonperforming loans will increase. Consistent with long-standing practices, the Federal Reserve will consider the unusual circumstances these organizations face in reviewing their financial conditions and determining any supervisory response. Several types of regulatory relief are also available to facilitate recovery in areas that have been declared a major disaster by the U.S. president.

The Federal Reserve has a long-standing policy of using available flexibility, consistent with statutory and regulatory requirements, following a major disaster or emergency to facilitate the recovery efforts of affected banking organizations. Member agencies of the Federal Financial Institutions Examination Council (FFIEC) will work with affected institutions that may be experiencing problems fulfilling their reporting responsibilities, taking into account each institution's particular circumstances, including the status of its reporting and recordkeeping systems and the condition of its underlying financial records.

For more information regarding natural disaster or emergency relief policy including but not limited to cash services, supervisory resources, and other agency resources, please visit the following links:

Natural Disaster Information: www.federalreserve.gov/supervisionreg/hurricane-harvey.htm

Supervisory Practices Regarding Banking Organizations and their Borrowers and Other Customers Affected by a Major Disaster or Emergency: www.federalreserve.gov/supervisionreg/srletters/sr1306.htm

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FR Y-10 Online Security Requirements

Effective July 10, 2017, FR Y-10 online users are required to change their passwords to meet the new security requirements. Reporters are required to change their passwords every 60 days. New passwords must meet the following criteria:

- At least 12 characters long
- At least one letter and one number
- At least one special character from ! @ # $ % ^ & * . ( ) _
- Must not contain the username, user's first name, or last name
- Must not contain the word "password"
- Must not be one of your 10 previously used passwords

For assistance with password reset or login issues, please call a Structure analyst or email dallas-nic@dal.frb.org.

Did You Acquire an LEI Number?

As a reminder, changes to an organization's structure include the Legal Entity Identifier (LEI) number. If your institution obtains an LEI, this information is reportable to us within 30 days from the effective date. An FR Y-10 "change in characteristics" report must also be filed reporting your new LEI number.

Online Video Training: FR Y-6 Report Preparation

An FR Y-6 online video training is available on the Federal Reserve Bank of Dallas website. The FR Y-6 training is a 45-minute module that covers report items, helpful hints and resources. For your convenience, the training module can be accessed anytime.

You can find the FR Y-6 report preparation training link in the Annual Report of Holding Companies (FR Y-6) section of our Structure Reporting page.

Freedom of Information

Did you know that you can access federal agency records and nonpublic records through the Freedom of Information Act (FOIA)? The FOIA generally provides any person the right to access federal agency records, unless the records are protected from disclosure by one of FOIA's nine exemptions or excluded by one of the three special law enforcement record exclusions.

For public information on and an overview of the Federal Reserve System, please see: The Federal Reserve System: Purposes & Functions. For more information on the Freedom of Information Act, including how to make a request, please refer to the Freedom of Information Office website available at: www.federalreserve.gov/foia/about_foia.htm

How to Contact Your Statistics Regulatory Report Staff

You may also wish to visit our website for electronic versions of our *Regulatory Reporting Newsletter* as well as the contact names, phone numbers and email addresses of our staff.

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