



# Regulatory Insights

Recap of May 2024

# Regulatory Insights: May 2024

**Legend**

- Final Rule
- Proposed Rule
- Reports/Alerts
- Agenda

May 2024 regulatory actions span across regulatory intensity/supervision, governance and risk management, consumer/investor protections and tech/data risks, including:

- Interagency: [Incentive-based Compensation: Proposed Rule](#)
- Interagency: Community bank guidance on third-party risk management

## FRB:

- Proposal to expand Fedwire Funds Service and NSS operating hours
- Reports: [Supervision and Regulation](#); [Financial Stability](#)
- Report: [Climate Risk: Scenario Analysis Pilot Exercise](#)
- Speeches: Building a resilient regulatory framework; Current assessment of financial stability; Innovation and the evolving financial landscape

## FDIC:

- Reports: 2024 Risk Review; Third-party review of FDIC's workplace culture

## OCC:

- Speech: Recovery Planning

## CFPB:

- [Buy Now, Pay Later: Interpretive Rule on Consumer Protections](#)
- Reports: Credit card rewards (consumer complaints/ UDAAP); Price complexity in laboratory markets; Health Savings Accounts (costs/fees)
- Hearing (with DOT): Airline credit card rewards programs

## Treasury:

- Report: 2024 National Illicit Finance Strategy
- FSOC Report: Nonbank Mortgage Servicing
- FinCEN: Advisory on detecting potentially illicit transactions

## Executive/Legislative/SCOTUS

- SCOTUS: Decision upholding CFPB funding mechanism
- Senate: [AI Policy Roadmap: Bipartisan AI Working Group](#)
- White House: National Security/Critical Infrastructure Memorandum
- White House: Protecting workers from AI risks



## International Standards Setters

### BIS:

- BCBS guidelines on counterparty credit risk management
- Reports: GenAI and cybersecurity in central banking; Reserve requirements as a financial stability instrument; Digitalization of finance

## SEC:

- [Regulation S-P: Final Amendments](#)
- [Customer Identification Program \(CIP\): RIA/ERA Proposal](#) (with FinCEN)
- Report: Investment Adviser statistics
- Speeches: Data, disclosures, and transparency; T+1 settlement cycle

## CFTC:

- Final rules on large trader futures/options reporting
- [Gaming and Event Contracts: Proposed Amendments/ Prohibitions](#)
- Speech on trends in CFTC's crypto enforcement actions

## FINRA:

- Podcast on insider trading
- Interpretive guidance on supervising chatbot and AI-created comms
- Clarification on new Residential Supervisory Location rule

## DOC/NIST:

[NIST Draft AI Guidance, Report, and Global Plan](#), including:

- AI RMF GenAI Profile
- Software Development Practices for GenAI & Dual-Use Foundation Models
- Reducing Risks Posed by Synthetic Content
- A Plan for Global Engagement on AI standards
- DOC strategic vision on AI safety (U.S. AI Safety Institute)

## Others:

- DOJ, FTC: Joint RFI on serial acquisitions and roll-up strategies



# Key Regulatory Activity: May 2024 (1/3)

Key May 2024 regulatory actions include:

Stage	Agency	KPMG Insights	Regulatory Alerts
Final Rulemakings	CFPB	<ul style="list-style-type: none"> <li>— <b>Expansion of BNPL:</b> As reason for this interpretive rule, CFPB analysis shows a tenfold increase in BNPL lending, with loans across merchant categories and ranging in purchase amounts.</li> <li>— <b>It's a "Credit Card":</b> The interpretive rule considers BNPL loans to fall under the same existing rules/regulations (including rights and protections of the Truth in Lending Act) that apply to traditional credit cards.</li> <li>— <b>"Firing on All Cylinders":</b> Expect continued CFPB actions to quickly be issued (including enforcement actions) given the recent SCOTUS CFPB decision.</li> </ul>	<a href="#">Buy Now, Pay Later (BNPL): CFPB Rule on Consumer Protections</a>
	SEC	<ul style="list-style-type: none"> <li>— <b>Data Security:</b> In addition to customer data breach notifications, rulemaking expands expectations around broader data risk management governance and controls (e.g. TPRM, monitoring/detection, disposal, cybersecurity, and privacy).</li> <li>— <b>Aligning Rulemaking:</b> To align with other regulatory actions such as SEC cyber proposals/rules, national security reporting, GLBA.</li> <li>— <b>Perimeter Expansion:</b> Expansion of "covered institutions" (including transfer agents); recognition of the increased use of technology and service providers and the corresponding increase in data security and privacy risks.</li> </ul>	<a href="#">Regulation S-P: SEC Final Amendments</a>
Proposed Rulemakings	Interagency	<ul style="list-style-type: none"> <li>— <b>14 Years in the Making:</b> Interagency proposal aims to curb "excessive risk-taking" at certain financial institutions with assets of \$1 billion or more by regulating incentive-based compensation, as mandated in the 2010 Dodd-Frank Act.</li> <li>— <b>Balancing Compensation with Risk:</b> Would introduce requirements for risk-adjusted awards, mandatory deferrals, and forfeiture and clawback provisions.</li> <li>— <b>Feedback and Comments:</b> Expect sharp feedback across divergent voices during the comment period.</li> </ul>	<a href="#">Incentive-based Compensation: Interagency Proposed Rule</a>
	CFTC	<ul style="list-style-type: none"> <li>— <b>Significant Growth:</b> CFTC notes that, since 2021, there has been a significant increase in the number of event contracts listed for trading; the CFTC likewise acknowledges growth in registration applications from exchanges expressing interest in event contracts.</li> <li>— <b>Delineating Jurisdiction:</b> CFTC notes a desire to 1) denote what activities and contracts fall under its jurisdiction and 2) separate "gambling" from investing activities; Definitions would not supersede/override State or other Federal definitions.</li> <li>— <b>Broad Risks:</b> Proposal and related statements stress the risk that gaming and other event-based derivative contracts could pose to market integrity, election integrity, and national security.</li> <li>— <b>Expansive Definition:</b> Gaming, as defined in the proposal, covers a diverse range of events, and therefore prohibits a broad variety of related derivatives contracts from being listed, traded, or cleared.</li> </ul>	<a href="#">Gaming and Event Contracts: CFTC Proposed Amendments/Prohibitions</a>

# Key Regulatory Activity: May 2024 (2/3)

Key May 2024 regulatory actions include:

Stage	Agency	KPMG Insights	Regulatory Alerts
Proposed Rulemakings	NIST	<ul style="list-style-type: none"> <li>— <b>Flurry of Releases:</b> NIST releases part of a continuing series of principle-based frameworks/guidance under the AI EO.</li> <li>— <b>Span of Principles:</b> AI issuances span GenAI-related risk management and development frameworks, transparency/explainability approaches for synthetic content, and plans for global alignment.</li> <li>— <b>Quick Turn:</b> Public comments due back in a month, demonstrating swiftness for which agencies are working to establish AI regulatory guidance in advance of elections.</li> </ul>	<a href="#">NIST Draft AI Guidance, Report, and Global Plan</a>
	SEC & FinCEN	<ul style="list-style-type: none"> <li>— <b>“Closing the Gap”:</b> Ongoing rulemakings expanding the regulatory perimeter to “close the gap” in regulatory coverage and further mitigate potentially illicit finance activity through the investment adviser sector, specifically RIAs and ERAs.</li> <li>— <b>Industry Alignment:</b> Proposal would align customer identification programs for investment advisers with those of other financial institutions under the AML/CFT framework.</li> <li>— <b>Complements AML/CFT Framework:</b> Proposal complements FinCEN’s February 2024 proposed rule to expand the definition of “financial institution” under the AML/CFT framework to include investment advisers and subject them to AML/CFT program and SAR filing requirements.</li> </ul>	<a href="#">Customer Identification Program (CIP): SEC/FinCEN RIA/ERA Proposal</a>
Reports/ Alerts	FRB	<ul style="list-style-type: none"> <li>— <b>Regulatory Findings Increase:</b> There are increasing numbers of outstanding supervisory findings for institutions of all sizes. Only about one-third of the large financial institutions have satisfactory ratings across all three rating components: 1) capital planning and positions, 2) liquidity risk management and positions, 3) governance and controls.</li> <li>— <b>Span of Findings:</b> Approximately two-thirds of large institution’s outstanding findings relate to governance and control issues (including operational resilience, cybersecurity, and BSA/AML compliance). For CBOs and RBOs, the top outstanding findings relate to IT/operational risk and risk management/internal controls.</li> <li>— <b>Market Challenges:</b> The FRB acknowledges challenges due to changes in depositor behavior, higher funding costs, reduced market for investment securities, and increased commercial real estate and consumer loan delinquencies.</li> </ul>	<a href="#">FRB Reports: Supervision and Regulation; Financial Stability</a>

# Key Regulatory Activity: May 2024 (3/3)

Stage	Agency	KPMG Insights	Regulatory Alerts
Reports/ Alerts	FRB	<ul style="list-style-type: none"> <li>— <b>Scenario Expectations:</b> A bellwether for evolving regulatory expectations for all financial companies to enhance quantitative climate risk analysis—both physical and transitional, and across credit portfolios, geographies, time, etc.</li> <li>— <b>Different Approaches:</b> Construction of detailed risk scenarios today varies and is largely driven by business models, risk views/appetite, access to data and foreign jurisdiction regulatory experiences.</li> <li>— <b>Data Gaps:</b> Current gaps in data (real estate exposures, insurance, etc.) are filled via third-party vendor models/data and/or proxy estimates; data gaps challenge estimates on climate risks and the role of insurance to mitigate.</li> <li>— <b>Enhancing Risk Management:</b> Expansion of risk governance, internal controls/audits and model risk management needed for the pilot and evolving climate scenario analyses.</li> </ul>	<a href="#">Climate Risk: FRB Report on Scenario Analysis Pilot</a>
	U.S. Senate	<ul style="list-style-type: none"> <li>— <b>Unique Action:</b> Puts forth policy considerations (across funding, legislation/regulatory actions, further areas of study) based on a Senate AI Working Group, garnering input and perspectives across nine (9) AI Insight Forums and numerous committee hearings.</li> <li>— <b>Bipartisan Issuance:</b> Recognizes profound changes from AI and sets directional agreement on the key areas of potential future policy development, including funding for research and development and confirming use of current legislation/rulemaking to AI as feasible.</li> <li>— <b>Policy Principles:</b> Generally, aligns with and supports key tenets of frameworks and actions being taken across regulatory agencies under the AI Executive Order (e.g., safeguarding, privacy, fairness, security).</li> </ul>	<a href="#">AI Policy Roadmap: Senate AI Working Group</a>

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