

HORNE
BANKERS' FORUM **2010**

2010 AICPA National Conference on Bank & Savings Institutions Highlights

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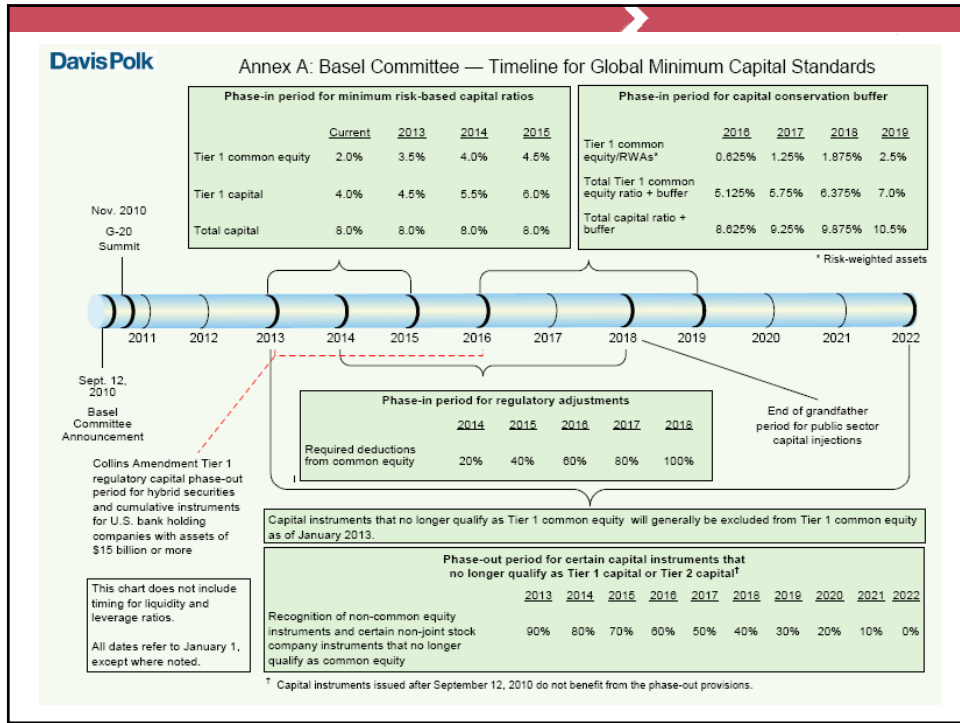
Basel III

After many years, a new update to the Basel Accords has been established!

- Common equity will be required in greater amounts beginning in 2013
- Capital Conservation Buffer will be required with phase-in beginning in 2016 (will reach 2.5% by 2019)
- TrPS phase out will begin in 2013 at 10% per year rate except for banks greater than \$15B in assets which is phased out over 3 years (Collins Amendment)
- Risk weightings will likely change beginning in 2012
- Regulators can accelerate capital requirements or impose restrictions if a plan is not in place to reach these new standards

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Risk Management

- Enterprise Risk Management is key
- Risk Committees are forming at larger banks
- Staffing should be commensurate with the level of risk
- Board and senior management involvement is expected
- Bank holding companies with greater than \$10B in assets will require a board internal control committee

Allowance for Loan Losses

- Regulators do not like the proposed standard!! They do, however, like the proposed removal of the “probability” threshold.
- Proposed FASB standard does little to support IASB convergence. If anything, it further separates US GAAP from IFRS.
- Expert Advisory Panel disagreed with proposed accounting standard. Their proposal was a 2 bucket approach
 - Good book – ALLL built up over weighted average life of loan
 - Bad book – ALLL is booked immediately
- My sense is that significant changes will be made to the current proposal.

Other Topics of Interest

- All regulators are exceedingly concerned about commercial real estate. Seems this will be a significant focus in upcoming examinations. Concentration risk management is an area for additional guidance/examination.
- Regulators are very interested in ALLL methodology at banks. There have been instances where they have discussed methodology with management and external auditors.
- FDICIA – Compliance with Laws and Regulations report from management should not have a materiality consideration.
- FASB will be issuing new guidance on TDRs very soon. They look to have it finalized by year end.

Dodd-Frank Act Tidbits

- At more than 2,300 pages, the Act is the single most comprehensive financial regulatory measure ever passed by Congress.
- The new law requires more than 60 studies on a wide range of issues in almost every title. There are more than 20 studies on investor protection issues alone. Most of the studies will be conducted by the GAO, others by individual agencies and a few others are required to fulfill particular rule-makings.
- The Act, to some extent, is the tip of the regulatory iceberg, as a number of different agencies – the FRB, FDIC, OCC, SEC, CFTC, FTC, FERC, NCUA, Department of Housing and Urban Development and two new entities, the Consumer Financial Protection Bureau and Financial Stability Oversight Council – will have to adopt new regulations, rules or policies, with implementation dates generally ranging from 180 days to 2 years after enactment.

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