

Friday, May 1, 2020 (Update #2)

To: New York Community Banks

IBANYS received the following information from the Office of the Comptroller of the Currency (OCC) today:

Bulletin | OCC 2020-47 | May 1, 2020

Market Risk: Joint Response About The Effect Of Recent Financial Market Volatility On The Market Risk Capital Rule

Summary

The Office of the Comptroller of the Currency (OCC) and the Board of Governors of the Federal Reserve System (collectively, the agencies) today issued a response to a public question about a capital implication under the market risk capital rule in light of current market conditions. Concern about the impact of the Coronavirus Disease 2019 (COVID-19) has led to a sudden and significant repricing of global financial markets and an increase in market volatility and deterioration in market liquidity.

Note for Community Banks

The bulletin applies to banks¹ subject to market risk capital rule, which generally applies to banking organizations with aggregate trading assets and trading liabilities equal to at least 10 percent or more of quarter-end total assets or \$1 billion.

Highlights

- The question relates to an increase in the number of backtesting exceptions and the capital implication under the market risk capital rule (12 CFR 3, subpart F).²
- The joint response notes that the agencies took supervisory action in March 2020 and April 2020 giving certain banks the option to apply the multiplication factor that applied as of December 31, 2019, rather than applying a higher multiplier based on the most recent exceptions.
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Further Information

Please contact Margot Schwadron, Director, and Guowei Zhang, Risk Expert, Capital Policy Division, at (202) 649-6370.

Grovetta N. Gardineer
Senior Deputy Comptroller for Bank Supervision Policy

Related Link

- ["Market Risk FAQ: Regulatory Capital for Market Risk – Multiplication Factor Based on Results of Backtesting"](#) (PDF)

¹ "Banks" refers collectively to national banks and federal savings associations.

² Refer to 12 CFR 3, subpart F, "Risk-Weighted Assets – Market Risk."

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Opening Branch Lobbies: What Will The New Normal Look Like? FS-ISAC Guidance For Financial Institutions To Reopen

The Financial Services Information Sharing and Analysis Center's (FS-ISAC) Disaster Executive Brief and aggregate COVID-19 websites provide **a comprehensive list of resources to facilitate the return of "normal" operations**. We have attached the paper for your review and use, and also linked it below.

Meanwhile, among the questions, concerns and random thoughts banks have raised are the following:

- Installing protective shields for tellers and loan officers

- Making PPE including gloves, masks and sanitizers available to employees and possibly customers
- Where to acquire PPE and other in-demand items
- Protecting employees with medical concerns that place them at high risk for contracting the virus
- Special considerations for employees who live with family members whose occupations put them at higher risk
- Policies for employees and customers wearing face covering masks in the bank
- Social distancing procedures, including limiting access to lobbies on an ongoing basis
- When and how long to have employees work from home on an ongoing basis
- How to implement testing if it becomes available
- Continuation of virtual staff and board meetings
- Permanently altering operating hours and drive-up only access
- Taking temperatures of employees, and possibly customers, before entering the bank
- Ongoing travel restrictions for employees
- How to notify customers if the bank is exposed to the virus

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Fannie Mae: Income Down 81 Percent, More Than A Million Mortgage Borrowers Are In Arrears

According to the "Wall Street Journal", Fannie Mae said it has over 1 million borrowers who have not paid their mortgages, or about 7 percent of the single-family loans it backs, and expects that to rise to 15 percent in the near future because of the economic fallout from the COVID-19 pandemic. It also reported that first-quarter income sank around 81 percent from the year-earlier period to \$461 million, with credit expenses totaling \$2.7 billion, and it forecast \$4.1 billion in loan losses.

To view Governor Cuomo's Friday, May 1, 2020 briefing, use the link provided below:

https://www.scribd.com/document/459357227/05-01-20-COVID19-Briefing-Deck?mc_cid=17797d3e84&mc_eid=e55c2af3e3

Polling Asks New Yorkers How Long Coronavirus-Related Adjustments To Daily Life Will Likely Continue

A higher percentage of New Yorkers than ever now believe that coronavirus-related adjustments to daily life will continue into 2021. Data from the polling firm Elucid shows that 15% of respondents in New York think that social distancing measures will last into next year. In late March, only 5% of respondents answered that way. That percentage is even higher among 18-to-34-year-olds, with 19% responding that they think adjustments to daily life will last that long. https://elucid.com/covid19/new-york?mc_cid=17797d3e84&mc_eid=e55c2af3e3

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IBANYS will continue to provide updates as additional information becomes available. Thank you all for your continued participation and support.

- John J. Witkowski, President & CEO (Johnw@ibanys.net; 716.880.0518)
- Stephen W. Rice, Director, Communications & Government Relations (Stever@ibanys.net)