Bankers Ask Regulators For Help - Part 2

regulatory performance business customers pandemic

Summary: Today we continue with the feedback we received from bankers on the most important regulatory concerns due to the coronavirus.

The coronavirus has taken us by surprise. Bankers are working hard to support their customers as many business customers are unprepared for this unprecedented economic impact. As we mentioned yesterday, we recently asked community bankers to tell us their top three concerns with regards to COVID-19 that regulators should know.

Today we continue with the feedback we received from bankers on their most important regulatory concerns. If you weren't able to read the first part of this two-part series, Community Bankers Ask Regulators for Help - Part 1, feel free to do so now.

Other Regulatory Relief - Bankers are so focused on the immediate duties, such as liquidity management, loan modifications and fee waivers that they are asking for delays in the call report and Y-6 report filing dates, filing deadlines for CTRs and SARs, temporarily lifting appraisal rules and allowing e-signatures for all mortgage-related documents to expedite the process. On March 26, the Fed and the FDIC each provided a 30-day grace period for FR Y9-C, FR Y-11 and call reports respectively. This help is much appreciated, to be sure.

There are many other suggestions as bankers reach out to regulators for assurance that they are doing the right thing in helping their customers get through this. Since we provided the unabridged document with hundreds of responses to the regulators last week, we know they are working hard to help bankers in the best possible ways.

BSA/AML - Some of these questions have to do with the large amounts of cash withdrawn due to pandemic panic. Should those be considered SARs since they are out of character? Also, with limited staff, there may be some delays in filing SARs or CTRs. Will that be acceptable? In today's climate, it is not easy to meet all filing deadlines to be compliant while keeping their employees safe and focused on urgent tasks. We are waiting to hear more on this from Treasury's Financial Crimes Enforcement Network.

Liquidity/Capital - There are specific areas that bankers have requested flexibility. Many have asked for reduced capital ratios specific to the designation of being "well-capitalized" and exemption from a goodwill impairment review. The regulators are working on helping bankers provide more liquidity, by giving them flexibility with their capital buffers, as announced earlier in the month along with the March 26th Statement on small-dollar loans, and increased access to the discount loan window. Most recently, through the CARES Act, the leverage ratio for community banks was decreased from 9% to 8%, which is much needed right now.

CECL - It is not surprising that the delay of CECL was raised. Interestingly, most bankers did not ask to cancel CECL entirely. The duration of delay varied from 12 months to 5Ys, however. FASB still needs to weigh in on all of this to clarify the fate of CECL. In the meantime, the CARES Act offers temporary relief for those filing this year.

SUPPORT DURING COVID-19

We understand it is hard to keep track of all the information out there on the coronavirus. For the most important resources at your fingertips, visit our COVID-19 Resource Center.