

The Dodd-Frank Wall Street Reform and Consumer Protection Act— Top 10 considerations for banks

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) is landmark legislation designed to “restore responsibility in our financial system” and will have a significant impact on all banks for years to come. Grant Thornton LLP’s banking professionals are well-qualified to assist banks in addressing these changing regulatory requirements. When it comes to evaluating the effects of the Act, here are the top 10 issues banks should consider.

1. Risk management committees

The Federal Reserve Board (FRB) will require each publicly traded systemic nonbank, as defined in the Act, to establish risk committees. The FRB will also issue regulations requiring each publicly traded bank holding company (BHC) with total consolidated assets of \$10 billion or more to establish risk committees. The FRB may also require each publicly traded BHC with total consolidated assets of less than \$10 billion to establish risk committees, as determined necessary or appropriate to promote sound risk management practices. The risk committee must include at least one expert with risk management experience.

How Grant Thornton can help: We can provide comprehensive enterprise risk management (ERM) solutions and can assess and help your bank establish Governance, Risk Management and Compliance (GRC) systems, perform stress testing, and provide training. We can also evaluate the design and operating effectiveness of compliance risk and control processes related to existing and new regulations.

2. Regulatory consolidation/new regulatory oversight

The Act restructures the federal regulatory jurisdiction over banks. New regulatory agencies were created, such as the Consumer Financial Protection Bureau (CFPB), an independent regulator within the FRB. The Office of Thrift Supervision (OTS) will be eliminated, and its powers will be distributed

among the Fed, the Office of the Comptroller of the Currency and the FDIC.

How Grant Thornton can help: We can perform regulatory readiness reviews to assist your bank in its preparation for regulatory examinations/inspections by identifying potential regulatory gaps and solutions to address them. We can also assist banks currently regulated by the OTS in preparing for examinations by a new regulator. We can help your bank evaluate changing charters. As the BCFP may examine community banks at its discretion, we can help those banks prepare for this new potential oversight.

3. Significant new disclosures and reporting requirements

All banks will need to comply with the Act’s significant new disclosure and reporting requirements. The BCFP has the authority to require disclosures in order to ensure customers understand the “costs, benefits and risks associated with the product.” The Act also mandates 20 new Home Mortgage Disclosure Act (HMDA) reporting obligations. Overall, these new reporting requirements will increase compliance costs for banks.

How Grant Thornton can help: We can perform transaction testing to help your bank adhere to the new regulations, as well as disclosure and reporting requirements.



Stay up to date on financial reform developments

The Act will make sweeping changes to the banking industry. Many of the specific rules have yet to be shaped by regulators, and banks must stay informed. To help your bank navigate this uncharted territory, Grant Thornton has created the **Financial Regulatory Reform Resource Center**. For more information about how the legislation will affect your firm, to read about emerging issues and to discuss your needs with a professional in our Financial Services practice, visit www.GrantThornton.com/financialreform.

4. Swap trading

Financial companies will be required to centrally clear swaps. Banks will have to move certain swap-trading operations into separately capitalized, non-bank affiliates.

How Grant Thornton can help: Our professionals have significant derivatives and systems experience to assist your bank with the restructuring of the swap operations into a new entity. We can also help your bank with its compliance efforts, as well as accounting for the transactions going forward.

5. Volcker Rule

The Volcker Rule bans 1) banking entities from proprietary trading activities, and 2) limits banks' investments in hedge funds or private equity funds to three percent of Tier 1 capital. The Volcker Rule should be implemented within two years of the Act's enactment.

How Grant Thornton can help: We can assist your bank with the accounting, tax, information systems, and valuation matters that arise with these transactions, as well assist with compliance efforts.

6. New and enhanced capital standards

The Act will result in an overhaul of regulatory capital rules, minimum capital requirements and leverage ratios. Large banks can no longer treat trust-preferred securities as Tier-1 capital. Banks with less than \$15 billion in assets will be grandfathered from that provision for existing trust-preferred securities.

How Grant Thornton can help: We can help your bank calculate the new capital requirements in accordance with the regulations.

7. Potential mergers and acquisitions

The new regulatory environment may cause smaller banks to consider selling in order to avoid the regulatory burden.

How Grant Thornton can help: Our banking professionals have significant experience in performing accounting, tax, compliance and operational due diligence reviews to assist banks with identifying risks associated with mergers or acquisitions. We can help your bank evaluate all aspects of merger and acquisition transactions.

8. Enhancing compliance processes/internal audit support

The Act's new rules and regulations will result in increased compliance burdens for banks.

How Grant Thornton can help: We can advise your bank on the design and performance of its internal audit and compliance programs, as well as share best practices regarding governance policies and procedures, training programs, anti-money laundering efforts, organizational structures, and board reporting.

9. Regulatory remediation

With these increased regulatory requirements, it has become increasingly important to ensure any issues arising from regulatory examinations are addressed completely and in a timely manner.

How Grant Thornton can help: We can assist your bank with remediating issues noted in regulatory examinations, including developing remedial action plans and performing testing to help address the issues properly.

10. New/enhanced compensation and corporate governance oversight

The Act includes a number of key corporate governance and SEC provisions that impact publicly traded companies, including independence of compensation committees, nonbinding shareholder voting requirements ("Say on Pay"), enhanced compensation disclosures and clawback provisions.

How Grant Thornton can help: We can advise public company boards, audit committees, compensation committees and executive management on compliance with the new regulations.

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