

# CPG's External Risk Events Report



Capital Performance Group tracks events at financial institutions and financial technology firms across the country which could have risk implications for the industry.

This sample report focuses on events at large banks in the United States – institutions with assets of \$35.0B or more.

Within each risk type, events are sub-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

The report contains a recap of legislative actions, proposed regulatory rules and enforcement actions among U.S. regulatory agencies involved in financial oversight.

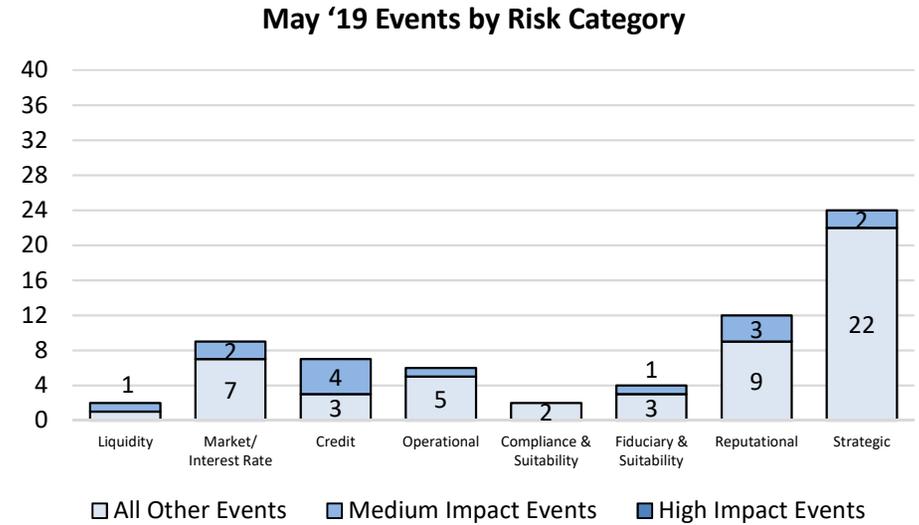
A column is provided on each page to mark those events that are most relevant to your institution. Each report can be customized to best suit the risk-needs of the individual subscribing organization.

External events are organized under eight types of risk for easy review:

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

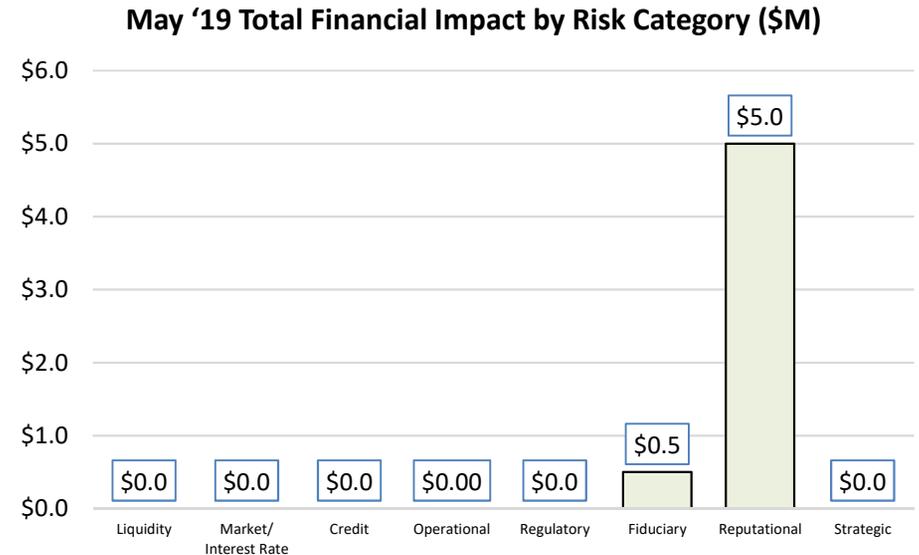
# Overview – May 2019

High Impact Events	Risk Type	Financial Impact to Bank in Question
No single event in May had a great enough financial impact to be considered "High Impact."	–	–



### Categories with External Events

- Liquidity Risk (see pg. 7)
- Market/Interest Rate Risk (see pg. 9)
- Credit Risk (see pg. 15)
- Operational Risk (see pg. 19)
- Fiduciary & Suitability Risk (see pg. 23)
- Regulatory Risk (see pg. 25)
- Reputational Risk (see pg. 28)
- Strategic Risk (see pg. 35)



# Overview – May 2019

WATCHLIST EVENTS
<b>Liquidity</b> <ul style="list-style-type: none"> <li>• Deposit rate increases slowed in 1Q19 according to a survey by Piper Jaffray, page 7.</li> </ul>
<b>Market &amp; Interest Rate Risk</b> <ul style="list-style-type: none"> <li>• The U.S. treasuries yield curve inverted to its steepest slope since 2007, page 9.</li> <li>• The net interest margin declined at 21 of the largest 25 banks in 1Q19 versus 4Q18, page 10.</li> </ul>
<b>Credit Risk</b> <ul style="list-style-type: none"> <li>• Non-performing commercial loans at the 10 largest commercial banks rose in 1Q19, page 15.</li> <li>• According to the Federal Reserve survey of senior loan officers, in 1Q19 banks eased loan terms for large and midsize commercial borrowers, page 16.</li> <li>• The percentage of residential mortgage loans backed by Fannie Mae and Freddie Mac to borrowers with debt-to-income ratios above 43.0% has doubled since 2015, page 16.</li> <li>• The Comptroller of the Currency stated that borrowing levels in the leveraged-loan market require closer regulatory scrutiny, page 17.</li> </ul>
<b>Operational Risk</b> <ul style="list-style-type: none"> <li>• A cybersecurity vulnerability at a mortgage title insurer potentially enabled unauthorized access to hundreds of millions of mortgage-related documents, page 19.</li> </ul>
<b>Regulatory Risk</b> <ul style="list-style-type: none"> <li>• <b>Deutsche Bank AG</b> is facing a probe following reports that senior officials in the bank's private wealth management division suppressed Suspicious Activity Reports for transactions made by Trump and Kushner-related entities page 26.</li> </ul>

## Notable Regulatory & Legislative Events

- The Securities and Exchange Commission (SEC) approved its proposed Regulation Best Interest rule.
- The Trump administration is nearing completion of a plan to transition Fannie Mae and Freddie Mac out from under government receivership.
- The Consumer Financial Protection Bureau (CFPB) is seeking public comment regarding rescinding or amending the current Overdraft Rule.

*See pages 5 and 6 for more information*

## Significant Management Changes

- Citigroup appointed Tracey Warson to chairman of Citi Private Bank North America.
- Synchrony Financial Appointed Brian Doubles to president of the company.

*See pages 45 and 46 for more information*

# Overview – May 2019

## WATCHLIST EVENTS (CONT'D)

### Reputational Risk

- JPMorgan Chase & Co. agreed to settle the largest parental leave discrimination case in U.S. history, page 28.
- JPMorgan Chase & Co. severed its banking relationship with Purdue Pharma LP due to the latter's alleged role in the U.S. opioid crisis, page 29.
- The largest banks, including JPMorgan, Citigroup and Wells Fargo & Co., are facing scrutiny by advocacy groups and some lawmakers related to their CEO compensation levels, page 29.

### Strategic Risk:

- Citigroup Inc. is seeking to expand its retail banking business by expanding rewards to its credit card customers to incent them to buy other banking products, page 35.
- SLM Corporation will offer credit cards to a segment of its student loan customers, page 36.

## Notable International Events

- The Trump Administration imposed tariffs on an additional \$200.0B worth of imports from China and threatened to impose tariffs on all Mexican goods.
- The U.S. lifted tariffs on aluminum and steel imports from Canada and Mexico.
- The UK Brexit Party emerged as the largest winner in the UK's European Parliament election.

*See pages 47 and 48 for more information*

- 1. The Securities and Exchange Commission (SEC) approved its proposed Regulation Best Interest rule (Reg BI).** The regulation explicitly imposes a "best-interest" standard of care for broker/dealers advising clients on where to invest their money, among other requirements. Critics of Reg BI say the best interest standard doesn't provide investors the protection the term implies, conflicts of interests can be satisfied with disclosures, and the regulation merely codifies existing obligations under Financial Industry Regulatory Authority (FINRA) rules.
- 2. The Trump administration is nearing completion of a plan to transition Fannie Mae and Freddie Mac out from under government receivership.** According to the *Wall Street Journal*, under the plan being developed by the U.S. Department of the Treasury, the two mortgage entities would need to raise upwards of \$125.0B in capital to absorb potential losses and pay an annual fee for a line of credit from the U.S. Treasury. Importantly, the plan would not require congressional action.
- 3. The Federal Housing Administration (FHA) proposed changes to its loan-level certification requirements and to the description of a defective loan to ease compliance concerns and thereby entice more banks to participate in the FHA's mortgage program.** Today, banks account for 13.0% of FHA's origination volume, a significant decline from approximately 44.0% in 2010.
- 4. The Consumer Financial Protection Bureau (CFPB) is seeking public comment regarding rescinding or amending the current Overdraft Rule that requires consumer's to opt-in to overdraft protection.**
- 5. A federal judge ruled that a lawsuit filed by the New York State Department of Financial Services against the Office of the Comptroller of the Currency (OCC) can proceed.** The lawsuit seeks to overturn the OCC's decision to offer a special-purpose bank charter to nonbank fintechs.
- 6. The U.S. Department of Education has engaged the services of a consulting firm to estimate the potential losses embedded in the \$1.45 trillion portfolio of federally-guaranteed student loans.** The estimate is meant to help inform several options being explored by the Trump Administration, including a partial sale of the portfolio, in an effort to minimize taxpayer losses in the face of growing defaults by student loan borrowers.
- 7. Treasury Secretary Steve Mnuchin endorsed the U.S. Financial Stability Oversight Council plan to utilize an "activities-based approach" rather than an entity-based approach when assessing systemic risk in the financial services sector.** Critics have characterized the plan as a substantial weakening of the post-crisis supervisory safeguards.
- 8. House Financial Services Committee Chairwoman Maxine Waters (D-Calif.) requested that the Federal Reserve Board (Fed) and the Federal Deposit Insurance Corporation (FDIC) delay their decision on the merger of BB&T and SunTrust Banks until her committee has time to investigate.**

1. The U.S. House of Representatives passed a major piece of retirement legislation that, among other changes, will make it easier for small businesses to offer retirement plans, facilitate the incorporation of annuities into 401(k) plans, and raise the required minimum distribution age for retirement accounts. The Setting Every Community Up for Retirement Enhancement Act (SECURE Act) passed the House by a significant and bi-partisan margin. The bill is expected to be approved by the Senate as well.



2. On a broad bi-partisan basis, the House Financial Services Committee approved a bill that would update a number of provisions to the statutory framework governing anti-money laundering reporting and compliance. Among other changes, the bill would enable financial institutions to more broadly utilize technology to meet reporting requirements, allow for the sharing of information among financial institutions, and would raise the transaction threshold for reportable transactions.



3. The Senate Banking committee is investigating the data collection activities of Facebook and how the latter shares information with financial services companies for purposes of marketing, profiling, and targeting consumers for financial products and services. The outcome could increase congressional interest in passing data privacy legislation. A number of states have already enacted laws that attempt to govern data privacy.

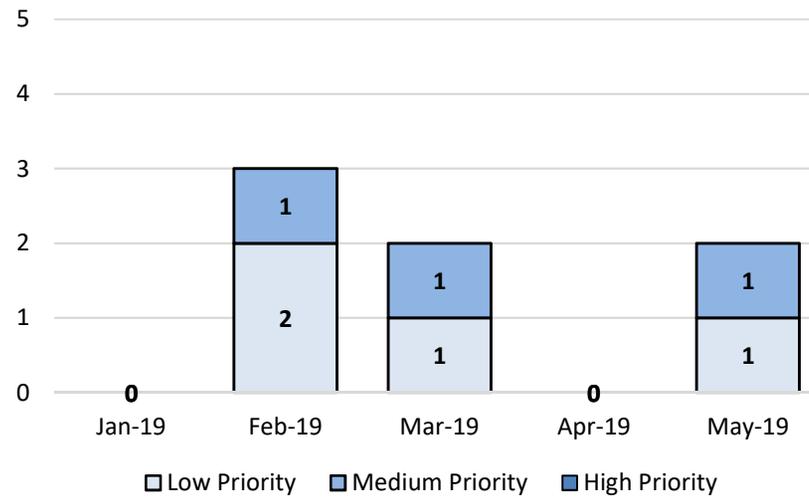
4. A bi-partisan group of fifteen senators urged the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) to delay implementation of the current expected credit loss accounting standard (CECL) until a study to assess the economic impact of the standard could be completed. Absent a regulatory-mandated delay, CECL will go into effect for many banks in early 2020.
5. The state banking associations from all fifty states submitted a joint letter to the Senate Banking Committee requesting legislation to protect financial institutions which bank marijuana-related businesses from penalty. Though the House Financial Services Committee passed marijuana banking legislation in March 2019, the Senate has yet to consider a mirror bill. Outside of Congress, support continues to mount for legislation that clarifies marijuana banking policies.

# Liquidity Risk

DATE: MAY 20, 2019

EVENT	Deposit rate increases slowed in 1Q19. A survey of 120 banks by Piper Jaffray found that banks lowered deposit rates on more accounts than accounts where they paid a higher rate.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			N/A	MEDIUM

Trend in Liquidity Risk Events



\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Liquidity Risk, continued

DATE: MAY 21, 2019

EVENT	A report by Fitch Ratings posits that the shadow banking system poses systemic risk to the financial system. Global shadow banking assets reached \$52.0T as of fiscal year-end 2017, up 8.5% year over year. A liquidity crisis in the shadow-banking sector could force cutbacks in corporate borrowing and could boost asset-price volatility. The amount of systemic risk is unknown because it is hard to measure.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

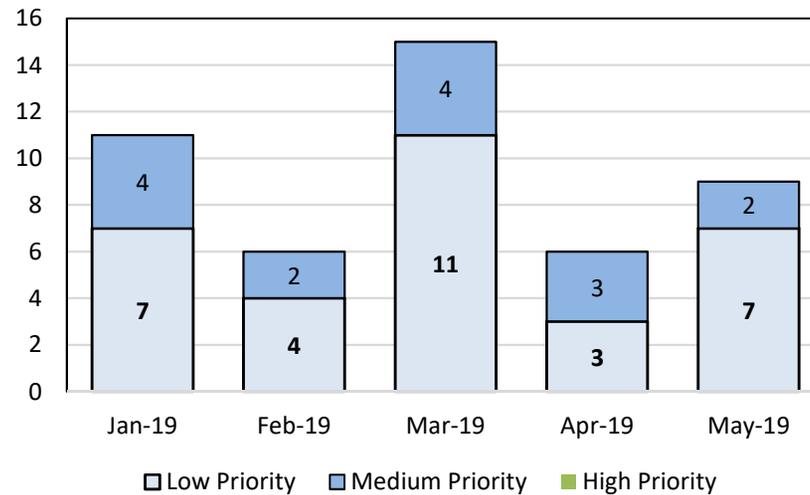
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# Market/Interest Rate Risk

DATE: MAY 29, 2019

EVENT	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	The U.S. treasuries yield curve inverted to its steepest slope since 2007, as the difference between three-month and 10-year rates was negative 12.3 basis points. Spreads between most other maturities along the curve also narrowed.	N/A	MEDIUM

Trend in MARKET/INTEREST RATE Risk Events



\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Market/Interest Rate Risk, continued

DATE: MAY 13, 2019

EVENT	The net interest margin declined in 1Q19 compared to 4Q18 for 21 of the largest 25 banks. A flat yield curve and rising deposits costs were significant factors contributing to margin contraction. Balances in noninterest-bearing deposit accounts declined and deposit costs continued to rise. According to S&P Global Market Intelligence “analysts generally expect margins to remain flat or decline through year-end”.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	MEDIUM	

DATE: MAY 29, 2019

EVENT	Morgan Stanley's (\$876.0B; New York, NY) chief U.S. equity strategist warned that prospects for continued economic growth in the U.S. are declining. He cited declining capital spending and durable goods orders as well as the inverted yield curve as cautionary signs.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Market/Interest Rate Risk, continued

DATE: MAY 24, 2019

EVENT	Orders for durable goods declined by 2.1% in April from the previous month, according to data from the U.S. Commerce Department. Demand for durable goods was also lower than was expected in March. The decline in durable goods orders is viewed as a harbinger of slowing U.S. economic activity.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 21, 2019

EVENT	Federal Reserve policymakers are considering more aggressive options for increasing the rate of inflation. One potential approach is to allow prices to rise by 3.0%-4.0% in some years, but allowing inflation to fall below 2.0% in other years, according to Federal Reserve Bank of Chicago President Charles Evans.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Market/Interest Rate Risk, continued

DATE: MAY 17, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	Based on fed-funds futures, financial futures contracts that are traded and viewed as a barometer of market expectations regarding the direction of the federal funds rate, investors assigned a 72% chance that the Federal Reserve would reduce interest rates at least once in 2019	N/A	LOW	

DATE: MAY 15, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	The yield on the 10-year U.S. Treasury fell to 2.375%, the lowest yield since December 2017, as concerns about slowing global growth and the imposition of additional tariffs led to a rally in bond prices. The 10-year treasury is a benchmark rate as the rates on many loan types are set in relation to it.	N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Market/Interest Rate Risk, continued

DATE: MAY 14, 2019

EVENT	Kansas City Federal Reserve Bank President Esther George stated that the greatest risks to the U.S. economy are posed by slowing economic growth overseas and uncertainty in trade policy. Inflation does not pose a major economic risk in her view.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 9, 2019

EVENT	A survey of economists by the <i>Wall Street Journal</i> found that they are almost equally divided over the direction of interest rates. 51.0% of respondents expect the Federal Reserve to reduce interest rates while 49.0% expect the central bank to increase rates.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Market/Interest Rate Risk, continued

DATE: MAY 7, 2019

EVENT	The Federal Reserve released its semiannual Financial Stability Report. The report identified significant growth in leverage lending, corporate indebtedness (the debt-to-asset ratio for nonfinancial publicly traded companies is close to the highest level in 20 years), as well as slowing global economic growth, as the biggest risks to the stability of the financial system.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

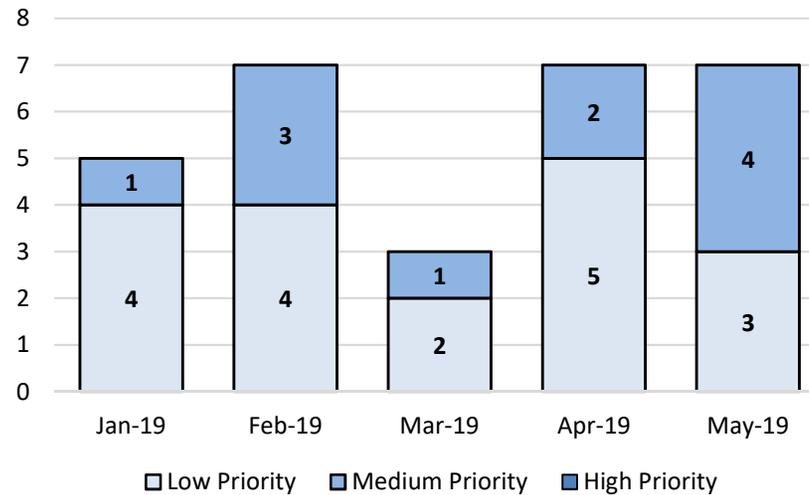
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# Credit Risk

DATE: MAY 20, 2019

EVENT	Non-performing commercial loans at the 10 largest commercial banks rose in 1Q19, according to an analysis by the <i>Financial Times</i> . While non-performing loan levels remain low by historic standards, the increase has raised concerns given that it has come during an economic expansion.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	MEDIUM	

Trend in CREDIT Risk Events



\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Credit Risk, continued

DATE: MAY 6, 2019

EVENT	According to the Federal Reserve survey of senior loan officers, in 1Q19 banks eased loan terms for large and midsize commercial borrowers. One reason cited was the improving economic outlook.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	MEDIUM	

DATE: MAY 15, 2019

EVENT	According to an analysis by <i>Inside Mortgage Finance</i> , the percentage of residential mortgage loans backed by Fannie Mae and Freddie Mac to borrowers with debt-to-income ratios above 43.0% has increased from 15.0% to 30.0% since 2015. The increase has raised concerns among policymakers about increasing risk in the residential mortgage finance market.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	MEDIUM	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Credit Risk, continued

DATE: MAY 15, 2019

EVENT	In his congressional testimony, Comptroller of the Currency Joseph Otting stated that corporate borrowing levels in the leveraged-loan market are a credit risk that requires closer scrutiny. Companies are taking on higher levels of debt relative to their earnings, and that repayment terms are increasingly being relaxed and many covenants to protect lenders have been waived.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	MEDIUM	

DATE: MAY 15, 2019

EVENT	In comments made after the release of the Federal Reserve’s semiannual Financial Stability Report, Chairman Jerome Powell acknowledged that corporate indebtedness has reached record levels and warranted close monitoring by regulatory agencies, but stated that corporate indebtedness does not pose a major risk to the financial system. He cited the fact that overall debt-to-GDP has risen at a rate consistent with other expansions and does not represent a financial bubble. Also, banks and other financial institutions have significant capacity to absorb losses.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Credit Risk, continued

DATE: MAY 11, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	<p>Increasingly, the parents of college students are borrowing to bridge the gap between the cost of college tuition for their children and the federal student loan limit. According to a report by the Brookings Institution, parent PLUS loans totaled nearly \$90.0B.</p>	<p>N/A</p>	<p>LOW</p>	

DATE: MAY 5, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	<p>Securities and Exchange Commission (SEC) Chairman Jay Clayton stated that he does not believe the leverage loan market poses a threat to the stability of the financial system. While the leverage loan market is now \$1.0T, Clayton stated that it was small relative to total financial investments.</p>	<p>N/A</p>	<p>LOW</p>	

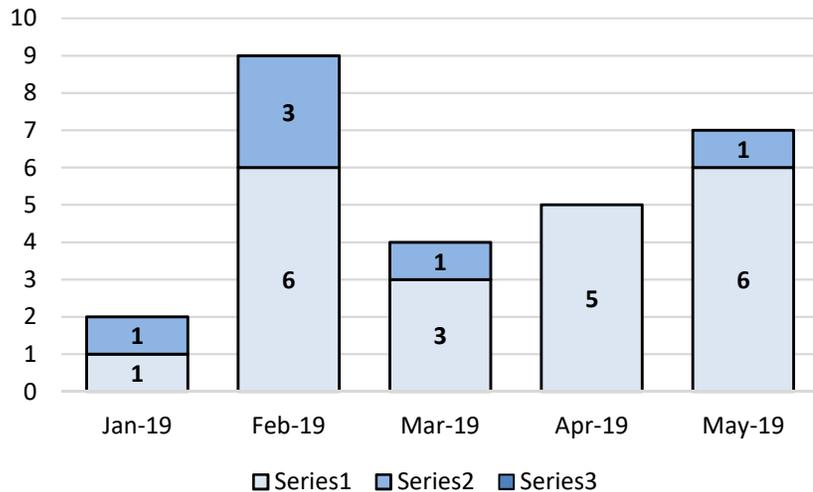
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# Operational Risk

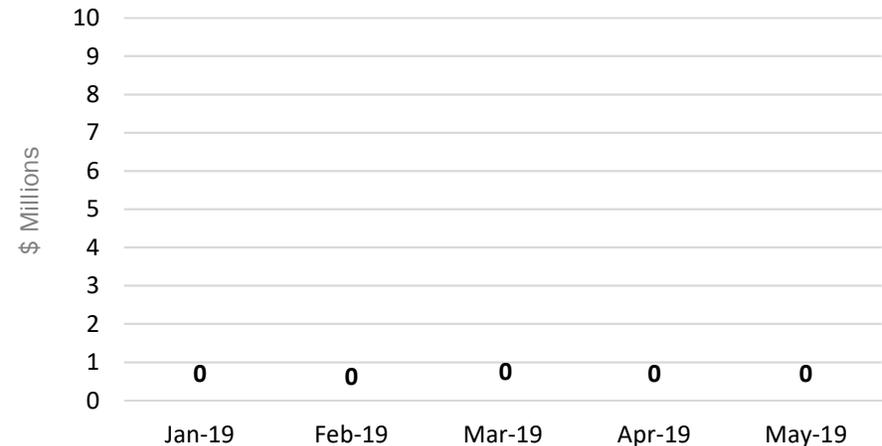
DATE: MAY 24, 2019

EVENT	Mortgage title insurer First American Financial Corporation (\$11.2B; Santa Ana, CA) disclosed a cyber security vulnerability that potentially enabled unauthorized access to the information related to hundreds of millions of mortgage documents, including tax information and bank account information. It is not known how many documents have been viewed. The breach is under investigation by the New York State Department of Financial Services.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		<b>TBD</b>	<b>MEDIUM</b>	

Trend in OPERATIONAL Risk Events



Trend in Financial Impact



\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Operational Risk, continued

DATE: MAY 23, 2019

EVENT	Deutsche Bank AG (\$1.6T; Frankfurt, Germany) reportedly uncovered an error in its computer system that scans transactions of its corporate clients for suspicious activity, according to a <i>Wall Street Journal</i> report. The system error impeded identification and reporting of suspicious activity to regulators. The computer system error may have impacted the scanning of transactions for the past 10 years.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		<b>TBD</b>	<b>LOW</b>	

DATE: MAY 21, 2019

EVENT	The former vice-chair of Asia investment banking for JP Morgan Chase & Co. (\$2.7T; New York, NY) was charged by Hong Kong's anti-corruption enforcers with two counts of bribery. The former employee, a two-decade veteran of the company, is alleged to have offered a job to the son of a potential client. The incident was part of what has been termed the "Sons and Daughters" program, wherein the bank's Asia unit allowed clients and government officials to submit hiring recommendations.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		<b>N/A</b>	<b>LOW</b>	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Operational Risk, continued

DATE: MAY 7, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	<p>Concerns are being raised that as banks make the digital loan process for small business credit more frictionless, opportunities for perpetrating fraud increase. A survey by Aite Group and the Small Business Financial Exchange found that 44 percent of the online small business lenders surveyed had experienced a rise in synthetic identity fraud in the last year.</p>	<p>N/A</p>	<p>LOW</p>	

DATE: MAY 6, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	<p>One of the former Goldman Sachs Group Inc. (\$9254.0B; New York, NY) bankers at the center of the 1Malaysia Development Bhd. scandal, Roger Ng, was extradited to the U.S. from Kuala Lumpur to face Department of Justice charges related to his role in the scandal, to which he has pleaded not guilty. In March, the Federal Reserve Board moved to permanently ban Ng, along with his former Goldman Sachs Group Inc. colleague Tim Leissner, from the banking industry over their roles in the scandal.</p>	<p>N/A</p>	<p>LOW</p>	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Operational Risk, continued

DATE: MAY 3, 2019

EVENT	Wells Fargo & Co. (\$1.9T; San Francisco, CA) disclosed that it expects to rebate some debit card fees as part of the bank's internal review regarding the clarity of its account disclosures.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			TBD	LOW

DATE: MAY 1, 2019

EVENT	A survey conducted by Deloitte and the Financial Services Information Sharing and Analysis Center found that banks were the primary target of cybercriminals. The survey also found that some of the largest banks have tripled spending on cyber defense within the last few years.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			N/A	LOW

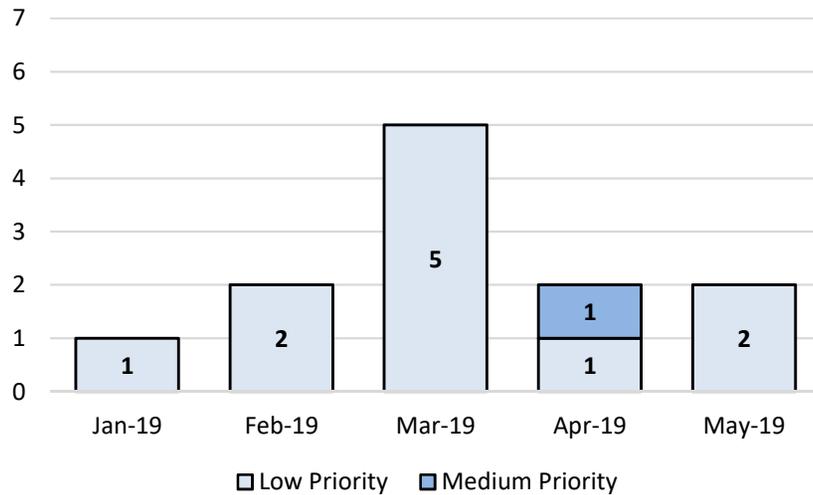
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# Fiduciary & Suitability Risk

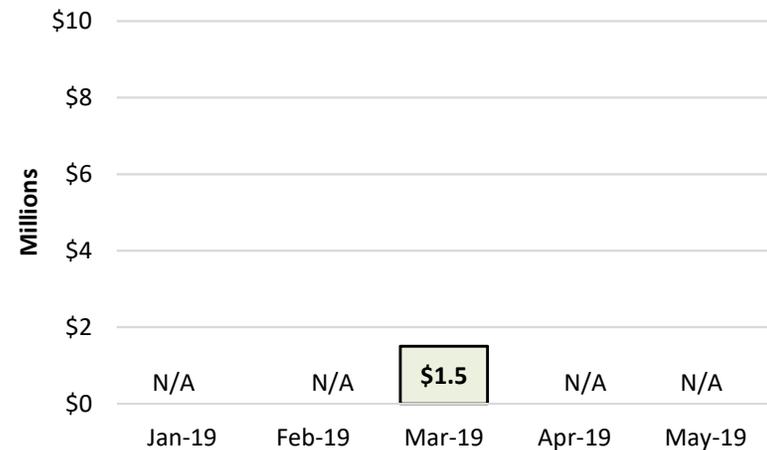
DATE: MAY 18, 2019

EVENT	Morgan Stanley unit Morgan Stanley Smith Barney LLC was ordered by Financial Industry Regulatory Authority (FINRA) to pay \$519.0K in compensatory damages to two clients over losses in their investment accounts, which allegedly occurred as a result of the Morgan Stanley unit engaging in deceptive trade practices, breach of contract and implied covenant of good faith and fair dealing, and breach of fiduciary duty.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
				\$519.0K

Trend in FIDUCIARY & SUITABILITY Risk Events



Trend in Financial Impact



\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Fiduciary & Suitability Risk, continued

DATE: MAY 7, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	<p>A class action suit was filed in the U.S. District Court for the Southern District of New York against Goldman Sachs Group Inc. by shareholders over alleged breaches of fiduciary duty in connection with the company's role in the 1Malaysia Development Berhad scandal.</p>	<p><b>TBD</b></p>	<p><b>LOW</b></p>	

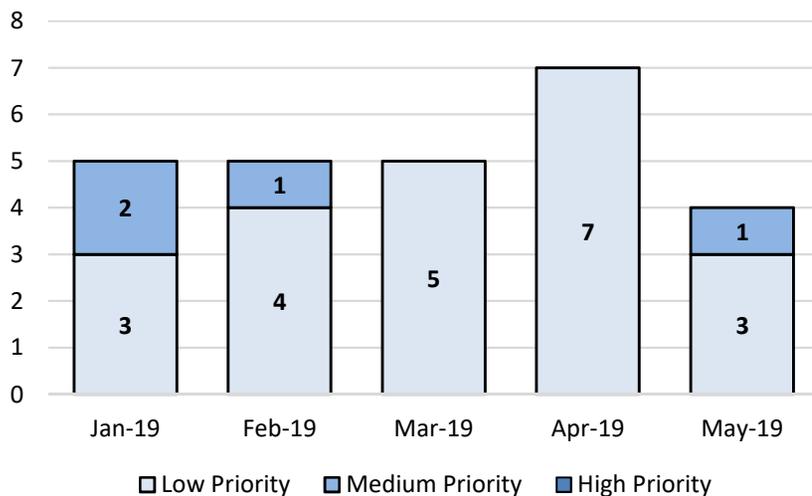
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# Regulatory Risk

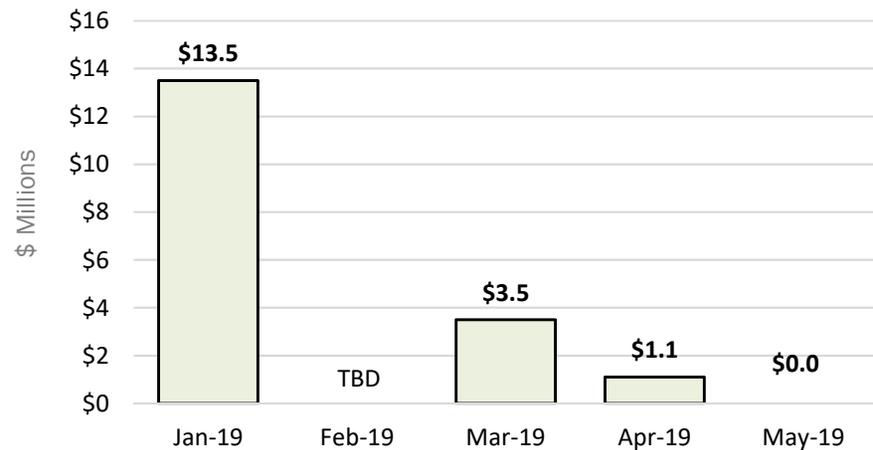
DATE: MAY 6, 2019

EVENT	The Financial Crimes Enforcement Network (FINCEN) will open a probe into Deutsche Bank AG's compliance with guidelines for reporting suspicious activity. The action follows a <i>New York Times</i> report that senior officials in the bank's private wealth management division suppressed Suspicious Activity Reports (SARs) prepared by compliance staff for transactions made by Trump and Kushner-related entities.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		TBD	MEDIUM	

Trend in REGULATORY Risk Events



Trend in Financial Impact



\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Regulatory Risk, continued

DATE: MAY 29, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	<p>The U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) issued a “Finding of Violation” to State Street Corp. unit State Street Bank &amp; Trust Co. over violations of sanctions on Iran, but did not levy a financial penalty. OFAC said that, between January 2012 and September 2015, the State Street unit served as a trustee for a client’s employee retirement plan and handled at least 45 pension payments for the customer, who was a U.S. citizen with a U.S. bank account that lived in Iran. OFAC’s Finding of Violation states that a deficiencies in the bank’s sanctions screening procedures led to the violations, which were self-reported to OFAC by State Street in 2015.</p>	N/A; State Street did not receive a financial penalty	LOW	

DATE: MAY 28, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	<p>A federal court in California partially granted the Federal Trade Commission’s (FTC) motion to strike down LendingClub’s affirmative defenses. The court action is the latest development since the FTC filed a complaint in October 2018 following a class action lawsuit against LendingClub claiming that the online lender falsely promoted loans with “no hidden fees,” while actually charging such fees. The company can refile the affirmative defenses that were not struck down. LendingClub said that it may hold additional settlement discussions with the agency.</p>	TBD	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Regulatory Risk, continued

DATE: MAY 16, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	<p>The European Commission (EC) fined five global financial institutions a total of €1.07B for forming two cartels and colluding to manipulate the foreign currency exchange market for 11 currencies. The EC said that traders at the five banks used online chatrooms to exchange sensitive information and trading plans, and to coordinate trading strategies, thereby engaging in anti-competitive behavior and enabling the traders to make informed market decisions. Citigroup Inc. received the largest penalty of the group with a fine of \$349.7MM<sup>2</sup> (€310.8MM), while the EC fined Royal Bank of Scotland Group PLC (\$936.5B; Edinburgh, UK) \$280.4MM<sup>2</sup> (€249.2MM), JPMorgan Chase &amp; Co. \$257.4MM<sup>2</sup> (€228.8MM), Barclays PLC (\$1.6T; London, UK) \$236.6MM<sup>2</sup> (€210.3MM), and Mitsubishi UFJ Financial Group Inc. \$78.5MM<sup>2</sup> (€69.8MM). Although UBS Group AG (\$956.6B; Zurich, Switzerland) participated in the cartels, the commission granted immunity to the Swiss bank because it had originally exposed the misconduct to regulators in 2013, thus avoiding a \$320.6MM<sup>2</sup> (€285.0MM) penalty. The penalties were reduced by varying degrees due to the companies' acknowledgement of participation in the cartels and their cooperation with the commission's investigation.</p>	<p>349.7MM<sup>1</sup>; or 7.68% Citigroup's average quarterly net income (last 5 quarters)</p> <p>\$257.4MM<sup>1</sup>; or 3.09% JPMorgan's average quarterly net income (last 5 quarters)</p> <p>\$78.5MM<sup>1</sup>; or 3.94% Mitsubishi's average quarterly net income (last 5 quarters)</p>	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

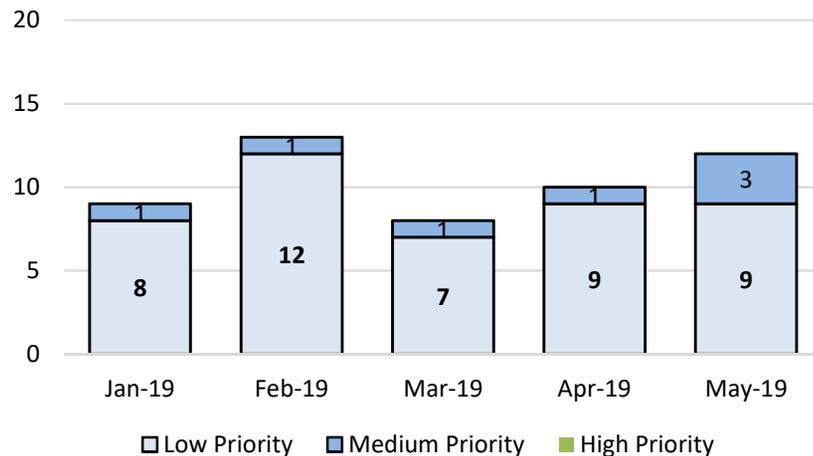
1. Exchange rate as of June 4, 2019.

# Reputational Risk

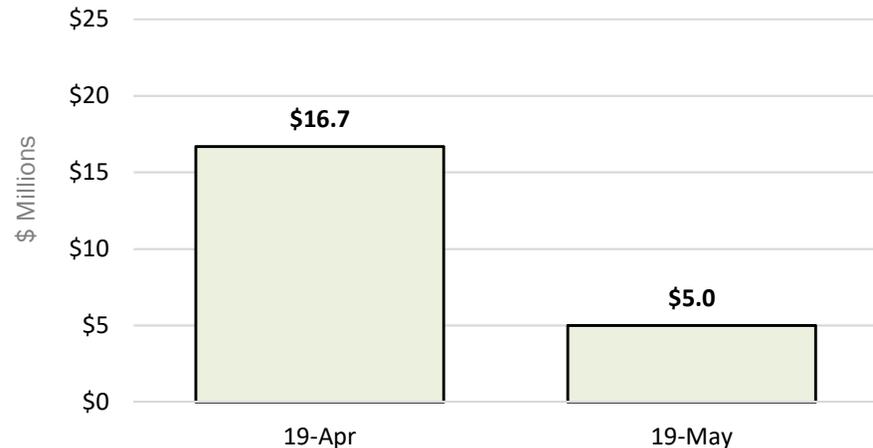
DATE: MAY 30<sup>TH</sup>, 2019

EVENT	<p>JPMorgan Chase &amp; Co. agreed to pay \$5.0MM to settle a discrimination lawsuit filed by a male employee who alleged that the company’s family leave policy was biased against males. The policy stipulates that “primary caregivers” are eligible for 16 weeks of parental leave, whereas “non-primary parental caregivers” are only eligible for six weeks. The settlement is the largest parental leave discrimination case in U.S. history.</p>	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		\$5.0MM; or 0.06% JPMorgan’s average quarterly net income (last 5 quarters)	<b>MEDIUM</b>	

Trend in REPUTATIONAL Risk Events



Trend in Financial Impact



\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Reputational Risk, continued

DATE: MAY 24, 2019

EVENT	JPMorgan Chase & Co. requested that Purdue Pharma LP switch to a new banking partner due to the reputational risk of associating with the pharmaceutical company, which is the subject of thousands of lawsuits and public criticism over its alleged role in the U.S. opioid crisis.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	MEDIUM	

DATE: MAY 17, 2019

EVENT	According to S&P Global Market Intelligence, the largest banks, including JPMorgan, Citigroup and Wells Fargo, reported the highest ratio of CEO compensation to the median employee compensation last year. The compensation disclosure was mandated by the Dodd Frank Act. Some lawmakers and advocacy groups have used the metric to pressure banks to change their compensation practices.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	MEDIUM	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Reputational Risk, continued

DATE: MAY 28, 2019

EVENT	An agreement was reached to delay the House Financial Services Committee’s subpoenas that would require Capital One Financial Corp. (\$373.2B; McLean, VA) and Deutsche Bank AG to turn over Donald Trump’s financial records. On May 22nd, a federal judge struck down Trump’s lawsuit which sought to block the banks from turning over his financial records to several House committees. Trump has appealed the decision, and lawyers representing Trump and the House Committees have agreed to delay enforcing the subpoenas until seven days after the appeal is settled.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 25, 2019

EVENT	Some conservative political activists have accused JPMorgan Chase of closing the bank accounts of several right-leaning and conservative political groups. They assert that the bank has not provided an explanation for why the accounts were closed. JPMorgan Chase CEO Jamie Damion denied that the bank has ever closed the accounts of customers for their political views.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Reputational Risk, continued

DATE: MAY 24, 2019

EVENT	U.S. Bank NA (\$475.8B; Minneapolis, MN) sued Bank of America Corp. (\$2.4T; Charlotte, NC) over a 2007 contract related to the sale of residential mortgage-backed securities, in which U.S. Bank is a trustee. The suit alleges that Bank of America only repurchased some defective mortgage loans, whereas the contract required that all defective loans be either cured or repurchased.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		<b>TBD; the lawsuit is ongoing</b>	<b>LOW</b>	

DATE: MAY 23, 2019

EVENT	The House Financial Services Committee has received documents regarding President Trump's financial dealings from Wells Fargo & Co. and Toronto-Dominion Bank, making them the first two financial institutions to comply after the committee subpoenaed nine banks to turn over any financial records that involve business with the Trump Organization.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		<b>N/A</b>	<b>LOW</b>	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Reputational Risk, continued

DATE: MAY 22, 2019

EVENT	A Federal Judge in Nebraska ruled to allow a national class-action lawsuit against Nelnet Inc. (\$24.7B; Lincoln, NE) to move forward, approving four of the six claims brought against Nelnet. The company faces claims that it breached student loan contracts and mismanaged student loans, which caused borrowers to lose the opportunity to repay their loans at lower rates and more favorable terms.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		TBD	LOW	

DATE: MAY 20, 2019

EVENT	A lawsuit was filed against Wells Fargo by a minister in New Jersey who was mistakenly identified by bank employees as an individual who had deposited fraudulent checks. The misidentification resulted in the arrest of the minister. His lawsuit is seeking compensatory and punitive damages.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		TBD; the lawsuit is ongoing	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Reputational Risk, continued

DATE: MAY 17, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	A UK Parliament committee announced that several large financial institutions, including HSBC Holdings PLC (\$2.7T; London, UK), Goldman Sachs Group Inc., and Barclays Bank PLC, will be required to testify at a parliamentary hearing this summer regarding the gap in pay between men and women. The committee plans on questioning the banks about how they are going to address the gender pay gap at their companies, which was found to be 61.1% at HSBC and 55.5% at Goldman Sachs' London unit this year.	N/A	LOW	

DATE: MAY 6, 2019

EVENT		Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
	U.S. Bancorp is being sued by a former employee. The suit alleges that the bank fired him in retaliation for blowing the whistle on a program to sell credit cards to ineligible borrowers as a means of inflating sales figures. U.S. Bancorp denies the allegations.	TBD	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Reputational Risk, continued

DATE: MAY 1, 2019

EVENT	A recent report indicates that Deutsche Bank AG is at risk of failing to pass the Federal Reserve’s 2019 stress tests, which would result in the lender facing even more stringent regulatory conditions and scrutiny. Deutsche Bank’s performance in recent years has kept regulators concerned in Europe and the U.S., which have been paying close attention to the scandal-ridden lender.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

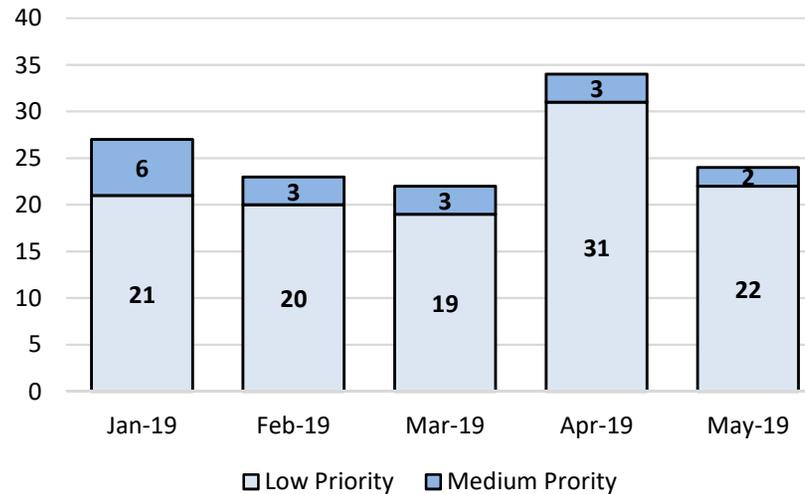
\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Strategic Risk

DATE: MAY 9, 2019

EVENT	<p>Citigroup Inc. is seeking to boost its retail banking business by expanding and enhancing perks and rewards for its credit card customers to incent them to utilize other banking products offered by the company. For example, Citi recently made a private offer to select cardholders for 30,000 airline points to open up an online checking account at the bank, which has seen consumer deposits shrink in recent years. Citi also said that it is going to strengthen its Thank You and Double Cash reward programs as part of the effort to cross-sell its cardholders other products.</p>	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			MEDIUM	

Trend in STRATEGIC Risk Events



\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Strategic Risk, continued

DATE: MAY 22, 2019

EVENT	SLM Corporation (\$27.6B; Newark, DE) is planning on launching a suite of credit cards targeted at a segment of its student loan customers. The launch date is scheduled for late this summer.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	MEDIUM	

DATE: MAY 29, 2019

EVENT	Huntington Bancshares Inc. (\$108.2B; Columbus, OH) CFO Howell McCullough indicated that the bank will focus on organic growth and abstain from a “merger of equals” transaction. He also indicated that the bank would not likely launch a digital-only bank to raise loans and deposits outside of its footprint.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 29, 2019

EVENT	Wells Fargo & Company retail banking head Mary Mack indicated that the bank is contemplating switching to paying a flat fee to auto dealers in its indirect auto lending business. Currently, the fee paid to dealers varies depending on the interest rate charge to the borrower.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Strategic Risk, continued

DATE: MAY 27, 2019

EVENT	JPMorgan Chase & Co. is preparing to introduce a global equity trading bot across the bank's asset management division. The bot was developed earlier this year, according to Business Insider. JPMorgan expects the bot to aid in reducing costs and risks associated with equity trading at the bank.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 24, 2019

EVENT	Square Inc. (\$3.3B; San Francisco, CA) has begun an invitation-only pilot program for payments involving cannabidiol (CBD) products, which were recently legalized at the federal level when Congress passed the Farm Bill in 2018.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 16, 2019

EVENT	Regions Financial Corp. (\$129.1B; Birmingham, AL) announced that it would not be renewing its contract with third-party consumer loan originator GreenSky. The bank said the decision is part of its strategy to focus more on deepening customer relationships. Last month, Regions announced it was exiting indirect auto lending.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Strategic Risk, continued

DATE: MAY 15, 2019

EVENT	American Express Co. (\$197.2B; New York, NY) announced that it will acquire the restaurant reservation booking and management platform Resy. The deal is expected to close in the summer of 2019. This transaction is part of a spate of recent acquisitions by American Express, which include the personal travel assistant Mezi, U.K. dining reservation platform Cake Technologies, Japanese restaurant reservation platform Pocket Concierge, and airport lounge platform LoungeBuddy. The acquisitions are part of Amex's strategy to enhance the digital capabilities and services that it offers to customers.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 15, 2019

EVENT	BB&T Corp. (\$227.7B; Winston-Salem, NC) and SunTrust Banks, Inc. (\$220.7B; Atlanta, GA) have closed a combined 116 branches since announcing their intention to merge on Feb. 7 <sup>th</sup> , according to S&P Global Market Intelligence data. BB&T branches made up about 74.0% of those closures.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 14, 2019

EVENT	Reuters reported that Deutsche Bank AG and UBS Group AG's talks over a potential merger of their respective asset management units have fallen apart over disagreement on who would be in control of the resulting entity.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Strategic Risk, continued

DATE: MAY 13, 2019

EVENT	<p>Goldman Sachs Group Inc. is reportedly nearing an agreement to acquire United Capital Financial Partners Inc. in a deal that may be valued at \$700.0MM to \$750.0MM. If it occurs, the deal would mark Goldman Sachs’ largest acquisition in almost 20 years. United Capital is a wealth management firm based in Newport Beach, CA, that has almost 220 advisers and manages \$24.0B in client assets. The acquisition would give Goldman access to affluent and high-net-worth individuals and allow the company to move into managing assets for individuals and thereby further diversify its business mix.</p>	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

DATE: MAY 10, 2019

EVENT	<p>BlackRock Inc. (\$165.0B; New York, NY) announced that the company completed its \$1.3B acquisition of eFront SA, an end-to-end alternative investment-management software and services provider based in Paris. BlackRock intends to merge the eFront platform with its current investment operating platform Aladdin, which will “extend Aladdin’s end-to-end processing solutions [offered] in alternative asset classes, enabling clients to get an enterprise view of their portfolio.”</p>	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Strategic Risk, continued

DATE: MAY 9, 2019

EVENT	East West Bancorp Inc. (\$42.1B; Pasadena, CA) acquired Enstream Capital Markets LLC, a non-public broker/dealer, in 1Q19, according to East West's Form 10-Q.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

DATE: MAY 9, 2019

EVENT	U.S. Bancorp unveiled a new expense and payment mobile app for business travelers. The solution, called the U.S. Bank Expense Wizard, contains a virtual assistant and is geared to enabling business travelers to organize their travel receipts and expense reporting to expedite reimbursement. The app was done in partnership with Chrome River.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

DATE: MAY 8, 2019

EVENT	LendingClub Corp. CEO Scott Sanborn stated that the company is considering applying for a bank charter.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Strategic Risk, continued

DATE: MAY 7, 2019

EVENT	LendingClub Corp. announced during its 1Q19 earnings call that the company was taking large steps to cut costs, including outsourcing 400 operations support jobs and opening a new office in Salt Lake City to which it plans on moving 350 employees currently stationed in San Francisco.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 7, 2019

EVENT	PNC Financial Services (\$392.9B; Pittsburgh, PA) has agreed to sell approximately \$13.9B investment management assets to Federated Investors. The sale is expected to close by 4Q19. PNC's rationale for the sale is to focus its wealth business on outsourced investment services.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

DATE: MAY 7, 2019

EVENT	Navient Corp. has agreed to sell its General Revenue Corp. unit to SinglePoint Group International Inc. for an undisclosed amount. The deal is expected to close on June 30th. General Revenue Corp. is a debt recovery company focused on student and consumer loans.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Strategic Risk, continued

DATE: MAY 7, 2019

EVENT	Citigroup Inc. unit Citigroup Global Markets Inc. disclosed that it had shut down its CitiCross alternative trading system, which was one of the company's three private stock trading exchanges – commonly known as dark pools.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

DATE: MAY 6, 2019

EVENT	SunTrust Banks, Inc. will open a private wealth management office in Boston. SunTrust opened a private wealth management office in New York city in 2017.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

DATE: MAY 2, 2019

EVENT	First Citizens BancShares Inc. (\$36.0B; Raleigh, NC) completed its acquisition of First South Bancorporation (\$238.5MM; Spartanburg, SC).	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Strategic Risk, continued

DATE: MAY 2, 2019

EVENT	Microsoft and JPMorgan Chase & Co. announced a partnership through which JPMorgan's Quorum blockchain platform will be available through Microsoft's Azure Blockchain Service, making it the first distributed ledger platform available through the service. The companies say the partnership will accelerate the adoption of enterprise blockchain, and that "the platform will enable enterprise businesses across all industries to shift their focus from infrastructure management to application development, ultimately driving transformative business value."	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

DATE: MAY 2, 2019

EVENT	Morgan Stanley completed its acquisition of Canadian software-as-a-service provider Solium Capital Inc. in a deal valued at C\$1.1B (\$900.0MM). Solium Capital focuses on equity administration, financial reporting and compliance. Morgan Stanley has rebranded Solium as Shareworks by Morgan Stanley, which will serve over 3,300 stock plan clients with a combined 2.5MM participants and is part of the company's new Morgan Stanley at Work product suite.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
			LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

## Strategic Risk, continued

DATE: MAY 1, 2019

EVENT	Intercontinental Exchange Inc. (\$93.9B; Atlanta, GA) (ICE) agreed to acquire Simplifile LC (Provo, Utah) for \$335.0MM. Simplifile provides a digital platform linking residential lenders, settlement agents, and counties. The acquisition is part of ICE’s strategy to build a platform to support the growth of digital residential mortgage transactions. The transaction is expected to close in the third quarter.	Financial Impact to Bank in Question*	IMPACT	Relevancy of Event to Our Bank
		N/A	LOW	

\*When event is bank specific and the financial impact/fine is known, it is reported here.

# Significant Management Changes

## SAN FRANCISCO & NORTHERN CALIFORNIA

DATE	BANK	MANAGEMENT CHANGE
May 28 <sup>th</sup>	Wells Fargo & Co.	Named Gary Owen as its chief information security officer and head of information security.
May 28 <sup>th</sup>	Wells Fargo & Co.	Announced that Steve Hagerman will join the bank as head of consumer lending technology. Hagerman was previously responsible for the first mortgage, home equity and correspondent lending platforms at JPMorgan.
May 20 <sup>th</sup>	Fifth Third Bancorp	Announced that Chief Administrative Officer Teresa Tanner will be stepping down. Her responsibilities will be divvied among several executives.
May 16 <sup>th</sup>	Huntington Bancshares Inc.	Announced that Howell McCullough will retire as CFO the end of 2019.

## BOSTON, MASSACHUSETTS

DATE	BANK	MANAGEMENT CHANGE
May 20 <sup>th</sup>	State Street Corp.	Announced that current EVP and Chief Administrative Officer Karen Keenan will be taking a personal leave of absence. Tracy Atkinson will take over as acting chief administrative officer. Atkinson previously served as executive vice president and chief compliance officer at State Street.

# Significant Management Changes, continued

## NEW YORK METRO AREA

DATE	BANK	MANAGEMENT CHANGE
May 30 <sup>th</sup>	Jefferies Group LLC	Appointed Christopher Wood to global head of equity strategy.
May 13 <sup>th</sup>	Citigroup Inc.	Appointed Susan Kendall to CFO of the company's consumer banking unit, effective June 15. Kendall most recently served as the investor relations head for Citigroup.
May 9 <sup>th</sup>	Bank of New York Mellon Corp.	Pershing LLC appointed current COO James Crowley to become its new CEO, replacing Lisa Dolly, effective July 1. Dolly will serve as chairman of the BNY Mellon unit through the end of 2019.
May 6 <sup>th</sup>	American Express Co.	Announced that the company's chief corporate affairs officer, Mike O'Neill, will retire at the end of this year.
May 3 <sup>rd</sup>	Synchrony Financial	Appointed Brian Doubles to president of the company and Deputy CFO Brian Wenzel Sr. to CFO to succeed Doubles.
May 1 <sup>st</sup>	HSBC Holdings PLC	Appointed Patrick Nolan to global head of corporate banking. Hugo Hearth will succeed Nolan in his current role as vice chairman of global banking.
May 3 <sup>rd</sup>	E*TRADE Financial Cop.	Named Alice Milligan chief customer officer. Milligan previously served as chief digital client experience officer for Citibank's North America Consumer Bank.
May 3 <sup>rd</sup>	Citigroup Inc.	Appointed Murli Buluswar to head of analytics and information management for U.S. consumer banking and appointed Tracey Warson to chairman of Citi Private Bank North America.

## AMERICAS

1. **President Trump threatened to impose a 5.0% tariff on all Mexican goods unless the Mexican government improves its efforts to stem the flow of migrants from Central America.** If imposed, the tariff would have become effective on June 10th and would have increased to 25.0% by October.
2. **The Trump Administration imposed tariffs on an additional \$200.0B worth of imports from China** as discussions to reach a trade agreement between the two countries apparently stalled. President Trump also threatened to levy a 25.0% tariff on another \$325.0B worth of Chinese goods.
3. **The U.S. lifted tariffs on aluminum and steel imports from Canada and Mexico.** The trade tariffs had been in place for one year. The move was seen as a step by the Trump administration toward easing trade tensions as well as to improve the chances of ratification of the new trade agreement among the U.S., Mexico, and Canada.
4. **The U.S. announced a delay of six months on imposing new tariffs on foreign automobiles and parts.** The Trump administration stated that the delay was in part because it was working to negotiate new trade agreements with Japan and the European Union.
5. **The Brazilian government lowered its forecast for economic growth in 2019 economic from 2.2% to 1.6%.** The reduced forecast is partly a reflection of business uncertainty surrounding the government's effort to reform the country's insolvent pension system.

## ASIA

1. **Japan's economy expanded by 2.1% in 1Q19, an unexpectedly-high figure.** The higher than expected growth rate will make it difficult for the country to delay the 8.0-10.0% consumption tax set to take effect this October.
2. **India's incumbent Prime Minister, Narendra Modi, was reelected in a landslide vote, in which his party, Bharatiya Janata (BJP), gained a large majority of India's lower house.** The election constitutes the most significant realignment of the political landscape since India's independence under Mahatma Gandhi in 1947 and signals a nationalistic direction in Indian governance.
3. **Pakistan appointed Reza Baqir, a former International Monetary Fund economist, to serve as the country's next central bank governor.** Baqir assumes the central bank governor position amid widespread economic malaise in the country and the Rupee has been devalued by around 34.0% since late 2017.
4. **Indonesia incumbent president Joko Widodo was reelected with 55.5% of the votes.** Widodo's opponent, Prabowo Subianto, planned to contest the results on the grounds of "electoral irregularities." Indonesia has Southeast Asia's largest economy.

## Select International Events, continued

### EUROPE

- 1. The UK Brexit Party emerged as the largest winner from the UK's European election vote.** The Brexit Party won 29 out of 73 seats and 31.6% of all votes tallied. UK voters, apparently frustrated with the stalled plan to exit the European Union (EU), abandoned the two traditional parties and opted to support parties that were either clearly pro-Brexit or pro-EU.
- 2. Overall, the European Union's parliamentary elections resulted in a shift of power from a centrist coalition, which previously controlled 54.0% of the body's seats, towards the far-right and the left.**
- 3. During the month of April, the eurozone experienced the highest rate of inflation in six months.** The inflation rate reached 1.7% - up from 1.4% in the prior month – according to data from the Eurostat. The increase is attributed to significant bumps in energy prices and services. By comparison, core inflation, which excludes energy and food products, grew to 1.3% from 1.0% in March – its lowest level in 2 years.
- 4. France's unemployment rate dropped to a 10-year low in 1Q19, falling 0.1 percentage point to 8.7%.** Despite the improvement, the country continues to see unemployment levels that exceed most of the bloc's members, as well as the EU's average unemployment rate of 6.4%.

**Austria's chancellor, Sebastian Kurz, was ousted from office after losing a no-confidence vote,** making him the first chancellor to lose a vote of confidence in the country's modern history.

### MIDDLE EAST & AFRICA

- 1. The U.S. delayed new, tougher sanctions on Iran's petrochemical sector in an effort to reduce tensions.** Petrochemicals are Iran's second biggest export after crude oil.
- 2. Recent attacks on Saudi Arabian oil tankers and pipelines will result in higher insurance and security costs and likely raise crude oil prices, according to industry experts.**
- 3. Turkey's economy expanded by 1.3% in 1Q19.** However, the growth was lower compared to that experienced in the first quarter of last year. The Organization for Economic Cooperation and Development expects the Turkish economy to contract by 2.6% in 2019.
- 4. The South African economy contracted by an annualized 3.2% in 1Q19.** It represented the steepest quarterly contraction in a decade, shrinking at the first quarter, as lengthy power outages hammered key mining and manufacturing sectors.

## Note On This Report

This report is designed to provide information on events impacting a certain group of banks (those with total assets of \$35B or more). It is not meant to be a comprehensive view of every fine or penalty levied against any financial institution operating in the United States.

The financial impact estimates are exactly that – estimates. Actual penalties assessed against the institution if a similar event were to occur could differ significantly from the estimated impact shown here.

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.

### INTERNATIONAL EVENTS

The international coverage in this report is meant to highlight financial events of note and to compliment other research that the Bank may conduct on macroeconomic and geopolitical events. CPG is a financial services consulting firm with a primarily domestic focus. We do not claim to be experts on the impacts and implications of geopolitical events and therefore strongly advise that the Bank compliment the research in this report with other sources.

Our research is focused on events that impact an area beyond the borders of a particular nation-state, including the following topics:

- Forecasted GDP growth
- Monetary policy and interest rate changes
- Significant events impacting the global banking landscape

At this time, our research does not include:

- Local elections or changes in lower offices
- Key referendums or votes on local issues
- Military movements or conflicts

All information related to bank asset sizes and location comes from S&P Global Market Intelligence. S&P Global Market Intelligence 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, legislative, regulatory, and international events, including the following:

### **PUBLICATIONS**

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

### **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

# 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?					