



Financial Regulatory Developments Focus

In this week's newsletter, we provide a snapshot of the principal US, European and global financial regulatory developments of interest to banks, investment firms, broker dealers, market infrastructure providers, asset managers and corporates.

In this Issue (please click on any title to go directly to the corresponding discussion):

Bank Prudential Regulation & Regulatory Capital	2
US Federal Reserve Board Expands Applicability of Small Bank Holding Company Policy Statement	2
US Federal Reserve Board Requests Public Comment on Proposed Amendments to Regulation D	2
European Banking Authority Reports on Progress of Supervisory Convergence Across the EU	2
Recovery & Resolution	3
International Organization of Securities Commissions Consults on Business Continuity Plans for Trading Venues and Market Intermediaries	3
The Financial Stability Board Launches Second Peer Review on Resolution Regimes	3
Shadow Banking	3
International Monetary Fund Publishes Chapters on Shadow Banking Risks.....	3
People	3
Upcoming Events	4

Bank Prudential Regulation & Regulatory Capital

US Federal Reserve Board Expands Applicability of Small Bank Holding Company Policy Statement

On April 9, 2015, the US Board of Governors of the Federal Reserve System issued a final rule expanding the applicability of its Small Bank Holding Company Policy Statement (“Policy Statement”) to include certain savings and loan holding companies and raising the asset threshold of the Policy Statement from \$500 million to \$1 billion in total consolidated assets. This rulemaking will allow a greater number of community banks to qualify for the advantages of being deemed a small bank holding company.

Small bank holding companies are exempt from the requirement to maintain consolidated regulatory capital ratios; instead, regulatory capital ratios only apply at the subsidiary bank level. This rule allows small bank holding companies to use non-equity funding, such as holding company loans, to finance growth and/or to use leverage to fund share repurchases and otherwise provide liquidity to shareholders.

The final rule implements a law passed in December 2014 by Congress. It will become effective 30 days after publication in the Federal Register.

The Federal Reserve Board press release is available at:

<http://www.federalreserve.gov/newsevents/press/bcreg/20150409a.htm>.

The draft final rule is available at: <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20150409a1.pdf>.

US Federal Reserve Board Requests Public Comment on Proposed Amendments to Regulation D

On April 13, 2015, the Federal Reserve Board requested public comment on proposed amendments to Regulation D (Reserve Requirements of Depository Institutions). The amendments include making technical changes to the calculation of interest payments on certain balances maintained by depository institutions at Federal Reserve Banks. Comments on the proposal are requested within 30 days of publication in the Federal Register.

The press release is available at: <http://www.federalreserve.gov/newsevents/press/bcreg/20150413a.htm>.

The proposal is available at: <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20150413a1.pdf>.

European Banking Authority Reports on Progress of Supervisory Convergence Across the EU

On April 9, 2015, the European Banking Authority published its first report on progress towards convergence of supervisory practice across EU Member States. Under the Capital Requirements Directive, the EBA must report annually to the EU Parliament and the Council on the degree of convergence of supervisory practices between Member States. The EBA is responsible for developing a Single Rulebook and recommendations as well as a European supervisory handbook to promote consistency across the EU. The EBA’s report focuses on the supervisory review and evaluation process and assessment of risks (known as SREP), stress testing, review of permissions to use internal approach, and supervisory measures and powers. The EBA notes that there has been significant progress since 2011 in strengthening supervisory colleges and that supervisory convergence is under way. However, further work is required, such as the development of technical standards and guidelines on key aspects of the Internal Ratings Based Approach, the interaction between capital buffers, and additional capital requirements and implementation by national regulators of the EBA’s guidelines and other policy items relating to supervision.

The EBA’s report is available at:

<http://www.eba.europa.eu/documents/10180/950548/Supervisory+convergence+report.pdf>.

Recovery & Resolution

International Organization of Securities Commissions Consults on Business Continuity Plans for Trading Venues and Market Intermediaries

On April 7, 2015, the International Organization of Securities Commissions launched two consultations on business continuity plans for trading venues and for market intermediaries which aim to address weaknesses and gaps in the business continuity plans and recovery strategies of trading venues and market intermediaries. The first consultation report, “Mechanisms for Trading Venues to Effectively Manage Electronic Trading Risks and Plans for Business Continuity,” focuses on how trading venues manage technology and the potential risks arising from technological developments and electronic trading. The second consultative report, “Market Intermediary Business Continuity and Recovery Planning,” proposes standards for regulators and sound practices for market intermediaries whilst recognizing that not all of the sound practices are suitable for each type of intermediary. Both consultations close on June 6, 2015.

The consultation papers are available at: <http://www.iosco.org/news/pdf/IOSCONEWS376.pdf>.

The Financial Stability Board Launches Second Peer Review on Resolution Regimes

On April 13, 2015, the Financial Stability Board initiated the second review of resolution regimes in FSB member jurisdictions. The goal of the review is to survey the scope of resolution powers that are available in FSB jurisdictions for the banking sector. As part of the review, the FSB invites feedback from financial institutions, industry associations, and other stakeholders on the implementation of reforms to resolution regimes. Feedback should be submitted to the FSB by May 8, 2015 and the peer review report will be published in early 2016.

The press release is available at: <http://www.financialstabilityboard.org/2015/04/fsb-launches-second-peer-review-on-resolution-regimes-and-invites-feedback-from-stakeholders/>.

The details of the peer review are available at: <http://www.financialstabilityboard.org/wp-content/uploads/Peer-Review-on-Resolution-Regimes-abbreviated-TOR-for-public-feedback.pdf>.

Shadow Banking

International Monetary Fund Publishes Chapters on Shadow Banking Risks

The International Monetary Fund recently published two chapters for its annual Global Financial Stability Report discussing the risks mutual funds and local lenders may pose to financial stability. The two chapters are titled: “Chapter 2: International Banking After the Crisis: Increasingly Local and Safer?” and “Chapter 3: The Asset Management Industry and Financial Stability.” The IMF warns that mutual funds are increasingly crowding into the same securities, especially bond funds, and that this “herding behavior” may lead to financial instability.

The chapters are available at: <http://www.imf.org/external/pubs/ft/gfsr/2015/01/index.htm>.

People

April 8, 2015: The Securities and Exchange Commission announced that Gregg E. Berman, Associate Director of the Office of Analytics and Research in the Division of Trading and Markets, is leaving. No replacement has been announced at this time.

April 9, 2015: The SEC announced that Marc Wyatt will serve as Acting Director of the Office of Compliance Inspections and Examinations. He succeeds Andrew Bowden, who announced that he will be leaving the SEC to rejoin the private sector at the end of April.

Upcoming Events

April 15, 2015: US House of Representatives Committee on Financial Services hearing entitled “Examining Regulatory Burdens on Non-Depository Financial Institutions.”

April 20, 2015: Live Chat with Jonathan Hill, European Commissioner for Financial Stability, Financial Services and Capital Markets Union.

April 28, 2015: US Office of the Comptroller of the Currency public meeting of the Mutual Savings Association Advisory Committee to advise the OCC on possible regulatory changes the agency may make to ensure the health of mutual fund industry.

May 8, 2015: EBA public hearing on its proposed regulatory technical standards on the detailed records to be kept by firms of financial contracts under the Banking Recovery & Resolution Directive.

May 8, 2015: EBA public hearing on its proposed guidelines on sound remuneration practices.

May 11, 2015: EBA public hearing on its proposed RTS on the content of Business Reorganization Plans and Progress Reports and proposed guidelines on the assessment of such plans.

May 13, 2015: Financial Conduct Authority Prudential Supervision Forum.

May 18, 2015: EBA public hearing on its proposed guidelines for limiting exposures to shadow banking entities.

This newsletter is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired. If you wish to receive more information on the topics covered in this publication, you may contact your usual Shearman & Sterling representative or any of the following:

Contacts



BARNEY REYNOLDS
T: +44 20 7655 5528
barney.reynolds@shearman.com
London



REENA AGRAWAL SAHNI
T: +1 212 848 7324
reena.sahni@shearman.com
New York



RUSSELL D. SACKS
T: +1 212 848 7585
rsacks@shearman.com
New York



THOMAS DONEGAN
T: +44 20 7655 5566
thomas.donegan@shearman.com
London



DONNA M. PARISI
T: +1 212 848 7367
dparisi@shearman.com
New York



NATHAN GREENE
T: +1 212 848 4668
ngreene@shearman.com
New York



GEOFFREY B. GOLDMAN
T: +1 212 848 4867
geoffrey.goldman@shearman.com
New York



JOHN ADAMS
T: +44 20 7655 5740
john.adams@shearman.com
London

AATIF AHMAD
T: +44 20 7655 5120
aatif.ahmad@shearman.com
London

AZAD ALI
T: +44 20 7655 5659
azad.ali@shearman.com
London

CHRISTINA BROCH
T: +1 202 508 8028
christina.broch@shearman.com
Washington, DC

TIMOTHY J. BYRNE
T: +1 212 848 7476
tim.byrne@shearman.com
New York

JAMES CAMPBELL
T: +44 20 7655 5570
james.campbell@shearman.com
London

AYSURIA CHANG
T: +44 20 7655 5792
aysuria.chang@shearman.com
London

TOBIA CROFF
T: +39 02 0064 1509
tcroff@shearman.com
Milan

ANNA DOYLE
T: +44 20 7655 5978
anna.doyle@shearman.com
London

SYLVIA FAVRETTO
T: +1 202 508 8176
sylvia.favretto@shearman.com
Washington, DC

MAK JUDGE
T: +44 20 7655 5182
mak.judge@shearman.com
London / Singapore

DONALD N. LAMSON
T: +1 202 508 8130
donald.lamson@shearman.com
Washington, DC

HERVÉ LETREGUILLY
T: +33 1 53 89 71 30
hletreguilly@shearman.com
Paris

OLIVER LINCH
T: +44 20 7655 5715
oliver.linch@shearman.com
London

JENNIFER D. MORTON
T: +1 212 848 5187
jennifer.morton@shearman.com
New York

BILL MURDIE
T: +44 20 7655 5149
bill.murdie@shearman.com
London

BRADLEY K. SABEL
T: +1 212 848 8410
bsabel@shearman.com
New York

JENNIFER SCOTT
T: +1.212.8488053
jennifer.scott@shearman.com
New York

KOLJA STEHL
T: +49 69 9711 1623
kolja.stehl@shearman.com
Frankfurt / London

ELLERINA TEO
T: +44 20 7655 5070
ellerina.teo@shearman.com
London

ABU DHABI | BEIJING | BRUSSELS | FRANKFURT | HONG KONG | LONDON | MENLO PARK | MILAN | NEW YORK
PARIS | ROME | SAN FRANCISCO | SÃO PAULO | SHANGHAI | SINGAPORE | TOKYO | TORONTO | WASHINGTON, DC

shearman.com

This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

9 APPOLD STREET | LONDON | UK | EC2A 2AP

Copyright © 2015 Shearman & Sterling LLP. Shearman & Sterling LLP is a limited liability partnership organized under the laws of the State of Delaware, with an affiliated limited liability partnership organized for the practice of law in the United Kingdom and Italy and an affiliated partnership organized for the practice of law in Hong Kong.