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Please note the following compliance developments for July, 2016:

- **Customer Due Diligence Rule**. FinCEN has issued FAQs to further clarify its Customer Due Diligence Rule. The Rule requires banks and other covered institutions to adopt procedures which collect identifying information on beneficial owners of legal entity accounts, unless the legal entity customer is otherwise excluded or the account is exempted. A beneficial owner is an individual who owns more than 25 percent of the equity interests in a company or is the single individual who exercises control. The procedures required by the Rule must contain the same elements required for verifying the identity of customers that are individuals under applicable customer identification program requirements. The compliance deadline for the Rule is May 11, 2018. Please refer to the CDD FAQs.

- **Community Reinvestment Act.** The federal banking agencies have issued final revisions to "Interagency Questions and Answers Regarding Community Reinvestment" which provides additional guidance regarding the agencies' CRA regulations in the following areas:
    - Availability and effectiveness of retail banking services.
    - Innovative or flexible lending practices.
    - Community development-related issues, including: (i) economic development; (ii) community development loans and activities that revitalize or stabilize underserved nonmetropolitan middle-income geographies; and (iii) community development services.
    - Responsiveness and innovativeness of an institution's loans, qualified investments, and community development services.

  Please refer to the CRA Q&A.

- **Deposit Insurance Fund.** *Here's something novel---a benefit under Dodd Frank*. Subject to confirmation by second quarter Call Report information, it appears that the FDIC's insurance fund has reached the 1.15 percent coverage threshold of insured deposits. Once this threshold is reached, the assessment schedule for banks with less than $10 billion in assets will decline by at least 2 basis points, and up to 5 basis points for banks with high risk ratings. Banks that experience growth in excess of 10 percent over a one-year period; are heavily funded by brokered deposits or who are highly concentrated in construction and development loans (or, to a lesser extent, commercial and industrial or consumer loans) will see increased assessments. Banks with more than $10 billion in assets will face "surcharge assessments" of 4.5 basis points. The surcharge assessments are expected to remain in place for 8 quarters or until the fund reaches at least 1.35 percent.

As always, please do not hesitate to call if you should have any further questions.