FinReg Round-Up
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As a summer of soaring temperatures winds down, the financial regulation industry is preparing for new initiatives and one long-awaited ending. In this issue of the FinReg of large banks and new guidance for working with third parties. We also note the end of an era—the cessation of the U.S. dollar LIBOR bank panel.

U.S. Regulators Introduce 'Basel III Endgame' Proposal for Large Bank Stability

Banking regulators—the Office of the Comptroller of the Currency, Federal Reserve System Board of Governors and Federal Deposit Insurance Corporation—introduced a proposal known as the "Basel III endgame" to ensure the stability of large banks. The proposal would revise the capital framework for banks with total assets of $100 billion or more in the areas of credit, market, operational and credit valuation adjustment risk according to the overview of the notice of proposed rulemaking released on July 27. The Basel Committee on Banking Supervision, convened in Basel, Switzerland, formulated the international Basel III standard following the 2007 – 2009 global financial crisis. Public comment on the proposal will be accepted by the regulators through Nov. 30. We will continue to monitor the developments and issue additional client alerts as the proposed revisions take shape.

Federal Bank Regulators Issue Guidance on Managing Third-Party Relationship Risks

Three federal bank regulatory agencies issued final joint guidance to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology companies. Issued by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and Office of the

Comptroller of the Currency on June 6, the final guidance addresses risk management practices for the various stages of third-party relationships including planning, due diligence and third-party selection, contract negotiation, ongoing monitoring, and termination. It also includes examples to help banking organizations, particularly community banks, align their risk management practices with the risk profiles of their third-party relationships, the agencies said in a statement.

U.S. Dollar LIBOR Bank Panel Ceases, Synthetic Uses to End by September

The U.K.'s Financial Conduct Authority announced on July 3 that overnight and 12-month U.S. dollar LIBOR settings have now permanently ceased. The one-, three- and six-month U.S. dollar LIBOR settings will continue to be published using a synthetic methodology until September 2024. In another key milestone in the transition away from LIBOR, the U.S. dollar LIBOR bank panel ended on June 30. All new use of synthetic U.S. dollar LIBOR is now prohibited under the Benchmarks Regulation. All major clearing houses have now converted cleared derivative contracts that referenced U.S. dollar LIBOR to risk-free rates. However, most uncleared derivative contracts that referenced U.S. dollar LIBOR must start using risk-free rates under fallback language adopted by the International Swaps and Derivatives Association (ISDA) Protocol.

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