Regulatory Alert

Regulatory Insights for Financial Services

May 2023

Bank Supervision and Regulatory Change

Federal bank regulators, the White House, and other federal agencies continue to issue suggestions for potential changes to financial services supervision and regulation. Such changes are likely to have both near-term impacts (from the perspective of supervisory reviews and focus under existing authority/regulations), as well as longer-term impacts (including regulatory proposals and/or Congressional actions). These changes might include:

Regulatory Change

Potential change areas	Sample regulatory issuances
Enhanced Prudential Standards (EPS) Rules: — Reinstating EPS rules for banks with between $100 billion and $250 billion in total assets (including capital, liquidity, stress testing, governance, and resolution requirements) — Shortening transition period for banks that cross over an EPS threshold (and application/frequency of tools such as stress testing) — Expanding application of long-term debt requirements	White House statement (See KPMG Regulatory Alert, here.) FRB, FDIC, and GAO reports and speeches
— **FDIC Deposit Insurance coverage** (options under consideration include insuring all accounts, insuring commercial payroll accounts, etc.)	FDIC paper on Options for Deposit Insurance Reform (See KPMG Regulatory Alert, here.)

Increased expectations for risk management/governance

Potential change areas	Sample regulatory issuance
— Liquidity risk management (including models, uninsured deposits, and held-to-maturity securities)	FSOC proposal to establish an analytic framework to 1) identify, 2) assess, and 3) respond to potential financial stability risks (See KPMG Regulatory Alert, here.) FRB, FDIC, and GAO reports and speeches
— Interest rate risk management	
— Capital requirements (including recognition of unrealized gains and losses on available for sale securities)	

— Concentrations (e.g., uninsured deposits, client base, industry exposures, business model)	
— Governance (e.g., board and senior management reporting, skillsets, incentive compensation, responsiveness to supervisory direction)	
— Triggers for regulatory action	
— Resilience and resolution (including ways to promote for companies with identified risk management weaknesses, rapid growth, or substantive business model changes)	

Intensity of Supervisory Reviews/Examinations

Regardless of size or complexity, financial service companies should expect short-term impacts to supervisory reviews/examinations, including:

Potential implications	Sample regulatory issuances
— Increased regulatory reporting (frequency, level of detail)	FRB, FDIC, and GAO reports and speeches
— More frequent reviews, especially for companies approaching large bank/EPS asset thresholds	
— Quicker response times for communications with companies	
— More and earlier follow-up of identified issues and company progress against plan	
— Quicker escalation of issues when management is not responsive; shorter periods of time allocated to issues resolution	
— Increased decisiveness and willingness to challenge companies rather than to build consensus	
— Focus on long-dated material to promote rapid remediation	
— New triggers (non-capital) for regulatory action	
— Assessments based on drivers of systemic risk (e.g., through analytic framework)	
— Increased examination resources, including staffing and skillsets	

For more information, please contact Amy Matsuo or Todd Semanco.

Contact the author:

Amy Matsuo
Principal and Leader
Regulatory Insights
amatsuo@kpmg.com

kpmg.com/socialmedia