



Supervision News Flash

May 19, 2015

BASEL III is here – What You Need to Know

As of the beginning of this year, all banks are now subject to the new capital rules under BASEL III. The new capital rules, codified under Regulation Q, require banking organizations to hold more high-quality capital. In addition to changes in the current capital metrics, a new capital ratio was introduced, the Common Equity Tier 1 Capital ratio, that is also subject to Prompt Corrective Action thresholds. Our examiners will review capital plans to ensure banking organizations have included the new CET1 ratio in their plans. Additionally, examiners will ensure that the new capital rules are considered as a part of the overall strategic planning activities of the organization.

Besides the new capital ratio, there were multiple changes to risk weighted assets that will impact reported capital levels, even at community organizations. The changes in risk weightings on past due loans and certain construction and land development loans, classified as Highly Volatile Commercial Real Estate, or HVCRE, are expected to have the greatest impact on community banking organizations. Financial institutions should review the new call report instructions to ensure they are reporting their risk weighted assets correctly, as this will be one focus of the capital examinations in the coming quarters. Resources that bankers may find useful include the recently issued [SR 15-6, Interagency Frequently Asked Questions on the Regulatory Capital Rule](#), the [Call Report Instruction Book Update for March 31, 2015](#), or the interagency [New Capital Rule – Community Bank Guide](#). Several past Federal Reserve presentations on BASEL III are also available on the [Board of Governors](#) website for reference, including an [Ask the Fed](#) session recorded on February 19. As always, you may reach out to your central point of contact at the Richmond Fed for assistance or clarification on any of the new capital changes.

BSA Coalition Anti-Money Laundering Conference June 16

Our [2015 BSA Coalition Anti-Money Laundering Conference](#) will feature keynote speaker Richard Weber, chief of the IRS Criminal Investigative Division. He will highlight key challenges and opportunities that he and his agency are facing in the fight against money laundering, tax, narcotics-related and other counterterrorism financial crimes. This year's event also features regulators, including FinCEN and National Credit Union Administration representatives, as well as officials and industry professionals versed in cutting edge AML topics such as virtual currency and marijuana-related businesses. The popular law enforcement panel is also back to discuss recent money laundering cases.

The BSA Coalition is comprised of bankers, regulators, law enforcement officials and other AML professionals, and was founded in 2008 to provide tools, resources and expertise to assist financial institutions in creating highly effective BSA/AML programs. The group's website, www.bsacoalition.org, provides membership information and links to other sites designed to facilitate BSA/AML compliance. The BSA Coalition's conference is a complimentary event of the Richmond Fed's Supervision, Regulation and Credit Department.

Mark your calendars for the 2015 Community Bankers Forum

The Richmond Fed will host a two-day Districtwide Community Bankers Forum on **November 12th and 13th**. The event, held in Richmond, will cover a number of hot banking topics and will include two keynote sessions. You'll learn more details as we get closer to the event, but be sure to mark your calendar now.

Recap of Supervision and Regulation Guidance Issued this Year

Supervision and Regulation Letters, commonly known as SR Letters, address significant policy and procedural matters related to the Federal Reserve System's supervisory responsibilities. Active SR letters are listed [here](#) in reverse chronological order.

Here are recent guidance letter issued this year:

[SR 15-7](#): Governance Structure of the Large Institution Supervision Coordinating Committee (LISCC) Supervisory Program

[SR 15-6](#): Interagency Frequently Asked Questions on the Regulatory Capital Rule

[CA 15-3](#): Revised Interagency Examination Procedures for Regulation Z and Regulation X

[SR 15-5 / CA 15-2](#): Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions

[SR 15-4](#): Tool for Calculating Capital Requirements Using the Simplified Supervisory Formula Approach

[SR 15-3](#): FFIEC Information Technology Examination Handbook

[SR 15-2 / CA 15-1](#): Guidance on Private Student Loans with Graduated Repayment Terms at Origination

Recent Speeches by Members of the Board of Governors

Governor Jerome H. Powell

At the Annual Community Bankers Conference sponsored by the Federal Reserve Bank of New York, May 14, 2015

[Regulation and Supervision of Community Banks](#)

"Community banks play an essential role in our financial system, supporting the economic health and vitality of the communities you serve. Unlike many of your larger competitors, community banks offer customers face-to-face interaction with a local banker who has the authority to make the final decision on a loan--a banker with a long-term investment in the community who will not be moving to another branch in a new town within a few years...."

Governor Daniel K. Tarullo

At the Independent Community Bankers of America 2015 Washington Policy Summit, Washington, D.C., April 30, 2015

[Tailoring Community Bank Regulation and Supervision](#)

"On numerous occasions over the last year, I have discussed the importance of differentiating prudential regulation and supervision based on the varying nature of the risks posed by different groups of banks.¹

This differentiation needs to be explicit both in the analytic foundations of our prudential system and in the application of that system to banking organizations...."

For more information on Supervision News Flash [subscribe here](#), or contact [Hamilton Holloway](#). The Supervision News Flash is an occasional publication of the Federal Reserve Bank of Richmond that provides information on topics and trends affecting financial institutions as well as Supervision, Regulation and Credit throughout the Fifth Federal Reserve District.