



# Regulatory Recap & Look Forward

Insights from Q3 2024



# Key Takeaways

## 2023

### The Year of Regulatory Rulemaking

- **Rulemaking:** Broad and ambitious agendas
- **Supervision, enforcement and investigations:** “Weak links” within risk programs and coverage
- **Challenges to authority:** Heightened regulatory discord, increasing judicial challenges to regulatory authority

## 2024

### The Year of Regulatory Anxiety

- **Exam Findings and Remediation:** Across risk including data, AML, third party, trade surveillance, and e-communications
- **Regulatory Discord:** Legal challenge on new rulemaking
- **Frameworks and Existing Regulations:** Issuance of frameworks/guidance (versus new rulemaking)



[2025: The Year of Regulatory Shift](#)



[Financial Services 2025 Regulatory Shifts](#)

# 2025

## The Year of Regulatory Shift

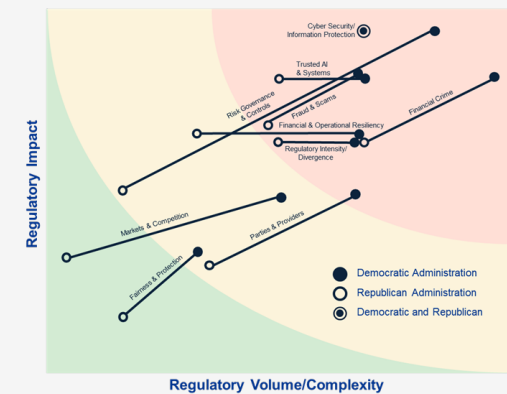
The outcome of the of the U.S. Presidential election is expected to strongly influence not only policy but the regulatory environment across all industries. Couple that with legal and state activity, and 2025 is likely to be the Year of Regulatory Shift.

*Potential 2025 Regulatory Activity*

Regulatory Area	Democratic Administration	Republican Administration	Legal Activity	State Activity
Cybersecurity/Information Protection	●	○	↔	↑
Trusted AI & Systems	●	○	↔	↑
Regulatory Intensity/Divergence	●	○	↑	↑
Fraud & Scams	●	○	↔	↑
Fairness & Protection	●	○	↓	↑
Financial & Operational Resiliency	●	○	↔	↔
Financial Crime	●	○	↔	↔
Parties & Providers	●	○	↔	↑
Markets & Competition	●	○	↓	↔
Risk Governance & Controls	●	○	↓	↔

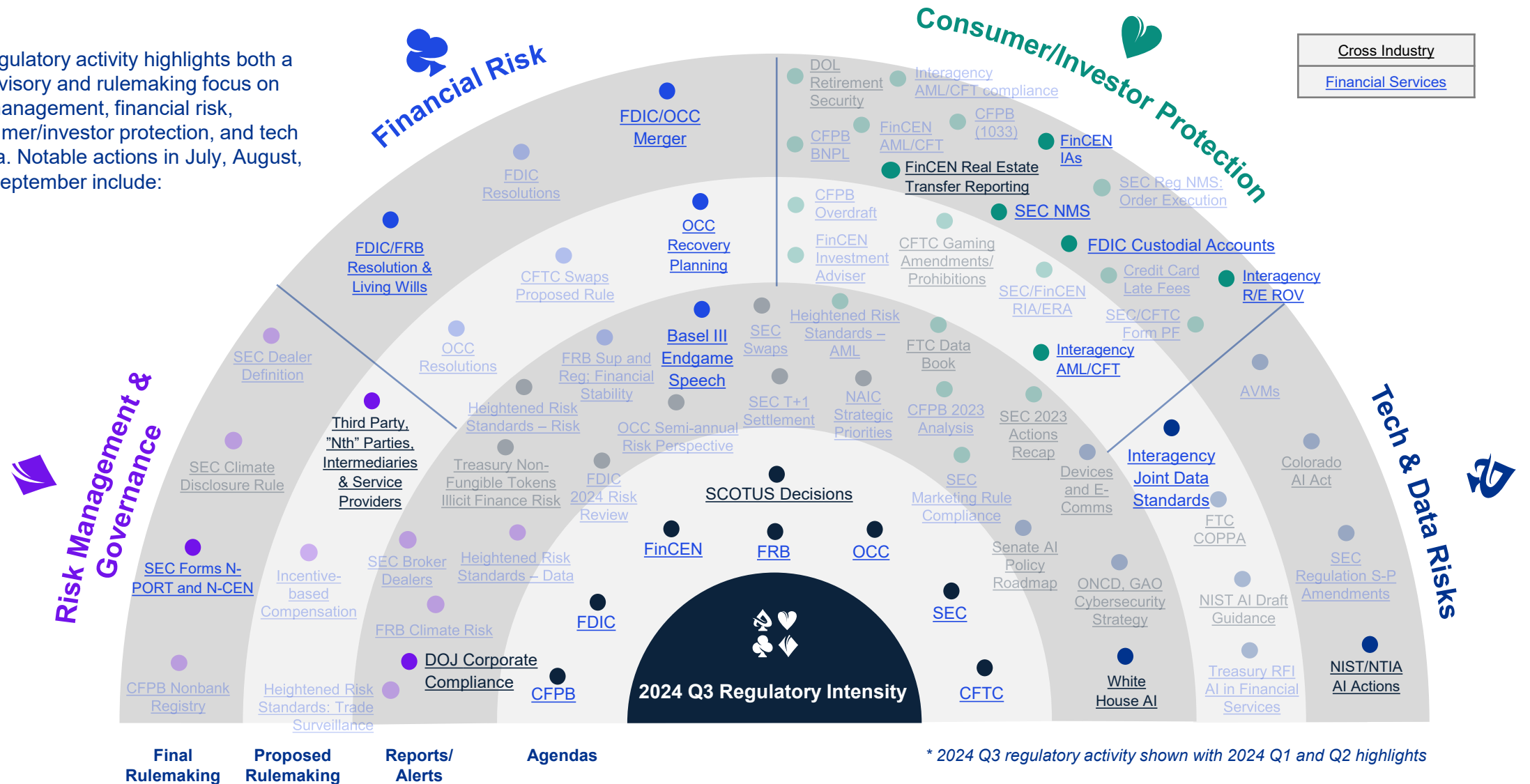
Legend	Decreased regulatory activity	● ○ ↓
	Neutral	● ○ ↔
	Increased regulatory activity	● ○ ↑

*Potential 2025 Regulatory Shifts*



# 2024 Q3 Regulatory Summary\*

Q3 regulatory activity highlights both a supervisory and rulemaking focus on risk management, financial risk, consumer/investor protection, and tech & data. Notable actions in July, August, and September include:



\* 2024 Q3 regulatory activity shown with 2024 Q1 and Q2 highlights



# Key Regulatory Activity: Reports/Alerts Q3 2024

Third quarter 2024 reports and alerts continue to highlight areas of supervisory focus.

Cross Industry
Financial Services

Stage	Topic	Agency	KPMG Insights	Regulatory Insight
Reports/ Alerts	AI	White House	<ul style="list-style-type: none"> <li>— <b>Marking Time:</b> White House announces completion of the 270-day actions under the AI EO on schedule.</li> <li>— <b>Rush of Releases:</b> Commerce Department, through NIST and NTIA, continues to release principle-based frameworks/ guidance under the AI EO, with more reports and guidance to come.</li> <li>— <b>Broad Coverage:</b> AI issuances span GenAI-related risk management and development frameworks, global plans for alignment, and best practices for managing and mitigating risks in foundation models.</li> <li>— <b>Quick Turnaround:</b> NIST’s rapid issuance of AI guidance demonstrates the swiftness of AI policy/regulation for both AI developers and deployers.</li> </ul>	<a href="#">New AI Actions: White House Announcement; NIST, NTIA Guidance</a>
	Corporate Compliance	DOJ	<ul style="list-style-type: none"> <li>— <b>Data Access/Monitoring:</b> Ensuring the level of direct/indirect access to data sources for timely and effective monitoring/testing of policies, controls or transactions.</li> <li>— <b>Compliance Investment:</b> Assessing the assets, resources, and technology available to compliance and risk as compared to elsewhere in the company.</li> <li>— <b>Tech and AI:</b> Incorporating new evaluation for the risk management of disruptive technologies, particularly AI, including an emphasis on risk assessments, risk mitigation, and technology monitoring/testing.</li> </ul>	<a href="#">Corporate Compliance: DOJ Evaluation Updates/Pilot Programs</a>
	Bank Capital Requirements	FRB	<ul style="list-style-type: none"> <li>— <b>Timing:</b> Release of the interagency re-proposal is widely expected to be imminent (September 2024); expect a 60-day comment period and an implementation date one year after the effective date of a final rule.</li> <li>— <b>Detail:</b> The high degree of detail included in the FRB speech may be interpreted as anticipated provisions to be included in the re-proposal release.</li> <li>— <b>Tailoring and Recalibration:</b> Potential changes may generally provide exemptions from various parts of the rule for Category III and IV banking institutions while additional changes may impact credit risk, operational risk, and market risk.</li> <li>— <b>Capital Requirement:</b> Potential changes are expected to lower capital requirements from those in July 2023.</li> </ul>	<a href="#">Capital: FRB Remarks Outlining Basel III Endgame Re-Proposal</a>

# Key Regulatory Activity: Rulemaking Q3 2024

Rulemaking activity in the third quarter of 2024 fell across risk management, financial risk, consumer/investor protections, and tech/data risk.

Cross Industry
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Stage	Topic	Agency	KPMG Insights	Regulatory Insight
Final Rulemaking	Regulatory Authorities	SCOTUS	<p>SCOTUS issues several big rulings with rippling regulatory effects across industries:</p> <ul style="list-style-type: none"> <li>— <b>Loper Bright v. Raimondo</b>, et al (Chevron Doctrine): Expected to bolster legal challenges to agency jurisdictional authority; new legislation will likely include more specificity; and agencies may be less inclined to interpret “ambiguous” laws expansively.</li> <li>— <b>SEC v. Jarkesy</b>: In a more limited ruling on enforcement of security fraud violations, SCOTUS rules on the entitlement of a jury trial rather than an in-house review by the agency which may focus enforcement actions on more “egregious” cases and prompt a shift to more supervisory action.</li> <li>— <b>Corner Post v. Board of Governors</b>: Creates the potential for a large volume of legal challenge with broad application under the Administrative Procedures Act as SCOTUS rules that the statute of limitations under the APA (i.e., six years after the right of first action accrues) begins when the plaintiff is “injured” by the final agency rulemaking/action.</li> </ul>	<a href="#">SCOTUS Decisions: Year of Regulatory Anxiety</a>
	Resolution & Living Wills	interagency	<ul style="list-style-type: none"> <li>— <b>Strengthen Credible Plans</b>. Guidance on “living wills” required by Dodd-Frank Act for Category II and III banking organizations (over \$250B, excluding GSIBs) aims to bolster resolution planning and strategies to enable a rapid and orderly resolution in cases of distress or failure.</li> <li>— <b>Focus on Strategy Execution</b>. Follows from/informed by recent industry focus on liquidity risk management; the operational capability to execute the chosen resolution strategy and plan is important.</li> <li>— <b>“Vulnerabilities”</b>. Refines expectations for “vulnerable” areas in resolution plans, including capital, liquidity, governance, and operations under multiple resolution strategies.</li> <li>— <b>Extended Submission Date</b>. Submission deadline for domestic and foreign covered banking organizations (triennial full filers) extended to October 1, 2025.</li> </ul>	<a href="#">Resolution &amp; Living Wills: FDIC/FRB Final Guidance</a>
	Real Estate Appraisals		<p>Five federal agencies (FRB, FDIC, OCC, CFPB, and NCUA) jointly release final guidance on ROVs (reconsiderations of value) for residential real estate valuations. The agencies state the final guidance, which has been adopted “largely as proposed”, is intended to highlight risks associated with “deficient valuations” and describe how financial institutions may incorporate ROV processes and controls into established risk management functions.</p>	<a href="#">Final Interagency Actions: Automated Valuation Models (AVMs), Reconsideration of Value</a>

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Final Rulemaking	AI	Interagency	<ul style="list-style-type: none"> <li>— <b>Marking Time:</b> The White House announces completion of the required 270-day actions under the AI Executive Order on schedule.</li> <li>— <b>Rush of Releases:</b> Commerce Department, through NIST and NTIA, continues to release principle-based frameworks/ guidance under the AI EO, with more reports and guidance to come.</li> <li>— <b>Broad Coverage:</b> AI issuances span GenAI-related risk management and development frameworks, global plans for alignment, and best practices for managing and mitigating risks in foundation models.</li> <li>— <b>Quick Turnaround:</b> NIST’s rapid issuance of AI guidance demonstrates the swiftness of AI policy/regulation for both AI developers and deployers.</li> </ul>	<a href="#">New AI Actions: White House Announcement; NIST, NTIA Guidance</a>
	Bank Merger Policies	FDIC, OCC	<ul style="list-style-type: none"> <li>— <b>Principles-based:</b> Policy statements reiterate a principles-based standard to bank merger evaluations</li> <li>— <b>Expanded Content:</b> Considers a broader range of financial institutions and transaction types (e.g., interstate transactions and applications involving non-banks)</li> <li>— <b>Timeliness Concerns:</b> Industry continues to be concerned on the length of time for the bank merger process</li> </ul>	<a href="#">Bank Mergers: FDIC and OCC Policies/ Amendments</a>
	AML/CFT	FinCEN	<ul style="list-style-type: none"> <li>— <b>New Requirements.</b> Rule mandates AML/CFT programs and SAR reporting for most investment advisers, expanding the regulatory perimeter to “close the gap” in regulatory coverage and enhance efforts to thwart illicit finance.</li> <li>— <b>Supervisory Focus.</b> Expanding breadth/depth of supervisory, enforcement, and regulatory expectations focused on AML/CFT/BSA requirements to keep pace with the continuous evolution and sophistication of emerging financial crime threats and vulnerabilities (e.g., beneficial ownership reporting, customer due diligence).</li> </ul>	<a href="#">Financial Crime &amp; AML: FinCEN Final Rule for Investment Advisers</a>
	AML/CFT	FinCEN	<ul style="list-style-type: none"> <li>— <b>Mandatory Reporting:</b> Requires real estate professionals to report on non-financed (e.g., all-cash, gift) residential real estate transactions.</li> <li>— <b>National Expansion:</b> Expands the existing Residential Real Estate Geographic Targeting Order (GTO) program to a national scale.</li> <li>— <b>Compliance:</b> Beginning December 2025, a Real Estate Report (a streamlined SAR) must be filed for covered transactions.</li> </ul>	<a href="#">Financial Crime &amp; AML: FinCEN Final Rule on Real Estate Transfer Reporting</a>



# Key Regulatory Activity: Rulemaking Q3 2024

Cross Industry  
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Stage	Topic	Agency	KPMG Insights	Regulatory Insight
Final Rulemaking	Market Structure	SEC	<ul style="list-style-type: none"> <li>— <b>Stock Prices:</b> Changes pricing of many stocks to quote increments of \$0.005 (“tick sizes”).</li> <li>— <b>Fee Caps:</b> In concert with a regulatory focus on fees, reduces access fee caps for stock quotes and makes the amounts of all fees/rebates determinable at the time of execution.</li> <li>— <b>Accelerate Implementation:</b> Implements the round lot and odd-lot definitions in order to help enhance market transparency and investor protections.</li> </ul>	<a href="#">Market Rules: NMS SEC Amendments</a>
	Reporting		<ul style="list-style-type: none"> <li>— <b>Reporting and Disclosures:</b> Increasing frequency to file, report and publicly disclose Form N-PORT.</li> <li>— <b>Third Party Service Providers:</b> Expansion of reporting related to third party services used to provide liquidity.</li> <li>— <b>Guidance:</b> Supplemental guidance may assist companies in regulatory expectations around expanded liquidity risk management programs.</li> </ul>	<a href="#">Investment Company Reporting on Forms N-PORT and N-CEN: SEC Final Rule</a>
Proposed Rulemaking	TPRM	Interagency	<ul style="list-style-type: none"> <li>— <b>Growing Regulatory Pressure:</b> Intensifying pressure to manage risks of third-party arrangements due to increasing dependencies and interconnections between companies; regulatory focus on safety and soundness, compliance, resiliency, and reputation risks.</li> <li>— <b>Risk-Based Approach:</b> Requires a risk-based strategy throughout the relationship lifecycle, regardless of the type or activities; expectation to rank parties/providers based on “criticality” and risk to the enterprise.</li> <li>— <b>Ongoing Monitoring:</b> Processes and controls for ongoing monitoring of practices and adherence to company policies, standards, and thresholds (e.g., access, use, security, privacy, retention, deletion, sharing/monetization); increased bar for reporting metrics to the Board.</li> </ul>	<a href="#">Regulatory Focus: Third Party, “Nth” Parties, Intermediaries &amp; Service Providers</a>
	AML	Interagency	<ul style="list-style-type: none"> <li>— <b>Expanding AML/CFT:</b> Increasing expectations and regulatory coverage for robust and consistent AML/CFT risk programs across financial institutions.</li> <li>— <b>Emerging Risk/Continuous Improvement:</b> Focus on a “reasonably designed”, risk-based AML/CFT program, including a mandatory risk assessment process and inclusion of “government-wide AML/CFT priorities”.</li> <li>— <b>Supervision and Enforcement:</b> Expect continued supervisory intensity with associated focus on maintaining/increasing needed talent/skillsets, tooling/automation, and investments - including in such areas as AML programs, fraud, and SAR identification/filing.</li> </ul>	<a href="#">Proposals to Strengthen AML/CFT Programs Under BSA: FinCEN, Banking Agencies</a>

# Key Regulatory Activity: Rulemaking Q3 2024

Cross Industry  
Financial Services

Stage	Topic	Agency	KPMG Insights	Regulatory Insight
Proposed Rulemaking	Data	Interagency	<ul style="list-style-type: none"> <li>— <b>Data Trend:</b> Continues a trend to integrate financial and risk data stores.</li> <li>— <b>Data Sharing Among Agencies:</b> Proposed data standards are intended to facilitate sharing of information among the financial services agencies by setting common parameters for data identification and transmission.</li> <li>— <b>Dependent on Future Rulemaking:</b> Data standards will not impact regulatory reporting requirements without further action by the individual Agencies to implement the new standards through Agency-specific rulemakings.</li> <li>— <b>Steps Toward Data Standardization:</b> Financial services companies should anticipate system updates, including mapping, may be needed to align with the data standards, including common identifiers.</li> </ul>	<a href="#">Joint Data Standards: Interagency Proposal</a>
	TPRM	FDIC	<ul style="list-style-type: none"> <li>— <b>Fintech/Third Parties.</b> Continues to expand risk and compliance expectations for bank-fintech/third parties and arrangements.</li> <li>— <b>Beneficial Ownership/CIP.</b> Establishes requirement that the institution maintain CIP-related information regarding the beneficial owners, as defined in the deposit insurance regulations, of the custodial account.</li> <li>— <b>Deposit Relevancy.</b> Assists in insured deposit determinations and resolvancy.</li> </ul>	<a href="#">Bank-Third Party: Custodial Deposit Account Recordkeeping Proposal</a>
	Recovery Planning	OCC	<ul style="list-style-type: none"> <li>— Lowers the covered bank threshold from \$250 billion to \$100 billion in total consolidated assets.</li> <li>— Adds a testing standard that mandates periodic, but at least annual, testing of the recovery plan and its elements to validate the plan's effectiveness during severe stress.</li> <li>— Clarifies that recovery plans must consider financial risk and non-financial risk, including operational and strategic risks.</li> </ul>	<a href="#">Recovery Planning: OCC Proposed Rule</a>
Agenda	Rulemaking Schedule	SEC, CFTC, FinCEN, FRB, FDIC, OCC, CFPB	<ul style="list-style-type: none"> <li>— <b>“Leaner” rulemaking agenda:</b> Spring 2024 rulemaking agendas are “leaner” in comparison to 2023 agendas, likely due to the uptick in legal challenges as well as election year/Congressional Review Act timing.</li> <li>— <b>Cybersecurity risk management:</b> Anticipate more actions on cyber risk transparency and risk management practices, including disclosures and cyber incident reporting.</li> <li>— <b>More AML/financial crime rulemaking:</b> Multiple agencies issue (and to issue) joint and separate financial crime regulations related to customer due diligence, AML/CFT compliance, suspicious activity reporting, and information sharing.</li> </ul>	<a href="#">Spring 2024 Regulatory Agendas: SEC, CFTC, FinCEN, FRB, FDIC, OCC, and CFPB</a>



# Contact



**Amy Matsuo**  
Principal and Leader  
Regulatory Insights  
[amatsuo@kpmg.com](mailto:amatsuo@kpmg.com)

Connect with us on [LinkedIn](#)



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## What's Coming Up?

KPMG Regulatory Insights is currently preparing its Key Ten Regulatory Challenges for 2025!

For now, check out the risk areas we identified for the coming year:



## In case you missed it in Q3...



[2025: The Year of Regulatory Shift](#)



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