



## Upcoming Due Dates

(Not all reports are applicable to all HCs)

FR Y-7Q	Due June 29, 2017
FFIEC 031/041/051	Due July 30, 2017
FFIEC 002	Due July 31, 2017
FR Y-8	Due July 31, 2017
FR Y-9ES	Due July 31, 2017
FR Y-9C	Due August 9, 2017
FFIEC 019	Due August 14, 2017
FFIEC 030	Due August 14, 2017
FR Y-12	Due August 14, 2017
FR Y-9LP	Due August 14, 2017
FR Y-9SP	Due August 14, 2017
FR Y-11	Due August 29, 2017
FR 2314	Due August 29, 2017

## 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 FOIA, including how to make a request, please refer to the Freedom of Information Office website available at: [www.federalreserve.gov/foia/about\\_foia.htm](http://www.federalreserve.gov/foia/about_foia.htm)

## Have an Article Idea?

The *Regulatory Reporting Newsletter* is brought to you by the Regulatory Reporting Team at the Federal Reserve Bank of Dallas. This newsletter was designed to provide you with relevant and interesting information on reporting issues and regulatory report changes. If you have suggestions on topics you would like to have addressed in the *Regulatory Reporting Newsletter*, please send your suggestions to: [BHCReports@dal.frb.org](mailto:BHCReports@dal.frb.org)

## Banking Agencies Issue Joint Report to Congress Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996

In continuation of their efforts to reduce regulatory burdens while ensuring the safety and soundness of the nation's financial institutions, member agencies of the Federal Financial Institutions Examination Council (FFIEC) issued a joint report to Congress on March 21, 2017, detailing their review of rules affecting financial institutions.

The review, which was conducted by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corp. (FDIC), focused on the effect of regulations on smaller institutions, such as community banks and savings associations. Altogether, the agencies received more than 250 comment letters from financial institutions, trade associations, and consumer and community groups, as well as numerous comments obtained at outreach meetings across the country.

The report describes several joint actions planned or taken by federal financial institutions' regulators. The principal areas identified for modifications to achieve meaningful burden reduction include:

- Simplifying regulatory capital rules for community banks and savings associations
- Streamlining reports of condition and income (Call Reports)
- Increasing the appraisal threshold for commercial real estate loans
- Expanding the number of institutions eligible for less-frequent examination cycles

In some of these areas, the FFIEC agencies have either already made the changes or are in the process of doing so. In other areas, the agencies expect to propose changes to regulations in the near term to provide this relief.

The report also describes the individual actions taken by each agency to update its own rules, eliminate unnecessary requirements and streamline supervisory procedures.

Federal financial institutions' regulators will continue their efforts to tailor regulations to the size and risks posed by financial institutions, while ensuring the safety and soundness of the nation's financial institutions and banking system. More details and specifics of the report are available at: [www.ffiec.gov/pdf/2017\\_FFIEC\\_EGRPRA\\_Joint-Report\\_to\\_Congress.pdf](http://www.ffiec.gov/pdf/2017_FFIEC_EGRPRA_Joint-Report_to_Congress.pdf)

## Basel III Overview

Basel III is an international regulatory agreement that presents reforms in order to improve the regulation, risk management and supervision of the banking sector. The first version of the Basel III was published in 2009, giving banks specific requirements to maintain specified leverage ratios and capital requirements.

The Basel III builds upon the Basel I and Basel II documents in an effort to enhance the banking regulatory framework. Its primary purpose is to improve the banking sector's handling of financial stress, improve banks' transparency and bring about better risk management. These goals focus on increasing the resilience of individual banks to lower the risk of systemwide economic shocks.

More specifically, Basel III introduced tighter capital requirements compared with its predecessors. When compared with Basel II, Basel III reinforced regulatory capital ratios, which are calculated as a percentage of risk-weighted assets. Basel III increased minimum Common Equity Tier 1 capital from 4 percent to 4.5 percent and minimum Tier 1 capital from 4 percent to 6 percent.

Additionally, Basel III introduced new countercyclical measures for large banks to cushion against cyclical changes on their balance sheets. During a credit expansion, banks will have to set aside additional capital, while on the other hand, during a credit contract, the capital requirements will be eased.

Becoming familiar with Basel III will create a better understanding of banking regulation and the importance of maintaining appropriate capital. For more information, please visit: [www.bis.org/bcbs/basel3.htm](http://www.bis.org/bcbs/basel3.htm).

## Proposed Enhanced Cyber-Risk Management Standards

Advances in financial technology have allowed financial institutions to use those technologies in their daily operations. This heavy reliance on technology has opened up several doors for technology failures and cyberattacks. The U.S. financial system is a highly interconnected system, and an incident at one financial entity could potentially impact the entire financial system. To reduce the potential systemic financial impact, the board, OCC and FDIC (collectively, the agencies) may begin establishing enhanced standards for the largest and most significantly interconnected financial institutions they supervise. These institutions are considered to be "covered entities."

The standards are broken down into the following categories:

- Category 1: Cyber-risk governance—The main focus of governance would be developing a strong cyber-risk management strategy.
- Category 2: Cyber-risk management—This category states that the enhanced standards should be handled by the business units, independent risk management and audit.
- Category 3: Internal dependency management—Covered entities need to have the ability to identify and manage risks that arise from their activities.
- Category 4: External dependency management—Similar to the internal dependency management, covered entities should be able to identify and manage risks resulting from a relationship with any group outside of the organization.
- Category 5: Incident response, cyber resilience and situational awareness—This category aims to ensure that covered entities will be able to appropriately respond to and recover from disruptions caused by cyberthreats.

After reviewing comments received earlier this year, the agencies will propose a more detailed plan for review. If you would like additional information, the Federal Register notice is available at: [www.federalregister.gov/documents/2016/10/26/2016-25871/enhanced-cyber-risk-management-standards](http://www.federalregister.gov/documents/2016/10/26/2016-25871/enhanced-cyber-risk-management-standards)

## Current Expected Credit Losses (CECL)

On June 16, 2016, the Financial Accounting Standards Board issued ASU 2016-13, Financial Instruments– Credit Losses (Topic 326), which introduces new measurement guidance on the accounting for credit losses on financial instruments. The new accounting standard applies to all banks, savings associations, credit unions and financial institution holding companies that file regulatory reports prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP), regardless of size.

Under current U.S. GAAP, companies generally recognize credit losses when it is probable that the loss has been incurred. ASU 2016-13 will remove all recognition thresholds and introduce an approach based on expected losses to estimate credit losses on certain types of financial instruments. It is anticipated that institutions will use a broader range of data to estimate expected losses. This new accounting standard also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased credit-impaired loans.

The impact of ASU 2016-13 on an institution's capital will depend on the existing allowance level, the composition and credit quality of its portfolio, and current and forecasted economic conditions. Institutions are encouraged to become familiar with ASU 2016-13 in order to take steps to assess its potential impact on capital.

For public business entities that file with the U.S. Securities and Exchange Commission (SEC), this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For all other public business entities that do not file with the SEC, this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For nonpublic business entities, this ASU is effective for fiscal years beginning after December 15, 2020, including interim periods beginning after December 15, 2021. Early application of ASU 2016-13 is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

To read more on this new accounting standard, please visit:

[www.fasb.org/jsp/FASB/Document\\_C/DocumentPage?cid=1176168232528&acceptedDisclaimer=true](http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168232528&acceptedDisclaimer=true)

## Are U.S. Government Forecasts of the Federal Debt Biased?

Curious if the U.S. Government's Forecast of Federal Debt is biased toward a certain political party or government agency? Neil Ericsson, of the Federal Reserve Board of Governors, recently investigated the potential for favoritism in published forecasts by different U.S. government agencies for federal debt in his article titled, "How Biased Are the U.S. Government Forecasts of the Federal Debt?"

In Ericsson's research, he uses multiple bias-detection methods, about which he goes into great detail within the article. Ericsson tested for biases by multiple government agencies and failed to find any favoritism when looking at just the forecasts. But Ericsson's research was able to discover and reveal "significant time-varying biases, particularly at the turning points of the business cycles" within these debt forecasts.

The author's findings and research explain why normal or standard bias tests don't typically reveal the bias in forecasts like these. But the Impulse Indicator Saturation test, which was used to detect these variances, can and will be used to provide an improved forecast in the future. The recent financial crisis put more emphasis on forecasts like the U.S. Federal Debt, and the research in Ericsson's article will help improve this forecast, as well as similar financial forecasts going forward.

To review the full article, please visit: [www.federalreserve.gov/econresdata/ifdp/2017/files/ifdp1189.pdf](http://www.federalreserve.gov/econresdata/ifdp/2017/files/ifdp1189.pdf)

## Examination of Cross-Border Prudential Policy Spillovers

In a multistudy initiative, researchers from 15 central banks and two international organizations use data from microbanking reports and discrete prudential policy tools to examine the international effects of prudential changes on bank lending growth.

The report, “Cross-Border Prudential Policy Spillovers: How Much? How Important? Evidence from the International Banking Research Network,” is a collaborative study spearheaded by Claudia M. Buch and Linda S. Goldberg of the Deutsche Bundesbank and the Federal Reserve Bank of New York, respectively. The thrust of this initiative seems to be driven by the increasingly global nature of financial markets, financial industries and access to credit, while prudential policy tools are generally implemented at the national level and on banks.

The report targets prudential tools including reserve requirements, loan-to-value ratios, capital requirements, counterparty concentration limits and interbank exposure limits in conducting this study. While the overarching goal of these prudential tools is mitigating systemic risks in financial markets, more specific targets/proxies include bank lending growth, asset markets deemed to be volatile or mispriced and institutional resilience to macroeconomic shocks.

The report’s analysis culminates in three primary findings. First, there is evidence of a spillover effect by prudential policy changes as seen by changes in bank lending. Second, the specific prudential policy changed impacts the level of international spillover, and as a corollary, bank-specific factors like business models and asset concentrations affect the degree of spillover. Third, the impact on loan growth from international spillovers has not been large.

To read more on this report, please visit: [www.ijcb.org/journal/ijcb17q1a1.htm](http://www.ijcb.org/journal/ijcb17q1a1.htm)

## Structure Reporting

Do you have questions related to the FR Y-6, FR Y-7, or FR Y-10 reports? Did you know you can submit your FR Y-10 online? Information on the latest structure reporting enhancements, forms, samples and instructions, as well as contact information, are available on our Dallas Fed Structure Reporting website page at: [www.dallasfed.org/en/banking/nic.aspx](http://www.dallasfed.org/en/banking/nic.aspx)

If you have questions, contact one of our Structure analysts for assistance:

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## Report Analysts

You may also wish to visit our website at <http://dallasfed.org/banking/regulatory> 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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