

CPG’s External Risk Events Report

Capital Performance Group is now tracking events at banks across the country which could have risk implications for others. Our report focuses on the largest banks in the country – those with assets of \$30B or more.

Events are divided into three categories based on the relative size of the fine or penalty levied against the institution in question:

HIGH IMPACT	MEDIUM IMPACT	LOW IMPACT
Penalties of equivalent to 5.0% or more of average quarterly net income	Penalties equivalent to between 2.5% and 5.0% of average quarterly net income	Penalties equivalent to between 0.0% and 2.5% of average quarterly net income

Space is available on each page to mark those events that are most relevant to your institution. The following page also contains a template to help you determine the appropriate next steps to address risk in the impacted areas.

Each report covers the following categories of risk:

1. **Capital** – changes to markets or regulations that could impact an institution’s ability to remain well-capitalized
2. **Liquidity** – changes to markets or regulations that could impact an institution’s ability to fund its assets
3. **Interest Rate** – changes or potential changes to rates
4. **Credit** – instances of increased charge-offs or nonperforming loans in a particular credit segment
5. **Operational** – when the failure of a system, process, or person results in a loss or penalty
6. **Compliance** – when an institution is penalized due to noncompliance with a law or regulation
7. **Fiduciary** – when an institution fails to act in the best interest of either shareholders or clients
8. **Reputational** – ongoing lawsuits/investigations and settlements of lawsuits
9. **Strategic** – changes in the competitive environment of a market that could impact the ability of other institutions to meet their strategic goals

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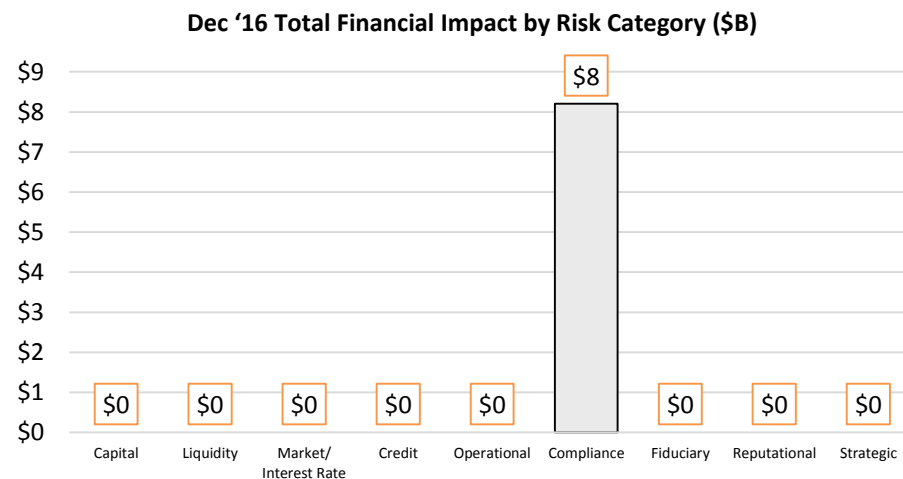
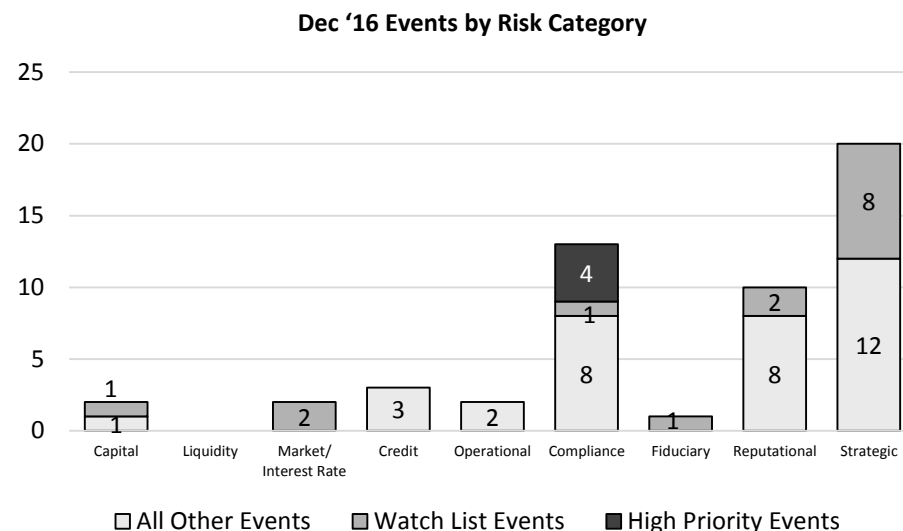
Determining Priorities for Your Institution

The template below can be used to help identify areas that warrant further investigation or attention. Business areas that have not been recently reviewed for risk – or that have been reviewed, but have problem areas that have not been addressed – should be considered high priorities for your institution. Other high priority areas would be those where the methods for identifying risk have not been updated to reflect current events, or where the bank’s competitive advantage is threatened.

	Event 1	Event 2	Event 3	Event 4	Event 5
Brief Description					
Business area impacted by event					
Date of last review for risk					
Date of next review					
Were any problems identified during the last review? Y/N					
Were the problems addressed? If not, what is the plan to address them?					
Does the review process accurately reflect current events? If not, what is the plan to address this?					
Does the event impact the bank’s competitive advantage(s) in any way?					

Overview – December 2016

High Impact Events	Risk Type	Financial Impact to Bank in Question
Deutsche Bank agreed to a settlement over RMBS activities.	Compliance	\$7.2B
Goldman Sachs settled over allegations of manipulating the U.S. Dollar International Swaps and Derivatives Association Fix.	Compliance	\$120.0MM
State Street settled with the SEC over allegations of hidden fees related to foreign currency exchange trades.	Compliance	\$382.4MM
The European Commission fined JPMorgan for allegedly participating in a cartel in an attempt to manipulate the EURIBOR interest rate benchmark.	Compliance	\$358.1MM



Categories with External Events
<ul style="list-style-type: none"> • Capital Risk (see pg. 10) • Market/Interest Rate Risk (see pg. 12) • Credit Risk (see pg. 14) • Operational Risk (see pg. 16) • Fiduciary & Suitability Risk (see pg. 18) • Compliance & BSA/AML Risk (see pg. 19) • Reputational Risk (see pg. 26) • Strategic Risk (see pg. 32)
Categories with No External Events
Liquidity Risk

Overview – December 2016

WATCHLIST EVENTS
Capital Risk
Wells Fargo failed its living will test for the second time, page 10
Market/Interest Rate Risk
The FOMC raised rates, prompting several banks to increase their base lending rates, pages 12 and 13.
Fiduciary Risk
The Senate Banking Committee is looking into why the Wells Fargo Board failed to intervene in the bank’s fraudulent sales practices, page 18.
Compliance Risk
Goldman Sachs has agreed to a settlement to resolve a class-action lawsuit alleging the company manipulated the interest rate benchmark ISDAfix from 2009 to 2012, page 20.
Reputational Risk
<ul style="list-style-type: none"> • The U.S. is suing Barclays over its residential mortgage-backed securities (RMBS) activities, page 26. • Wells Fargo may receive a “needs to improve” rating on Fair Lending, page 27.
Strategic Risk
<ul style="list-style-type: none"> • SoFi is optimistic that it will be able to expand its offerings in 2017, page 32. • New York Community Bank and Astoria Financial have agreed to terminate their merger deal, page 33. • Union Bank, an MUFG Americas subsidiary has sold two branches in San Francisco, page 33. • Charles Schwab and Ally both plan to introduce new products, page 34. • Merrill Lynch and Morgan Stanley are making changes to broker compensation, page 35. • Wells Fargo plans to continue to offer commission-based IRAs, page 35.

Notable Legislative & Regulatory Events

- The OCC has proposed allowing federal charters for fintech firms. The response to this proposal has been mixed.
- The Fed passed final rules on total loss absorbing capacity and liquidity coverage ratio requirements.
- The House passed a bill that could potentially change the definition of a systemically important institution, or SIFI.

See pages 5 to 9 for more information

Significant Management Changes

- U.S. Bank and CIT Group appointed new Chief Marketing Officers.
- Citizens Financial appointed a new CFO.
- Signature Bank added new private bankers in New York.

See pages 40 and 41 for more information

Regulatory Events

1. Federal Charters for Fintech Firms: The OCC has announced it will allow fintech firms to apply for limited purpose national charters with the hopes that such a move will provide the industry with expansion opportunities while also increasing government oversight. The charter would also enable online lenders to fund themselves through FDIC-insured deposits. The OCC’s head Thomas Curry has stated “It will be much better for the health of the federal banking system if these companies enter the system through a clearly marked front gate, rather than in some back door, where risks may not be as thoughtfully assessed and managed.”

If approved, fintech companies would have a chance to operate nationally with one license as opposed to obtaining permits on a state by state basis or partnering with brick and mortar institutions. The proposal is expected to receive a significant amount of comment.



2. EU Holding Company Requirements: Several U.S. banks are opposing the EU’s proposed rules to require non-EU banks to set up European holding companies. Under the proposal, non-EU banks with assets of at least €30.0B will have to set up intermediate holding companies that comply with loss-absorbing capacity rules. **Goldman Sachs Group, Inc. (\$880.0B; New York, NY), Morgan Stanley (\$813.9B; New York, NY), JPMorgan Chase & Co. (\$2.5T; New York, NY), Citigroup Inc. (\$1.8T; New York, NY), and Bank of America Corporation (\$2.2T; Charlotte, NC)** would be the most affected by this plan.

3. Responses to OCC’s Proposal: The New York Department of Financial Services has referred to the OCC’s proposal to grant special purpose fintech charters as “irresponsible.” The Independent Community Bankers of America has also expressed “serious concerns” about the potential risks of such charters.

4. Asset Threshold Increase: The FDIC, Federal Reserve, and OCC have passed a final rule that will increase the asset threshold for small banks that are eligible for an 18-month examination cycle from \$500.0MM to \$1.0B. The rule is intended to reduce compliance costs for small financial institutions while still maintaining safety standards. Under the final rule, the number of qualifying institutions will increase by more than 600 to approximately 4,800 banks.



3. Reducing Regulatory Burden: The OCC has released a final rule to remove outdated and unnecessary provisions of certain rules with the intent of reducing regulatory burden on national banks. The rule affects regulations exclusive to the OCC and its supervision of national banks and saving associations.

This final rule is part of the regulator’s rule review, which is required by the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) to occur at least once every 10 years.



Regulatory Events

6. Final Rule on Total Loss Absorbing Capacity (TLAC)

Requirements: The Fed governors approved a rule requiring the eight biggest US financial institutions to build cushions of long-term debt that can be transformed into equity in a new company if the old one fails. This capital will also be used to meet TLAC, which is a component of the plan to make banks easier to unwind without taxpayer bailouts. The Fed has estimated that four of the banks need about \$70 billion more in unsecured debt and capital to meet the standard. US regulators have vowed to phase in TLAC requirements starting 2019.



7. Final Rule on Reporting Requirements Related to the Liquidity Coverage Ratio (LCR)

The Federal Reserve has approved a rule requiring large banks to publicly disclose certain quantitative liquidity risk metrics. Under the new rule, banks with assets of \$50.0B or more must disclose their consolidated LCRs each quarter, along with their consolidated High Quality Liquid Asset (HQLA) amounts, broken down by HQLA category. Dates for complying with this rule will range from April 2017 to October 2018.



8. Final Rule on Receivership Framework: The OCC has released a final rule that sets the framework for placing uninsured national banks into receivership. The rule will apply to all uninsured national banks regulated by the OCC and will become effective on January 19th. The final rule describes the appointment of a receiver, the powers and duties of the receiver, the payment of dividends on claims, and the status of fiduciary and custodial assets and accounts.



9. Extended Comment Period on Commodity Activities Rules: The Fed has extended the comment period for a proposed rule that would strengthen existing requirements and limitations on the physical commodity activities of financial holding companies. Comments were originally due by December 22, 2016; the new deadline is February 20, 2017.



10. Investigating the CFPB Director: Republicans are searching for any past wrongdoings by CFPB Director Richard Cordray, such as allegations of pay discrimination against women and minority employees at the CFPB, in the hopes that finding such wrongdoings would allow President-elect Donald Trump to fire him. It is reported that the Republican party wants Cordray to be replaced with “someone who better reflects their views.”

Regulatory Events

11. Final Rule on Industrial Metals: The OCC has submitted a final rule that will prohibit national banks and federal savings associations from dealing or investing in industrial or commercial metals, such as copper cathodes and aluminum T-bars. This final rule supersedes a previous determination by the regulator that permitted national banks to trade copper. The rule will take effect April 1, 2017. Banks that currently have holdings of industrial and commercial metal acquired through dealing or investing activities must divest of these metals within five years.

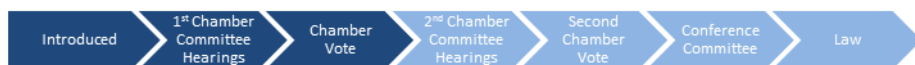


12. New Deadlines for Cybersecurity Regulation Compliance in New York: The New York State Department of Financial Services has updated the timeline for implementing its proposed cybersecurity regulation. Instead of January 2017, covered firms now have until March 2017 to have a chief information security officer, audit trails, and other protections in place. Firms will now also have 72 hours to report from the time they realize a breach occurred, as opposed to the proposal's original requirement that they report at the time of attack.

Legislative Events

1. System Risk Designation Improvement Act Passed: The House of Representatives has passed the System Risk Designation Improvement Act, which aims to amend the Dodd-Frank Act’s definition of “systemically important.” The bill would look to remove the \$50.0B threshold for consolidated assets and instead use the Basel Committee’s indicator-based measurement approach.

The bill has faced backlash from Rep. Maxine Waters (D-CA) who claims the proposal would force the Financial Stability Oversight Council to “go through a byzantine and litigious process of designation.”



2. The President-Elect’s Economic Advisory Panel: Donald Trump has put together a panel of three business leaders to help give the president-elect strategic advice on the economy. Blackstone Group CEO Steve Schwarzman will chair the panel, which will begin meeting with Trump in February. **JPMorgan** CEO Jamie Dimon and **Blackrock** CEO Laurence Fink, both Democratic donors, will also sit on the panel.

Other panel members include General Motors Co. CEO Mary Barra, Cleveland Clinic CEO Toby Cosgrove, Walt Disney Co. Chairman and CEO Bob Iger, Wal-Mart Stores Inc. CEO Doug McMillon and former Boeing Co. CEO Jim McNerney.

3. Creating Financial Prosperity Act Passed: The House passed the Creating Financial Prosperity for Businesses and Investors Act, a compilation of six Financial Services Committee measures:

Title 1: Requires the SEC to respond to any findings and recommendations put forth by the annual Government-Business Forum on Small Business Capital Formation.

Title 2: Establishes the Office for Small Business Capital Formation within the SEC to assist small businesses and their investors to resolve problems with regulatory organizations and identify issues and propose changes to statutes, regulations, and rules.

Title 3: Amends the exemption from registration under the Investment Company Act by increasing the investor limitation from 100 to 250 people for a qualifying venture capital fund.

Title 4: Updates the rules for crowdfunding, including raising the dollar amount limit on funds that can be invested by crowdfunding

Title 5: Amends the definition of accredited investor to include a person with net worth greater than \$1.0MM, with annual income greater than \$200,000, a current securities-related license and a person who the SEC determines as qualifying.

Title 6: Changes the Investment Company Act to end an exemption for investment companies located in US territories.



Legislative Events

4. Legislation to Extend Public Comment on Insurance Rules:

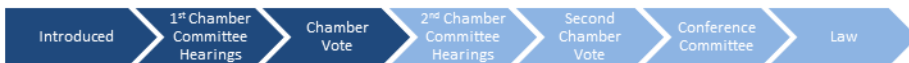
The House passed legislation Wednesday requiring the Federal Reserve and the Treasury to solicit public comments, consult with state officials and report to congress before adopting standards or capital requirements for US insurance companies. Notably, this includes any international insurance standards set.



5. Trump Names Special Advisor on Overhauling Federal Regulations:

Billionaire investor Carl Icahn was named special advisor on overhauling federal regulations to Donald Trump. Carl Icahn, famous for his activist investing, has previously argued US businesses have been overregulated during the Obama administration, thus slowing the economy.

Icahn has already been heavily involved in the transition team, helping Trump vet the head of the Treasury, EPA and SEC. Notably, as an activist investor, Icahn would have much at stake in the next SEC chairman, as the SEC tightly oversees activist fights and issues rules that affect the activist’s ability to do business.

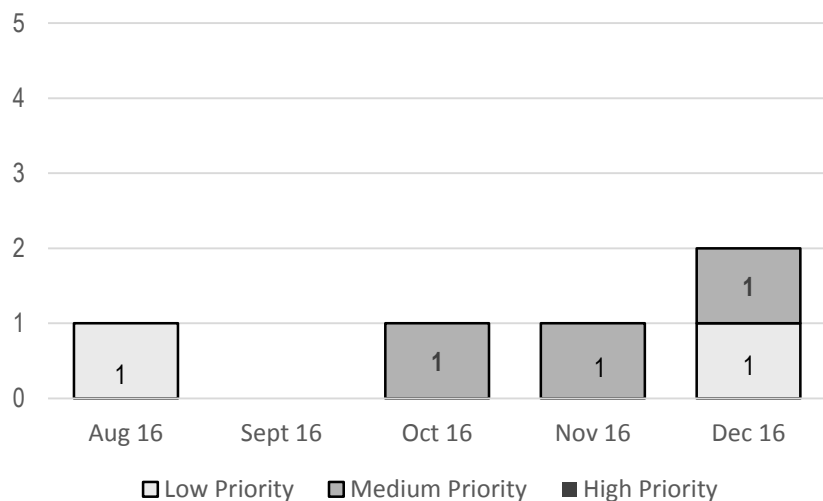


Capital Risk

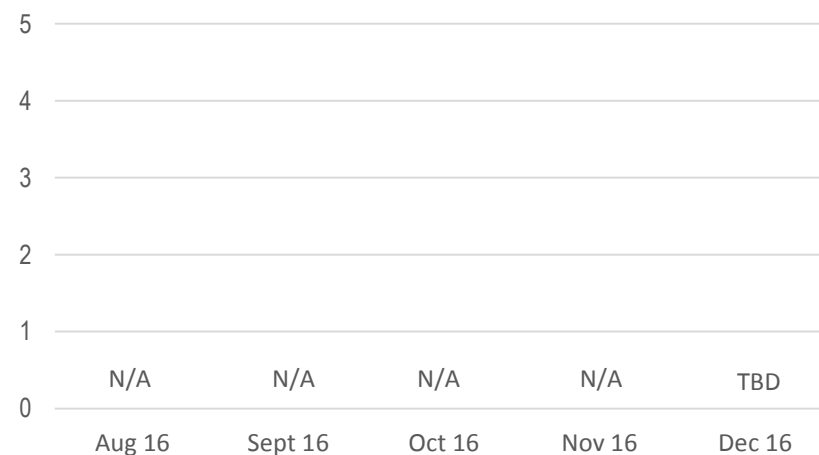
DATE: DECEMBER 13, 2016

EVENT	<p>Wells Fargo & Co. (\$1.9T; San Francisco, CA) failed its living will test for the second time in a row, resulting in regulatory action taken against the bank. The Fed is prohibiting Wells Fargo from establishing international bank entities or acquiring any non-bank subsidiary. If the bank does not resolve its issues by March 31, 2017, it will be subject to another round of sanctions.</p> <p>Four other banks that initially failed in April – State Street Corp. (\$256.1B; Boston, MA), Bank of America, BNY Mellon Corp. (\$374.1B; New York, NY) and JP Morgan Chase – had their revised plans approved by regulators.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	MEDIUM		

TREND IN CAPITAL RISK EVENTS



TREND IN FINANCIAL IMPACT



Capital Risk, continued

DATE: DECEMBER 9, 2016

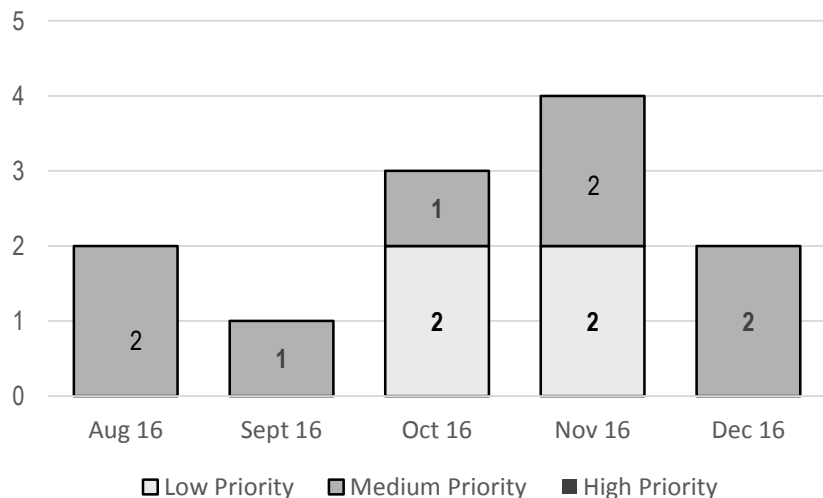
EVENT	Common Equity Tier 1 (CET1) capital ratios have improved at the majority of institutions subject to “advanced approaches” capital rules. Morgan Stanley (\$813.9B; New York, NY) experienced the largest increase, from 13.95% in 3Q15 to 16.83% in 3Q16. Bank of America’s CET1 ratio decreased the most during the same period, from 11.62% to 10.98%.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

Market/Interest Rate Risk

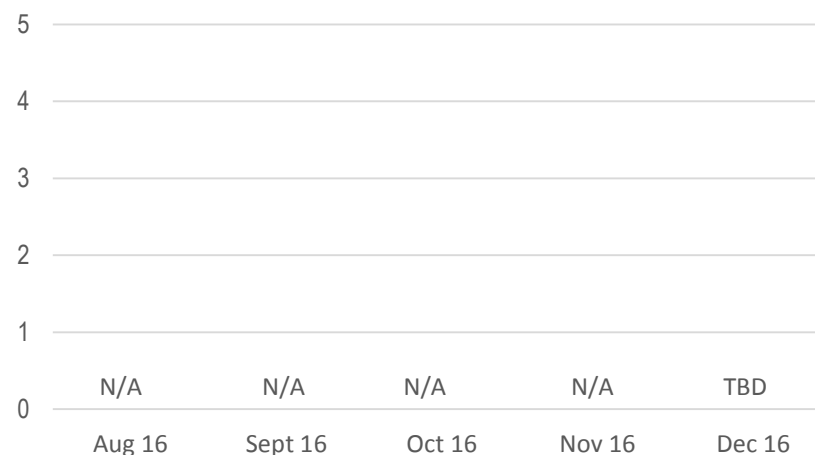
DATE: DECEMBER 14, 2016

EVENT	<p>The Federal Reserve increased the federal-funds rate to between 0.50% and 0.75%, the first increase in 2016. Chairwoman Janet Yellen noted that the “decision to raise rates should certainly be understood as a reflection of the confidence we have in the progress the economy has made.” Fed rate forecasts have also shifted, with Fed officials now expecting to raise rates three times next year.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	MEDIUM		

TREND IN MARKET/INTEREST RATE RISK EVENTS



TREND IN FINANCIAL IMPACT



Market/Interest Rate Risk, continued

DATE: DECEMBER 14, 2016

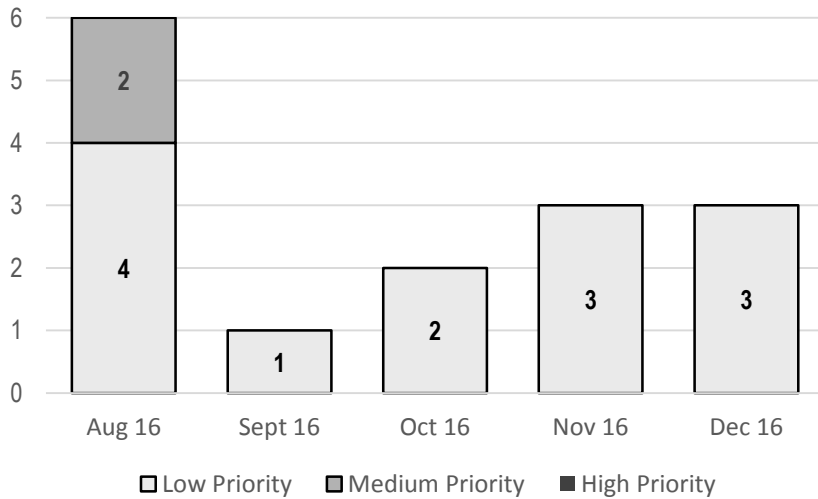
EVENT	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
<p>Shortly after the FOMC's decision to raise rates, M&T Bank Corp. (\$126.8B; Buffalo, NY), Citigroup, and MUFG Americas Holding Corp (\$151.1B; New York, NY) raised their base lending rates 25 basis points to 3.75%.</p>	<p>TBD</p>	<p>MEDIUM</p>		

Credit Risk

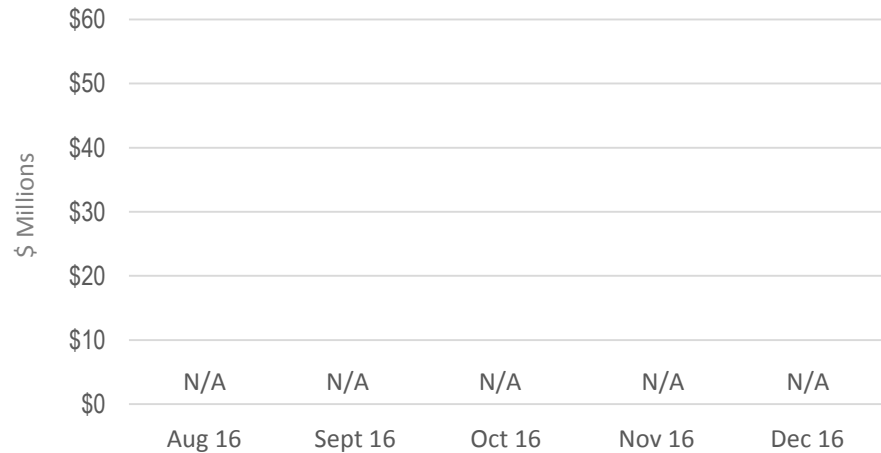
DATE: DECEMBER 19, 2016

EVENT	HELOC balances continue to decline, as legacy loans from 2006 and 2007 are paid off. Nevertheless, demand for the product could increase with rising rates. Consumers may be more likely to use a HELOC to finance renovation or other projects, versus a cash-out refinancing of their mortgage, in order to maintain low rates on the latter.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

TREND IN CREDIT RISK EVENTS



TREND IN FINANCIAL IMPACT



Credit Risk, continued

DATE: DECEMBER 13, 2016

EVENT	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
<p>Multifamily loans increased by 13.7% from 3Q15 to 3Q16, compared to total loan growth of 6.8%. Many in the industry believe that this growth will be short-lived and that we are about to see a softening in the multi-family real estate market.</p>	<p>TBD</p>	<p>LOW</p>		

DATE: DECEMBER 5, 2016

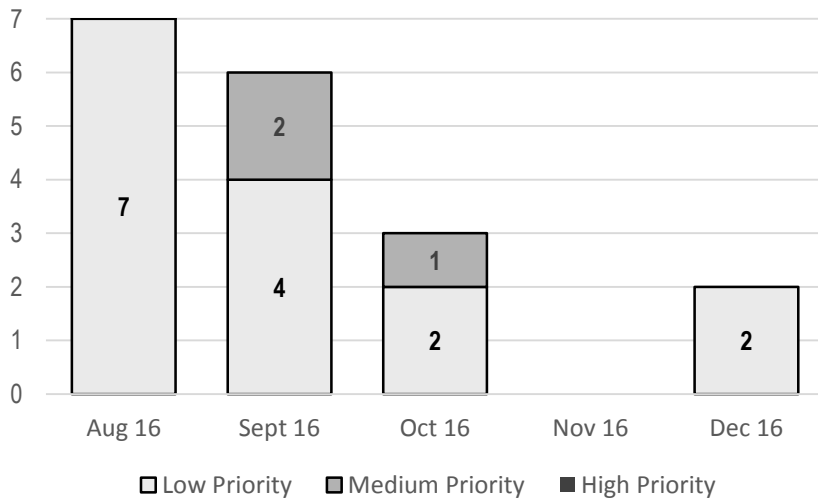
EVENT	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
<p>Banks decreased provisioning in the third quarter even though there is concern that the current credit cycle is approaching a downturn. The industry posted a total loan loss provision of \$11.4 billion in the third quarter, a 5% quarter-over-quarter decline. Analysts speculate this industry trend is largely due to the rebounding of energy prices, which have lessened concerns of losses from the oil-and-gas sector.</p>	<p>TBD</p>	<p>LOW</p>		

Operational Risk

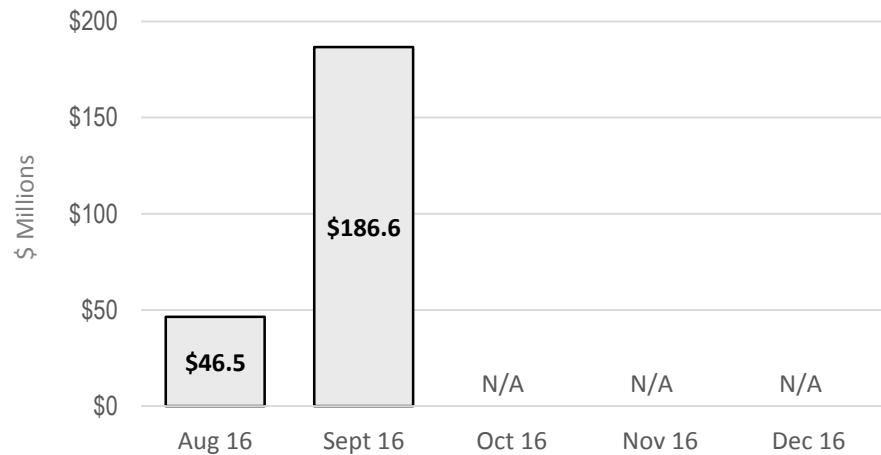
DATE: DECEMBER 20, 2016

EVENT	The Federal Reserve has barred two former employees of Regions Financial Corporation (\$125.3B; Birmingham, AL) from employment in the banking industry, following their indictment for bank bribery, wire fraud, money laundering, and conspiracy. Richard Henderson and Philip Cooper held senior positions at Regions Equipment Finance Corporation and conspired to defraud Regions by purchasing insurance policies from a company that paid them kickbacks.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		N/A	LOW		

TREND IN OPERATIONAL RISK EVENTS



TREND IN FINANCIAL IMPACT



Operational Risk

DATE: DECEMBER 7, 2016

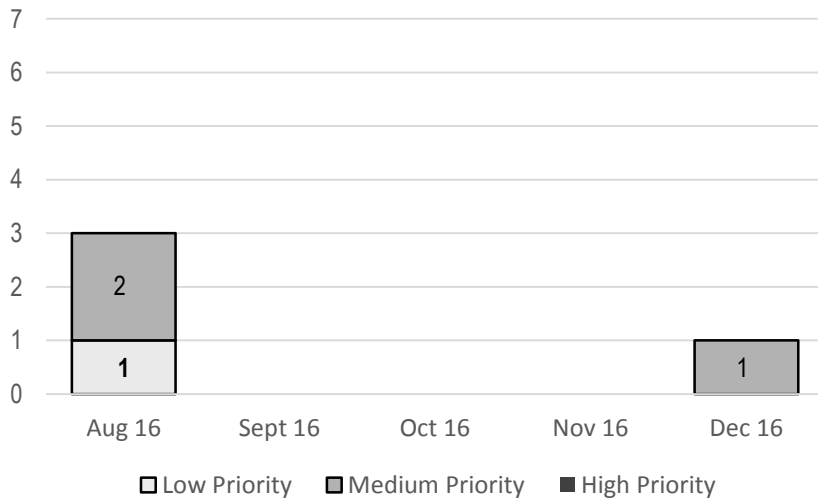
EVENT	<p>A system outage occurred at BNY Mellon. The bank was unable to process client payment instructions for 19 hours, resulting in failed payments. The outage affected institutions that regularly tell BNY Mellon to make hundreds of billions of dollars of payments by sending messages over the funds-transfer network Swift. Additional real-time backup systems have been established at the bank to limit the risk of any future incidents.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

Fiduciary Risk

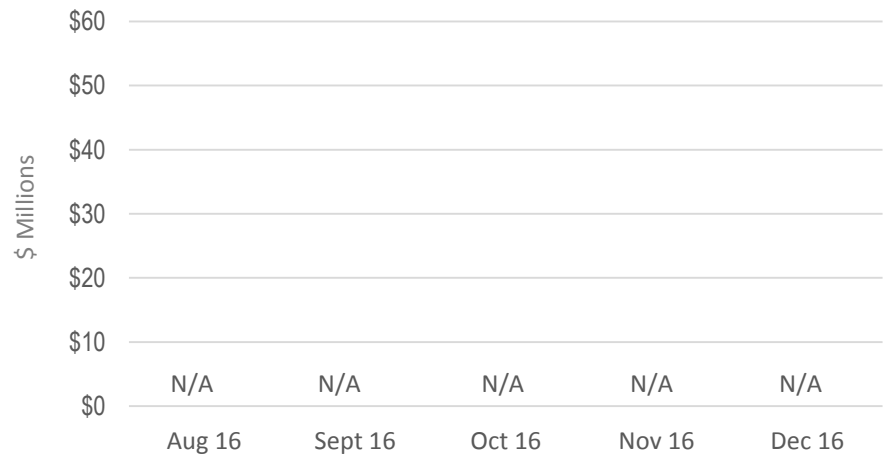
DATE: DECEMBER 22, 2016

EVENT	Democrats on the US Senate Banking Committee sent the Wells Fargo Board of Directors a letter asking them to respond to inquiries regarding the bank’s fraudulent sales practices. The questions asked when the Board became aware of this practice and why they failed to intervene. The senators also asked for Board materials from 2007 to present.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		N/A	MEDIUM		

TREND IN FIDUCIARY RISK EVENTS



TREND IN FINANCIAL IMPACT

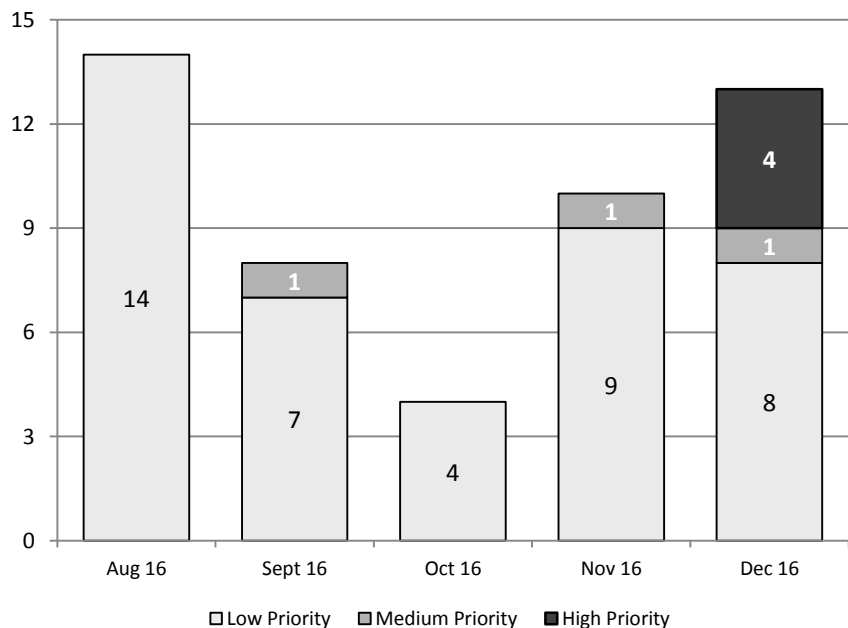


Compliance Risk

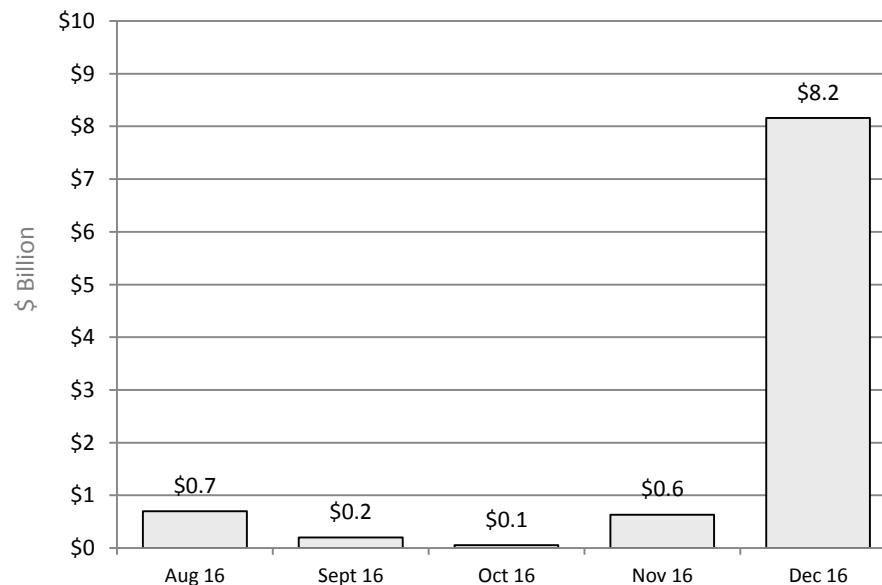
DATE: DECEMBER 22, 2016

EVENT	Deutsche Bank AG (\$1.9T; Frankfurt, DE) has agreed to a settlement with the U.S. Department of Justice (DOJ) over allegations related to the bank’s sale of mortgage-backed securities in the U.S. during the financial crisis. The settlement is divided between a civil monetary penalty of \$3.1B and \$4.1B in consumer relief. The total fine is significantly lower than the \$14.0B the regulator had initially requested in September.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		\$7.2B; Deutsche Bank’s average quarterly net income is negative. We were therefore not able to arrive at a meaningful estimate.	HIGH		

TREND IN COMPLIANCE & BSA/AML RISK EVENTS



TREND IN FINANCIAL IMPACT



Compliance Risk, continued

DATE: DECEMBER 21, 2016

EVENT	<p>Goldman Sachs has settled with the U.S. Commodity Futures Trading Commission (CFTC) to resolve allegations that the company attempted to manipulate the U.S. Dollar International Swaps and Derivatives Association Fix (ISDAfix) benchmark multiple times between January 2007 and March 2012.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		\$120.0MM; or 8.29% of Goldman's average quarterly net income (last 5 quarters)	HIGH		

DATE: DECEMBER 13, 2016

EVENT	<p>State Street has reached a settlement with the SEC regarding claims that the bank misled clients with hidden markups to its foreign currency exchange trades. The agency has also issued a C&D order against State Street.</p> <p>In addition, State Street will pay \$155.0MM to the U.S. Justice Department and at least \$60.0MM to Employee Retirement Income Security Act plan clients.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		\$382.4MM; or 70.9% of State Street's average quarterly net income (last 5 quarters)	HIGH		

Compliance Risk, continued

DATE: DECEMBER 7, 2016

EVENT	The European Commission has fined JPMorgan €337.2MM (\$358.1MM) for allegedly participating in a cartel in an attempt to manipulate the EURIBOR interest rate benchmark between 2005 and 2008. JPMorgan has denied any wrongdoing and will continue to fight the allegations.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		€337.2 MM (\$358.1MM); or 5.92% of JPMorgan’s average quarterly net income (last 5 quarters)	HIGH		

DATE: DECEMBER 16, 2016

EVENT	Goldman Sachs has agreed to a settlement to resolve a class-action lawsuit alleging the company, along with 15 other financial institutions, manipulated the interest rate benchmark ISDAfix from 2009 to 2012. Goldman has also agreed to provide evidence that could be used against the remaining banks in the lawsuit. In May of this year, seven of the 15 financial institutions named in the lawsuit agreed to pay a total settlement of \$324MM.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		\$56.5MM; or 3.90% of Goldman’s average quarterly net income (last 5 quarters)	MEDIUM		

Compliance Risk, continued

DATE: DECEMBER 24, 2016

EVENT	<p>Wells Fargo settled with Residential Capital LLC over the subprime mortgages the bank sold to the now-defunct lender. Residential Capital claimed the loans pushed the firm into bankruptcy. The settlement amount was not disclosed.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		N/A; the settlement amount was not disclosed	LOW		

DATE: DECEMBER 21, 2016

EVENT	<p>The Swiss Competition Commission has fined JPMorgan Chase for operating a bilateral cartel with Royal Bank of Scotland Group Plc. (\$1.1T; Edinburgh, UK) to influence the Swiss franc LIBOR benchmark between March 2008 and July 2009.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		\$33.1MM; or 0.55% of JPMorgan's average quarterly net income (last 5 quarters)	LOW		

DATE: DECEMBER 20, 2016

EVENT	<p>BB&T Corporation (\$222.6B; Winston-Salem, NC) has been issued a consent order by the FDIC and the North Carolina Commissioner of Banks. The order was issued over internal control deficiencies related to BSA/AML compliance. BB&T expects a similar order from the Fed in the near future.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		N/A; No penalties were levied	LOW		

Compliance Risk, continued

DATE: DECEMBER 20, 2016

EVENT	<p>Morgan Stanley has reached a settlement with the SEC for violating the Customer Protection Rule. The company used transactions with Morgan Stanley Equity Financing Ltd., an affiliate of Morgan Stanley, to lower the amount it was required to deposit in its customer reserve account.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		\$7.5MM; or 0.60% of Morgan Stanley's average quarterly net income (last 5 quarters)	LOW		

DATE: DECEMBER 19, 2016

EVENT	<p>The Financial Services Agency of Japan has fined a joint venture between Morgan Stanley and MUFG Americas Holdings Corporation for manipulating the company Seibu Holdings' share prices. The joint venture misled investors into thinking the sales and purchases of shares of Seibu Holdings was thriving.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		\$1.9MM in total; how the settlement was to be divided among the institutions was not disclosed	LOW		

Compliance Risk, continued

DATE: DECEMBER 9, 2016

EVENT		Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
	<p>Deutsche Bank employees may have manipulated indexes to help Banca Monte dei Paschi di Siena SpA (\$178.4B; Siena, IT) hide losses, according to an audit commissioned by German regulators. The audit found that there were “abnormalities” in the values of proprietary indexes used to set the prices for a 2008 derivatives deal between the banks and that Deutsche Bank failed to provide guidelines for monitoring for possible manipulation.</p> <p>Deutsche Bank has already been charged with colluding with Monte dei Paschi to falsify accounts. That trial is due to start on December 15th.</p>	TBD	LOW		

DATE: DECEMBER 8, 2016

EVENT		Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
	<p>Santander Holdings USA, Inc. (\$139.2B; Boston, MA) has finally filed its 10-Q from 2Q16, as well as several restated 10-Qs from previous quarters. The refilings were the result of the identification of a materials weakness in internal controls.</p>	N/A	LOW		

Compliance Risk, continued

DATE: DECEMBER 7, 2016

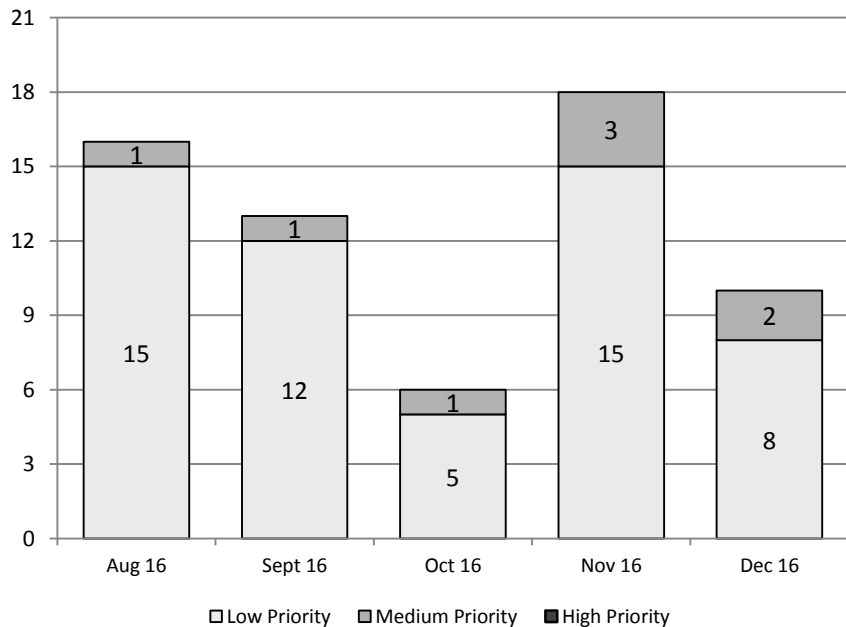
EVENT	The SEC has requested LendingClub Corporation (\$5.6B; San Francisco, CA) to provide more information surrounding its loan portfolio, specifically loan type, charge-off rates, and loan-delinquency rates. The regulator has also questioned the online lender’s use of non-GAAP financial measures, saying these types of metrics are being used too prominently, and that the rationale behind opting to use these metrics should be explained.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		N/A	LOW		

Reputational Risk

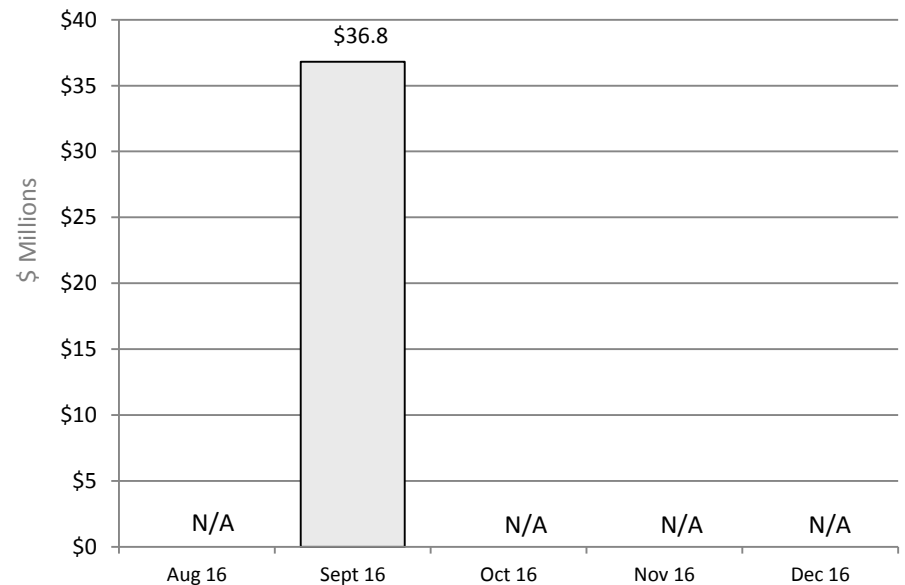
DATE: DECEMBER 22, 2016

EVENT	The United States is suing Barclays Plc. (\$1.7T; London, UK) over its RMBS activities from 2005 to 2007. The lawsuit claims that employees knowingly overrode or ignored due diligence regarding vendors that graded delinquent or in-default loans at the time of securitization.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD; the lawsuit is still in progress	MEDIUM		

TREND IN REPUTATIONAL RISK EVENTS



TREND IN FINANCIAL IMPACT



Reputational Risk, continued

DATE: DECEMBER 7, 2016

EVENT	The OCC is preparing to give Wells Fargo a “needs to improve” rating on its fair lending practices, downgrading its “outstanding” status from 2008 and providing more damage to the bank’s reputation. The official ruling is expected to be handed down early January.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD; the official ruling is expected in January	MEDIUM		

DATE: DECEMBER 29, 2016

EVENT	A former Wells Fargo branch manager, Diana Duenas-Brown, is suing the company, claiming she was harassed by superiors after she attempted to report illegal sales activity. According to the lawsuit, she reported about 25 instances and her supervisors began to retaliate against her, eventually dismissing her in March 2015.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD; the suit is still ongoing	LOW		

Reputational Risk, continued

DATE: DECEMBER 16, 2016

EVENT	<p>The SEC ended its inquiry over how Wells Fargo valued and accounted for purchased credit-impaired mortgages, after the bank provided more information. Newly disclosed letters showed the SEC inquiring about why the value was declining on Wells Fargo’s purchased-credit-impaired mortgages, as the cash the bank expected to realize from those loans was increasing. Wells Fargo responded that, “the portfolio was affected by the bank’s loan-modification efforts and by stronger economic conditions and rising home prices.” The SEC stated in November that it had completed its review of the matter.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD; penalties related to the inquiry (if any) have not yet been assessed	LOW		

Reputational Risk, continued

DATE: DECEMBER 13, 2016

EVENT	<p>Prudential (\$819.9B; Newark, NJ) is suspending its distribution of My Term policies being sold by Wells Fargo. My Term is Prudential’s simplified issue term insurance product, which has been sold via a joint venture with Wells Fargo since 2014.</p> <p>This suspension comes after the New Jersey Department of Banking and Insurance announced they were investigating Prudential for its role in the Wells Fargo sales fraud. There are allegations from workers that the sales tactics employees used to open fake accounts and credit cards were also used to sign customers up for Prudential life insurance policies.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD; the suit is still ongoing	LOW		

DATE: DECEMBER 13, 2016

EVENT	<p>Cumulus Media has filed a lawsuit against a JPMorgan Chase subsidiary claiming the unit unreasonably withheld consent to components of the company’s refinancing, which was intended to deleverage the company by \$305MM.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD; the suit is still ongoing	LOW		

Reputational Risk, continued

DATE: DECEMBER 12, 2016

EVENT	<p>Barclays, JPMorgan Chase, and Citigroup have assisted the U.S. government in compiling evidence for a potentially new antitrust conspiracy in the currency spot market. U.S. officials have stated that this cooperation will result in the companies receiving lower penalties at their December 15 sentencing regarding a May 2015 case in which the three institutions were found guilty of colluding to manipulate currency transactions.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD; the suit is still ongoing	LOW		

DATE: DECEMBER 10, 2016

EVENT	<p>FINRA has asked former Wells Fargo employees to contact the agency regarding any concerns over their termination notice filed by the bank. The agency is reviewing whether employees were terminated for either reporting or refusing to participate in alleged fraudulent account-opening activities.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD; the review is ongoing	LOW		

Reputational Risk, continued

DATE: DECEMBER 9, 2016

EVENT	Documents provided by Deutsche Bank to a federal court in Manhattan as part of a settlement related to silver price rigging claims provide “smoking gun” evidence that other institutions manipulated the silver market. This has resulted in a new lawsuit being filed against UBS Group AG (\$965.2B; Zurich, Switzerland) , HSBC Holdings Plc. (\$2.6T; London, UK) , and Bank of Nova Scotia (\$668.7B; Ontario, Canada) . Plaintiffs are seeking to add Barclays, BNP Paribas SA (\$2.4T; Paris, France) , Standard Chartered Plc. (\$661.0B; London, UK) , and Bank of America as defendants.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD; the suit is ongoing	LOW		

DATE: DECEMBER 2, 2016

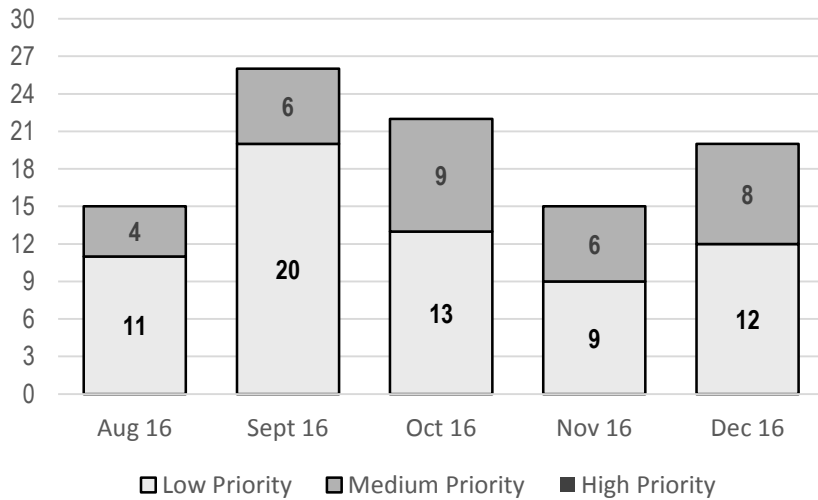
EVENT	The California Senate Committee on Banking and Financial Institutions disclosed the number of fake and unauthorized accounts created per state by Wells Fargo . Out of the 2 million unauthorized accounts, approximately 900,000 were in the state of California, the highest amount out of any state.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		N/A; fines have already been assessed in this matter	LOW		

Strategic Risk

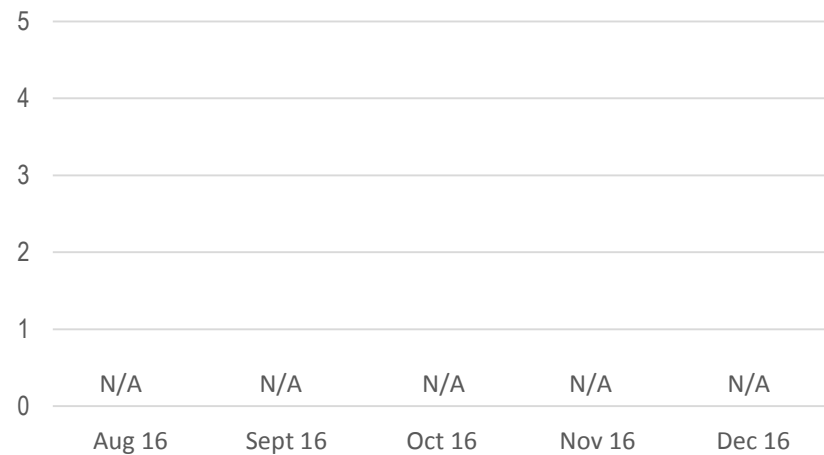
DATE: DECEMBER 22, 2016

EVENT	The CEO of SoFi, Inc. (San Francisco, CA) has been quoted as saying that consumers will be able to have a SoFi bank account and debit or credit card in 2017. The company is optimistic that the OCC's plans to give charters to fintech firms will allow them to expand their offerings, though details are vague for now.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	MEDIUM		

TREND IN STRATEGIC RISK EVENTS



TREND IN FINANCIAL IMPACT



Strategic Risk, continued

DATE: DECEMBER 20, 2016

EVENT	New York Community Bancorp, Inc. (\$49.5B; New York, NY) and Astoria Financial Corporation (\$14.8B; Lake Success, NY) have mutually agreed to terminate their merger deal. This is the fourth largest terminated deal since 1990. NYCB previously stated in November that they did not expect to receive regulatory approval for the merger and that they could opt to terminate the agreement with no risk of penalties.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
			TBD	MEDIUM	

DATE: DECEMBER 19, 2016

EVENT	Union Bank, an MUFG Americas Holding Corp subsidiary, has sold two branches in San Francisco to 400 California LLC for \$135.0MM. One of the sold branches was the unit's "historic main banking branch," while the other served as the principal administration office in the state.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
			TBD	MEDIUM	

Strategic Risk, continued

DATE: DECEMBER 13, 2016

EVENT	Charles Schwab Corporation (\$209.3B; San Francisco, CA) plans to launch a hybrid advisory platform, called Schwab Intelligent Advisory, which combines the use of algorithm driven technology and live support to offer wealth management advice.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	MEDIUM		

DATE: DECEMBER 12, 2016

EVENT	Ally Financial Inc. (\$157.4B; Detroit, MI) is introducing a direct-to-consumer mortgage offering, called Ally Home. Ally Home, launched in collaboration with LenderLive, offers varying term options for fixed-rate and adjustable-rate loans.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	MEDIUM		

DATE: DECEMBER 8, 2016

EVENT	Beginning next year, Merrill Lynch brokers will have to generate at least 2 referrals to Bank of America to avoid a 1% penalty on their overall payout.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	MEDIUM		

Strategic Risk, continued

DATE: DECEMBER 5, 2016

EVENT	<p>Morgan Stanley has announced that it will be increasing broker quotas to qualify for higher payout percentages in 2017 by 10%. This is part of the investment bank’s compensation-cutting efforts and its overall cost-save initiative.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	MEDIUM		

DATE: DECEMBER 2, 2016

EVENT	<p>Wells Fargo Advisors will still offer commission-based IRA’s, even as the fiduciary rule is slated to take effect April 2017. The bank, however, may have fewer investment products from which to choose.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	MEDIUM		

DATE: DECEMBER 28, 2016

EVENT	<p>JPMorgan has deepened its relationship with mobile payment startup company LevelUp by investing \$10.0MM into the app developer. This additional investment by JPMorgan occurred while development was still taking place for its own payments app, “Chase Pay.” Under the companies’ partnership, JPMorgan will be adding LevelUp’s features into Chase Pay in the near future.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

Strategic Risk, continued

DATE: DECEMBER 20, 2016

EVENT	Lloyds Banking Group plc (\$1.1T; London) has agreed to acquire MBNA from Bank of America for £1.9B. The acquisition is expected to be completed in the first half of 2017.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

DATE: DECEMBER 19, 2016

EVENT	Wells Fargo Asset Management is thinking of launching its first exchange-traded fund (ETF) in the next three to six months.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

DATE: DECEMBER 15, 2016

EVENT	Citigroup and PayPal Holdings, Inc. (\$31.4B; San Jose, CA) have formed a new partnership that will make it easier for bank customers to use their mobile devices to pay at the checkout register. Beginning in 2017, Citigroup will begin to allow customers who input their card information into their PayPal accounts to use PayPal for online, in-app, or store purchases. PayPal has also expanded its partnership with Fidelity National Information Services to allow clients to link their two digital payments accounts.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

Strategic Risk, continued

DATE: DECEMBER 15, 2016

EVENT	Wells Fargo announced it will stop offering brokers bonuses tied to client loans and other banking products, in an attempt to mitigate damages from the cross-selling scandal.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

DATE: DECEMBER 12, 2016

EVENT	The Commonwealth of Massachusetts is negotiating with People's United Financial, Inc. (\$40.7B; Bridgeport, CT) to have that institution manage its core banking services. Negotiations are expected to be completed in 1Q17.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

DATE: DECEMBER 8, 2016

EVENT	Citigroup announced new functionality within the Citi Mobile App, which now combines banking, wealth management, and money movement capabilities. Along with typical banking services, users of the app are now able to buy and sell equities, ETFs, and mutual funds, as well as transfer funds globally between Citi accounts from their phone.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

Strategic Risk, continued

DATE: DECEMBER 7, 2016

EVENT	Karl Roessner, CEO of E*TRADE Financial Corporation (\$49.2B; New York, NY) stated that if the company does not achieve its 2%-3% growth target over the next 18-24 months, it will look at the possibility of a sale, partnership, or acquisition. Roessner expressed confidence in reaching its target.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

DATE: DECEMBER 7, 2016

EVENT	State Street is working in partnership with venture capital firms to create an open technology architecture and business model. The company plans to introduce new products and processes in the future as part of these efforts.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

DATE: DECEMBER 7, 2016

EVENT	During the Goldman Sachs US Financial Services conference, executives from KeyCorp (\$136.2B; Cleveland, OH) noted that they believe the market is “going to be a more constructive business environment that bodes for more economic growth.” The executive team expressed that they were well prepared to capitalize on current market sentiment.	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

Strategic Risk, continued

DATE: DECEMBER 6, 2016

EVENT	<p>Wells Fargo’s CEO reported that retail customers in October opened 27% fewer new checking accounts than they did in the previous month and 44% less than a year prior. The bank also noted that new credit card applications fell 35% in October from the previous month and 50% from the prior year. The CEO also noted that November account opening trends will likely be similar to the October results.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

DATE: DECEMBER 5, 2016

EVENT	<p>Bank of America has announced that it is simplifying its cost structure to create a “sustainable model” through “responsible growth,” according to CEO Brian Moynihan. The company’s responsible growth will center around four pillars – winning in the market, deepening customer relationships, staying within risk framework, and judging itself against CCAR results.</p>	Financial Impact to Bank in Question	IMPACT	Does Our Bank Operate in This Business Area?	Materiality of Business Area?
		TBD	LOW		

Significant Management Changes

MIDWEST & WEST

DATE	BANK	MANAGEMENT CHANGE
December 20 th	U.S. Bank	Appointed Beth McDonnell SVP and Chief Marketing Officer.
December 20 th	U.S. Bank	Named Sayantan Chakraborty SVP and product management head of the global treasury management business.
December 15 th	LendingClub	Chief Technology Officer John MacIlwaine is expected to resign from his position, effective January 19, 2017.
December 14 th	MUFG Americas	Appointed Johannes H. Worsoe as Chief Financial Officer.
December 13 th	U.S. Bank	Named Gunjan Kedia vice chairman of its wealth management and securities services division (see note above).
December 13 th	Wells Fargo	Mike Emenhiser, Cristy Gried, and Robin Wenzel joined the bank's North Coast middle market banking team.
December 9 th	PNC Financial	Appointed Daniel Morihiro, SVP, to its senior secured financing team in Pasadena, CA.
December 5 th	Bank of America	Named Midge Campbell-Thomas market president for Ventura and Santa Barbara Counties, CA.

NORTHEAST

DATE	BANK	MANAGEMENT CHANGE
December 12 th	Citizens Financial	Named John Woods as their new CFO. He will join Citizens effective February 13, 2017, and will succeed interim CFO John Fawcett as of March 4, 2017.
December 9 th	PNC Financial	Appointed Graham Holding, SVP, to its senior secured financing team in Boston, MA.

Significant Management Changes

NEW YORK METRO AREA

DATE	BANK	MANAGEMENT CHANGE
December 29 th	Raymond James	Hired Lynn Grossman, Brian Vieira, and their employee adviser team from Wells Fargo Advisors. The team is based in Westport, CT.
December 19 th	Citigroup	Appointed Kristen Bitterly Michell as Head of Investments Counseling.
December 13 th	CIT Group	Named Gina Proia EVP as well as Chief Marketing Officer and Chief Communications Officer, effective immediately.
December 13 th	Goldman Sachs	COO Gary Cohn will leave the company after being appointed to direct the National Economic Council. Cohn was seen as a likely successor to CEO Lloyd Blankfein. Cohn is succeeded by investment banking co-chief David Solomon and CFO Harvey Schwartz. The CFO position will be filled by current CIO R. Martin Chavez.
December 13 th	KeyCorp	KeyBanc Capital Markets hired Alex Jacobs as a managing director and head of the food and beverage group.
December 9 th	PNC Financial	Appointed Patrick Simpson, SVP, to its senior secured financing team in New York, NY.
December 6 th	Signature Bank	Added Pat Loporcaro, Richard Imprescia, and Michael Benefeld to its private banking network in New York.
December 3 rd	Wells Fargo	Appointed John Ritacco as executive advisor of middle market banking for the greater New York region.

SOUTHEAST

DATE	BANK	MANAGEMENT CHANGE
December 21 st	Compass Bank	Named Omar Genç CEO, effective during 1Q17.
December 21 st	BB&T	Appointed a new president. Chris Henson, who is currently the COO, will hold the position of president in addition to his current title.

Note On This Report

This report is designed to provide information on events impacting a certain group of banks (those with total assets of \$30B or more) and the markets that make up the Bank's footprint. It is not meant to be a comprehensive view of every fine or penalty levied against any financial institution operating in the United States.

Events involving areas of financial services in which the Bank does not operate (e.g., investment banking) or markets that are not part of the Bank's footprint are not included in this report, but could potentially impact the Bank indirectly.

The reader should also note that this report is based on publicly available information and there may be details related to mergers and acquisitions, fines or penalties, and the settlement of lawsuits that are not publicly disclosed. CPG has tried to capture as much detail available to the public as possible in our summaries of events.

Sources

All information related to bank asset sizes and location comes from SNL Financial, Inc., as of September 30th, 2015. SNL Financial is also the source for many of the news stories contained in this document.

In addition, we leverage a variety of sources in our work to track risk events, including the following:

PUBLICATIONS

- *American Banker*
- *New York Times*
- *Wall Street Journal*
- *Financial Times*

REGULATORY PRESS RELEASES

- Consumer Financial Protection Bureau
- Department of Justice
- Federal Deposit Insurance Corporation
- Federal Reserve
- Financial Crimes Enforcement Network
- Financial Fraud Enforcement Taskforce
- Financial Industry Regulatory Authority
- Office of the Comptroller of the Currency
- Office of Foreign Assets Control
- Securities & Exchange Commission

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