

CPG’s External Risk Events Report Delivered to Bank XYZ



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 as well as selected nonbank financial companies, fintechs, and payments companies.

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.

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

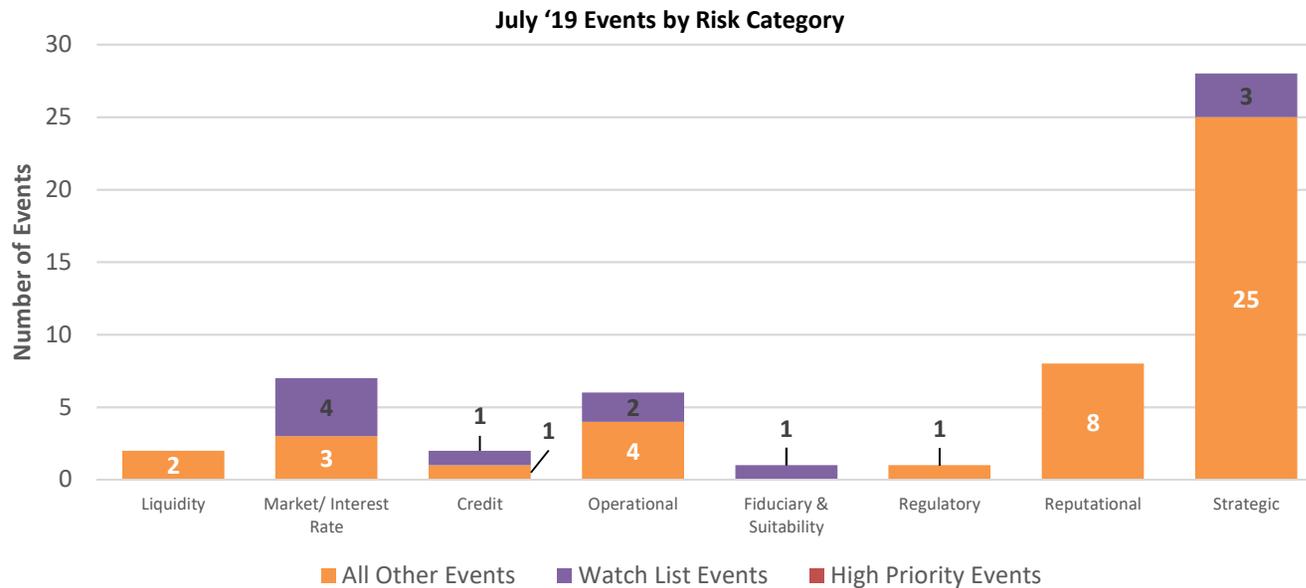
- Liquidity** – changes to markets or regulations that could impact an institution’s ability to fund its assets
- Market/Interest Rate Risk** – changes or potential changes to rates
- Credit** – instances of increased charge-offs or nonperforming loans in a particular credit segment
- Operational** –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

Overview – July 2019

Categories with External Events		Categories without External Events
<ul style="list-style-type: none"> Liquidity Risk (see pg. 7) Market & Interest Rate Risk (see pg. 8) Credit Risk (see pg. 10) Operational Risk (see pg. 11) 	<ul style="list-style-type: none"> Fiduciary and Suitability Risk (see pg. 14) Regulatory Risk (see pg. 15) Reputational Risk (see pg. 16) Strategic Risk (see pg. 20) 	

HIGH PRIORITY EXTERNAL EVENTS

Event	Risk Type	Financial Impact to Bank in Question
<p>No single event in July had a great enough financial impact to be considered “High Priority.”</p>		



Overview – July 2019

WATCH LIST EVENTS

Market & Interest Rate Risk:

- The Federal Open Market Committee (FOMC) reduced the target range of its benchmark interest rate by 25bps, to 2.0% - 2.25%. The FOMC cited uncertainty in the economic outlook as well as low inflationary pressures as rationale for the rate reduction, page 7.
- Executives at several banks warned investors that net interest income will likely decline in the second half of 2019 as a result of the interest rate cut by the Federal Reserve, page 7.
- The U.S. Department of Commerce said the economy grew by 2.1% in 2Q19, page 7.
- The yield on three-month U.S. Treasury bills exceeded the yield on 10-year U.S. Treasury notes for 30 consecutive trading days, which many investors believe is a clear sign that the economic expansion is waning, page 8.

Credit Risk:

- Credit quality issues appeared at several large regional banks in 2Q19 earnings reports, but its too early to tell if the credit issues are the beginning of a broader deterioration, page 9.

Operational Risk:

- The Financial Industry Regulatory Authority (FINRA) fined Citigroup's Global Market business for not complying with proper employee background check practices, page 10.
- Capital One Financial Corp. disclosed a data breach that encompassed the theft of personal information of approximately 106.0MM credit card customers and applicants, page 10.

Fiduciary & Suitability Risk:

- Bank of America Merrill Lynch reportedly paid the largest settlement in the last decade involving an individual claimant in a FINRA arbitration case, page 13.

Strategic Risk:

- Charles Schwab Corp. will acquire the wealth management business of United Services Automobile Association. The acquisition, which is expected to close during 2020, will add about \$90.0B in client assets and over 1.0MM new accounts to Charles Schwab, page 19.
- Huntington Bancshares and Capital One Financial Corp. received the highest customer satisfaction scores in a J.D. Power mobile banking survey. Overall customer satisfaction declined from the prior year, potentially driven by the constant rollout of new features, page 19.
- CommonBond Inc. and Massachusetts Mutual Life Insurance Company announced a partnership to offer a nationwide program for student loan refinancing, page 20.

NOTABLE REGULATORY & LEGISLATIVE EVENTS

- The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve (the Fed) issued a final rule for calculating capital requirements.
- The Fed said it and other central banks would closely scrutinize Facebook's Libra cryptocurrency initiative.
- The FDIC proposed to loosen disclosure requirements required of banks that issue mortgage-backed securities for private investors.

See pages 4 to 6 for more information

SIGNIFICANT MANAGEMENT CHANGES

- Wells Fargo & Co. named Julia Wellborn as head of Private Wealth Management.
- TD Ameritrade Holding Corp. CEO and President Tim Hockey will step down from his position.
- Metro Bank PLC announced that it will seek a replacement for chairman and founder Vernon Hill.

See pages 25 to 27 for more information

NOTABLE INTERNATIONAL EVENTS

- The International Monetary Fund (IMF) places a no-deal Brexit as among the biggest threats to the world economy.
- China's rate of economic growth in 2Q19 was the slowest in almost 30 years.
- The U.S. announced preliminary duties on imports of fabricated structural steel from Mexico and China.

See pages 28 and 29 for more information

Regulatory Events

REGULATORY EVENTS

- 1. The OCC, FDIC, and the Board of Governors of the Federal Reserve issued a final rule for calculating the capital requirements of banks that opt out of the advanced approaches capital framework**, typically institutions with less than \$250.0B in assets and less than \$10.0B in exposure outside the U.S. Among other changes, the rule clarifies how banks should deduct mortgage servicing assets and some deferred tax assets from regulatory capital. The changes were first proposed in 2017.
- 2. The OCC, FDIC, and Federal Reserve invited public comment on a proposal to clarify the treatment of land development loans under the agencies' capital rules.** The proposal expands on the agencies' September 2018 proposal to revise the definition of high volatility commercial real estate (HVCRE). The new proposal clarifies that loans that solely finance the development of land for residential properties would meet the revised definition of HVCRE, unless the loan qualifies for another exemption.
- 3. The Consumer Financial Protection Bureau (CFPB) announced that it will allow the qualified mortgage (QM) patch, which grants an exemption to government-sponsored enterprise-backed mortgages (GSE) from the debt-to-income ratio stipulated in the Dodd-Frank Act, to expire.** In an advanced notice of the proposed rule-making, the CFPB asked for public input on a number of aspects of the QM patch, as well as the debt-to-income limit.
- 4. The FDIC put forth a proposal that would loosen the disclosure requirements required of banks that issue mortgage-backed securities for private investors.** The FDIC had increased the disclosure requirements in 2010 in the wake of the financial crisis. The proposal would remove a disclosure requirement that documents governing securitization transactions be compliant with the Securities and Exchange Commission's (SEC) Regulation AB in order to be afforded safe harbor treatment by the FDIC.
- 5. Randal Quarles, the Federal Reserve's Vice Chairman for Supervision, stated that the Federal Reserve Board may unveil a simpler measure of capital adequacy in time for the 2020 stress tests.** Last year, the central bank proposed replacing several measures it currently uses to assess capital adequacy in the tests with the stress capital buffer (SCB). The SCB would be a unique baseline for each bank to meet based on its capital losses in the previous year's test. Quarles also stated that the Federal Reserve was considering ways to make the stress tests more transparent.
- 6. The OCC, FDIC, Federal Reserve, SEC, and the Commodity Futures Trading Commission (CFTC) issued a final rule that exempts banks with up to \$10.0B in total consolidated assets, and trading assets and liabilities of 5.0% or less of total assets, from having to comply with the Volcker rule,** which generally prohibits banks from conducting certain investment activities with their own accounts and limits their dealings with hedge funds and private equity funds or covered funds.

Regulatory Events, cont'd

REGULATORY EVENTS

7. **In testimony before the House Financial Services Committee, Federal Reserve Chairman Jerome Powell stated that both the Federal Reserve, as well as the central banks of other countries, would scrutinize Facebook's Libra cryptocurrency initiative** to ensure compliance in areas such as consumer privacy protection and anti-money laundering (AML), before the initiative would be allowed to proceed. His comments likely mean that the launch of Libra will be delayed.
8. **President Trump nominated Christopher Waller and Judy Shelton to the Board of Governors of the Federal Reserve System.** Mr. Waller is director of research for the Federal Reserve Bank of St. Louis. Ms. Shelton currently serves as the U.S. executive director for the European Bank for Reconstruction and Development. Both Waller and Shelton have voiced support for interest rate reductions. Their nominations are subject to confirmation by the Senate.
9. **The Financial Crimes Enforcement Network (FinCEN) revealed new steps to combat Business Email Compromise (BEC) scams and issued an update to its "Advisory to Financial Institutions on E-mail Compromise Fraud Schemes."** FinCEN said that, in 2018, BEC scams were responsible for over \$300.0MM in losses per month to individuals and businesses according to data from the agency's Suspicious Activity Reports (SARs).
10. **The Financial Accounting Standards Board (FASB) voted to allow private and smaller publicly-traded financial institutions until January 2023 to adopt the Current Expected Credit Loss (CECL) standard.** For large publicly-traded banks, the deadline for implementing the standard remains January of 2020.
11. **FINRA announced new guidance regarding credit for "extraordinary cooperation" in investigations,** which includes self-reporting before regulators are aware of the issue, as well as providing information that can substantially assist FINRA in meeting its goals of investor protection and market integrity.

Legislative Events

LEGISLATIVE EVENTS

1. Sen. Elizabeth Warren (D-MA) unveiled a sweeping legislative and regulatory plan to institute greater regulation on the financial services industry. Among other changes, the Democratic presidential candidate proposes to reinstate the wall separating commercial banking from investment banking, impose new executive compensation rules, and reinstate liquidity and capital requirements specified by the Dodd-Frank Act. The program is not supported by the White House and would face a difficult time in the Republican-controlled Senate.
2. The House Financial Services Committee approved the Clarity in Credit Score Formation Act of 2019, which would establish federal oversight of the development of credit scoring models by empowering the CFPB to set standards.

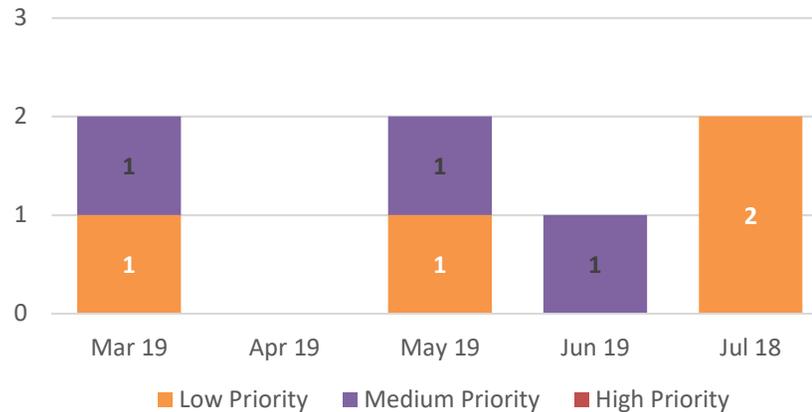


3. The head of Facebook's Libra project, David Marcus, faced tough questions from members of both the House Financial Services Committee and the Senate Banking Committee. Mr. Marcus appeared before the Senate Banking Committee on July 16th and the House Financial Services Committee on July 17th. Lawmakers from both parties displayed skepticism over Facebook's plan to develop a global cryptocurrency. Also, lawmakers expressed concerns about consumer privacy, competition, appropriate oversight, and the impact that Libra would have on the global economy.

Liquidity Risk

Date	Event	Priority for Bank XYZ
July 18 th	Online bank Ally Financial Inc (\$180.2B; Detroit, MI) experienced deposit growth of 4.7% in 2Q19, despite reducing rates on several deposit products. According to Ally Financial CEO Jeffrey Brown, “a majority of inflows continue to be sourced from traditional banks.” Brown also stated that “the direct deposit market represents around 10.0% of total retail deposits in the U.S. today and has grown by an average 15.0% per year since 2008. This represents a significant ongoing opportunity.”	LOW PRIORITY
July 17 th	According to S&P Global Market Intelligence, during 2Q19 earnings calls, executives at several banks indicated that, while they expect deposit rates to decline over the next few months, any benefit will likely be offset by declines on loan rates. Some institutions continue to see competitive pressure to raise rates on certain deposit products.	LOW PRIORITY

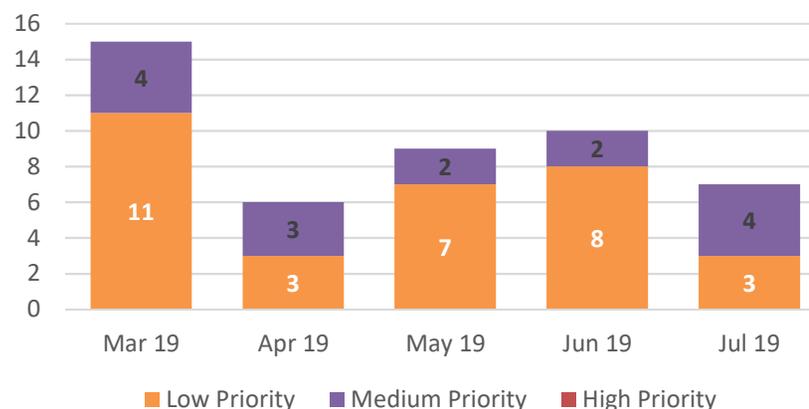
Trend in Liquidity Risk Events



Market/Interest Rate Risk

Date	Event	Priority for Bank XYZ
July 31 st	The FOMC reduced the target range of its benchmark interest rate by 25bps, to 2.0% - 2.25%. The FOMC cited uncertainty pertaining to the economic outlook, as well as “muted inflation pressures,” as rationale for the rate reduction. While Federal Reserve Chairman Jerome Powell left open the possibility of additional rate reductions, he also suggested that the rate reduction was not the beginning of a long easing cycle. The central bank also ended its balance sheet reduction two months earlier than planned.	MEDIUM PRIORITY
July 26 th	According to the U.S. Department of Commerce, the U.S. economy grew by 2.1% in 2Q19, as measured by Gross Domestic Product (GDP) – a broad measure of goods and services. Economic growth was driven by robust consumer spending, which offset a decline in business investment.	MEDIUM PRIORITY
July 17 th	Bank of America Corporation (\$2.4T; Charlotte, NC), Citigroup Inc. (\$2.0T; New York, NY), JPMorgan Chase & Co. (\$2.7T; New York, NY) and Wells Fargo & Co. (\$1.9T; San Francisco, CA) reported lower net interest margins for 2Q19. During 2Q19 earnings calls, executives at several banks, including Bank of America and JPMorgan Chase & Co., warned investors that net interest income will likely decline in the second half of 2019 as a result of the reduction in interest rates.	MEDIUM PRIORITY

Trend in Market/Interest Rate Risk Events



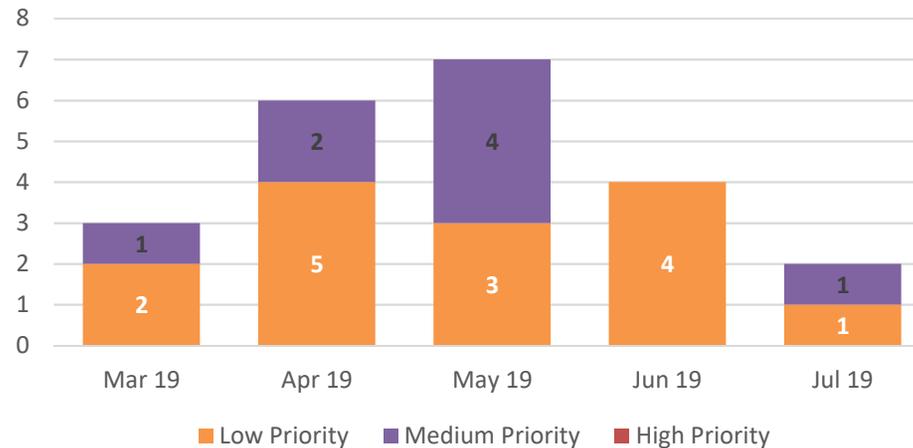
Market/Interest Rate Risk, cont'd

Date	Event	Priority for Bank XYZ
July 9 th	The yield on three-month U.S. Treasury bills has exceeded the yield on 10-year U.S. Treasury notes for 30 consecutive trading days. Many investors and traders believe that this prolonged inversion of the yield curve is sending a clear message that the economic expansion is waning. Financial models employed by the Federal Reserve Banks of New York and Cleveland indicate that the odds of a recession occurring within the next 12 months have increased to 1 in 3, a level last reached in 2007.	MEDIUM PRIORITY
July 23 rd	Global trade tensions led to a deceleration in global trade, which resulted in a larger-than-expected global economic slowdown, according to the IMF. The organization forecasts that real global economic growth will slow to 3.2% this year, 0.1 percentage point slower than forecasts in April, and down from 3.6% last year.	LOW PRIORITY
July 17 th	The Federal Reserve's Beige Book survey found that business activity expanded modestly and provided little evidence of an impending recession.	LOW PRIORITY
July 15 th	Fitch Ratings predicts that the Federal Reserve's Federal Open Markets Committee (FOMC) will lower its benchmark rate once this year in either July or September, but leave rates unchanged through 2020.	LOW PRIORITY

Credit Risk

Date	Event	Priority for Bank XYZ
July 25 th	According to S&P Global Market Intelligence, credit quality issues appeared at several large regional banks in 2Q19 earnings reports. During investor calls to discuss 2Q19 earnings, executives spent time discussing the deterioration of credit quality. Analysts stated that it is too early to determine if the credit issues are the beginning of a broader deterioration in credit quality.	MEDIUM PRIORITY
July 17 th	Bank of America Corp. Chairman and CEO Brian Moynihan stated during the company’s 2Q19 earnings call that he expects credit quality to remain strong into the foreseeable future. “Assuming the economic conditions continue to move along, we think that net charge-offs should remain low for some time,” and “we see no immediate credit concerns,” Moynihan stated.	LOW PRIORITY

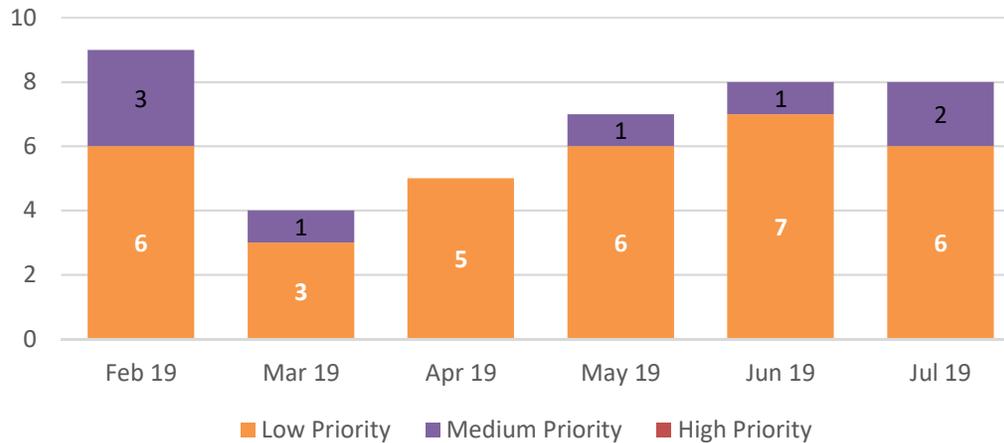
Trend in Credit Risk Events



Operational Risk

Date	Event	Priority for XYZ Bank
July 30 th	FINRA fined Citigroup Inc.'s Global Market business \$1.25MM for not complying with proper employee background check practices. Roughly 10,400 non-FINRA registered employees between 2010 and 2017 had not received proper background checks.	MEDIUM PRIORITY
July 29 th	Capital One Financial Corp (\$373.2B; McLean, VA) disclosed a cybersecurity data breach that encompassed the theft of personal information of approximately 106.0MM credit card customers and applicants. The hacker exploited a security weakness in Capital One's cloud-stored data provided by Amazon Web Services.	MEDIUM PRIORITY

Trend in Operational Risk Events



Operational Risk, cont'd

Date	Event	Priority for Bank XYZ
July 30 th	Deutsche Bank AG (\$1.5T; Frankfurt, Germany) is investigating the extent to which a compliance error – where the bank failed to remove fired employees’ remote access to emails – may have resulted in compromising and confidential client data being released. These laid-off individuals are a group of 900 employees, including those in the U.S., released since July 8 as part of the lender’s restructuring.	LOW PRIORITY
July 24 th	Wells Fargo & Co. terminated a broker who was accused of forging a client’s initials to open options-trading accounts and trade risky stocks. According to his FINRA records, the stockbroker has been enmeshed in at least five customer disputes, including making unsuitable investments.	LOW PRIORITY
July 16 th	KeyCorp (\$142.0B; Cleveland, OH) disclosed that the bank faces a potential loss of up to \$90.0MM from fraudulent activity related to one of its business customers. The matter is still being investigated and additional details were not disclosed.	LOW PRIORITY
July 9 th	United Services Automobile Association (\$165.3B; San Antonio, TX), PayPal Holdings, Inc. (\$46.3B; San Jose, CA), and Mastercard Inc. (\$23.5B; Purchase, NY) are among the financial companies that pay bounties to hackers to find security flaws within their software source code and mobile apps; however, according to Javelin Strategy & Research, “most banks and financial technology companies don’t even offer an email address to which outside security researchers can confidentially send issues they might come across.”	LOW PRIORITY

Operational Risk, cont'd

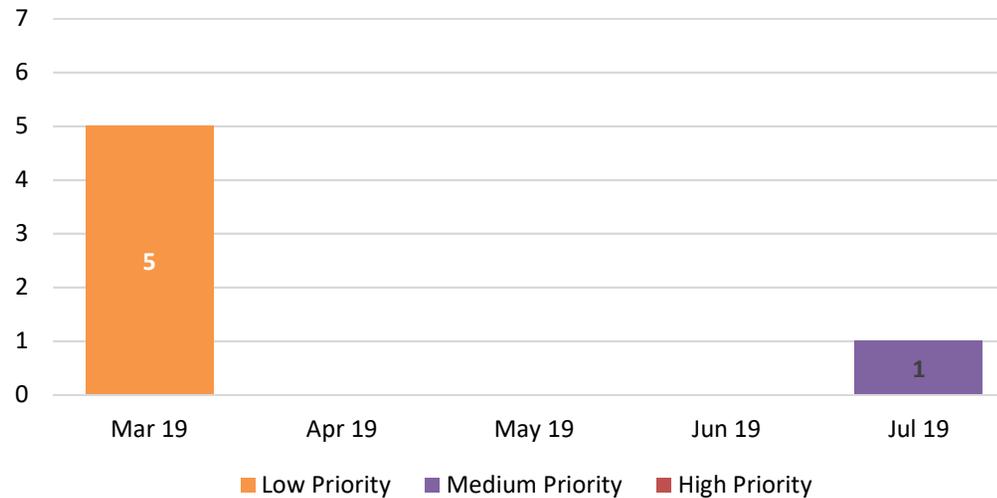


Date	Event	Priority for Bank XYZ
July 1 st	Cyber-attacks by Iran on U.S. banks have increased, according to the U.S. Department of Homeland Security and cybersecurity firms.	LOW PRIORITY
July 1 st	A California man filed a lawsuit against Square, Inc. (\$4.4B; San Francisco, CA) for allegedly forwarding a digital receipt to his friend that contained his medical history, breaching privacy laws. Reports about misfired receipts issued by Square are not uncommon, and continue to add to customer dissatisfaction.	LOW PRIORITY

Fiduciary & Suitability Risk

Date	Event	Priority for Bank XYZ
July 19 th	According to CNBC, Bank of America Merrill Lynch paid \$40.0MM to settle a case involving a former broker who allegedly made inappropriate recommendations and excessive trades on his clients' accounts. The settlement was reached after the final FINRA arbitration hearing. The \$40.0MM settlement is the largest involving an individual claimant in the last decade. A separate arbitration claim of \$42.0MM against the same broker is pending.	MEDIUM PRIORITY

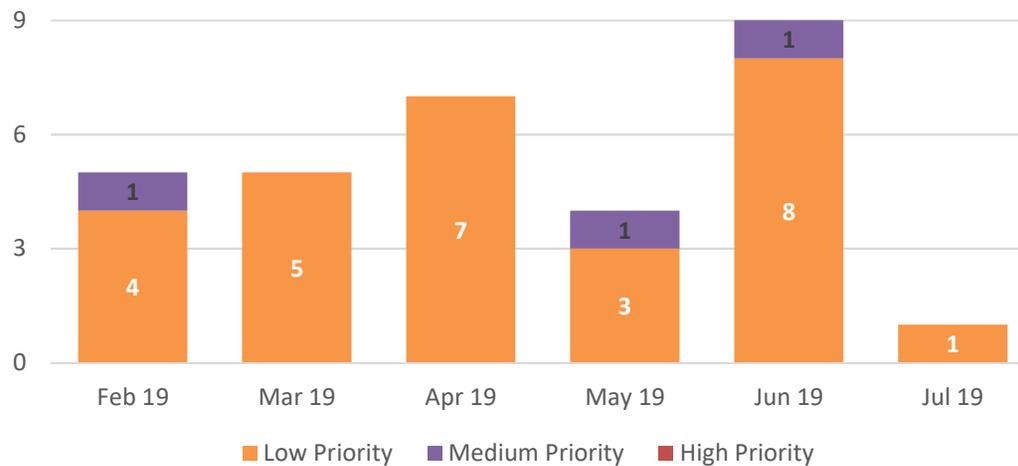
Trend in Fiduciary & Suitability Risk Events



Regulatory Risk

Date	Event	Priority for Bank XYZ
July 1 st	A Morgan Stanley (\$876.0B; New York, NY) analyst reported that Visa Inc., Mastercard Inc., and PayPal Holdings Inc. face the prospect of tougher regulation because of their decision to back Facebook Inc.'s digital coin, Libra. Both Mastercard and Visa face increased political and regulatory risk, rather than technology risk, the analyst said.	LOW PRIORITY

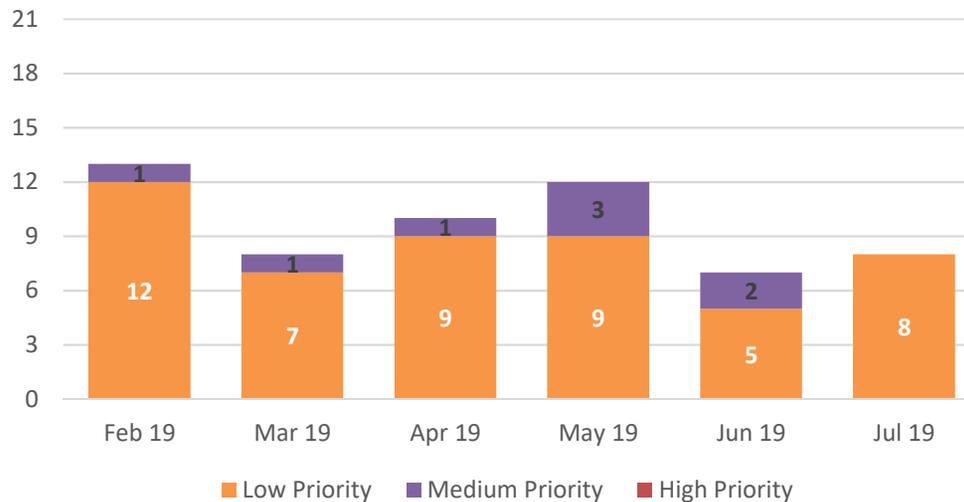
Trend in Regulatory Risk Events



Reputational Risk

Date	Event	Priority for Bank XYZ
July 30 th	Citigroup Inc. is planning to cut jobs in its trading division through the remainder of 2019. 100 jobs in the equities unit, equating to 10% of the whole trading division, will be cut. Citi is set to establish a new unit, called Equities and Securities services, which combines Citi’s existing stock trading and brokerage units.	LOW PRIORITY
July 29 th	JPMorgan Chase & Co. and Citigroup Inc. face lawsuits filed by investors in the UK with claims of £1.0B (\$1.2B ²) over allegations that the banks rigged the global foreign exchange market. This is one of the first U.S.-style class actions in the UK.	LOW PRIORITY

Trend in Reputational Risk Events



Reputational Risk, cont'd

Date	Event	Priority for Bank XYZ
July 25 th	Bank of America Corp. is being sued for \$1.1B in damages by a former commercial borrower who alleges that the bank discriminated against the company because it is women-led. In December 2018, Bank of America declared the company in default on a line of credit. The former customer, jewelry maker Alex and Ani LLC, was once featured in advertisements promoting the bank's commitment to diversity.	LOW PRIORITY
July 25 th	According to an analysis by S&P Global Market Intelligence, since 2010, the rate of bank branch closures located in majority black areas has exceeded the rate of closures that occurred in all other areas. JPMorgan Chase & Co. and Bank of America Corp. have closed significantly more branches in majority-black areas than non-majority-black areas.	LOW PRIORITY

Reputational Risk, cont'd

Date	Event	Priority for Bank XYZ
July 24 th	<p>American Express Co. (AMEX) (\$197.2B; New York, NY) said that the company would voluntarily pay \$1.6MM in remediation to certain customers that were affected by misconduct in AMEX's foreign exchange international payments unit, which came to light last fall. As covered in the September 2018 External Events Monitor, <i>The Wall Street Journal</i> first reported that sales representatives in the foreign exchange division would provide lucrative pricing offers to potential customers without disclosing that, without prior notice, AMEX could increase the margin, which is added on top of the base exchange rate. According to AMEX's 2Q19 filing, the sales practices have prompted both civil and criminal inquiries from the Department of Justice (DOJ), OCC, CFPB, FDIC, and other regulatory bodies and authorities.</p>	<p>LOW PRIORITY</p>
July 17 th	<p>Wells Fargo & Co. was sued for wrongly denying an auto loan for a migrant working in the U.S. under the Deferred Action for Childhood Arrivals (DACA) program. The worker claims that the bank discriminated against him due to his immigration status, and that it is a potential violation of federal law.</p>	<p>LOW PRIORITY</p>

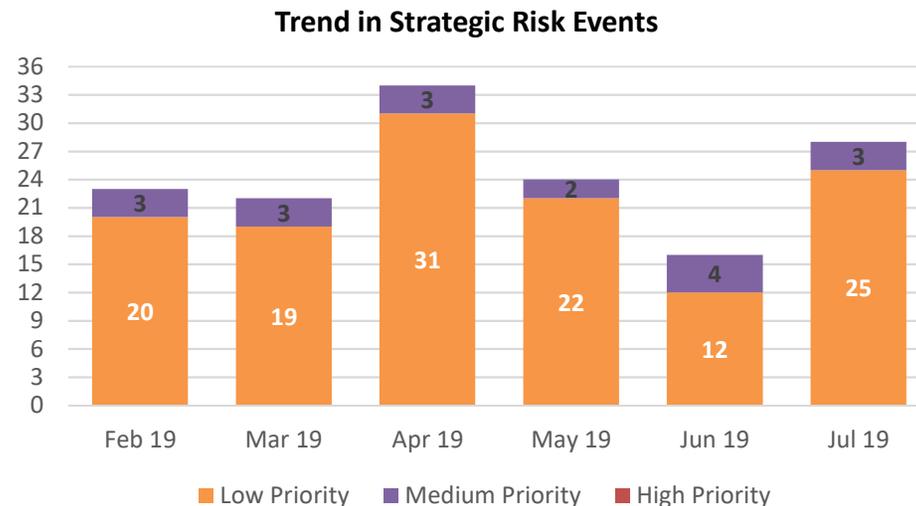
Reputational Risk, cont'd

Date	Event	Priority for Bank XYZ
July 15 th	SunTrust Banks, Inc. (\$220.7B; Atlanta, GA) and Fifth Third Bancorp (\$167.9B; Cincinnati, OH) announced that they will no longer provide financing to companies that manage private prisons and immigration holding facilities.	LOW PRIORITY
July 8 th	The Central Bank of Ireland fined Wells Fargo & Co.'s Irish unit roughly €5.9MM (\$6.8MM ²) after finding serious failings in its regulatory reporting capability and compliance. Wells admitted to five breaches that were related to capital reporting and liquidity testing deficiencies, board-related weaknesses, and failures in the bank's internal documentation processes, which varied in duration from Jan. 2014 to Feb. 2019.	LOW PRIORITY

1. Many events in this section represent ongoing investigations or lawsuits that have not yet resulted in any fines. In months where all events fall into this category, the financial impact will appear as "TBD." In months where events had no financial impact, the impact will appear as "N/A".
2. Exchange rate as of July 29th, 2019.

Strategic Risk

Date	Event	Priority for Bank XYZ
July 26 th	Charles Schwab Corp. (\$282.8B; San Francisco, CA) confirmed plans to acquire the assets of United Services Automobile Association unit United Services Automobile Association Investment Management Co., including its brokerage and managed portfolio accounts, for \$1.8B in cash. The deal, which is expected to close during 2020, will add about \$90.0B in client assets to Schwab’s investor service business and over 1.0MM new accounts.	MEDIUM PRIORITY
July 3 rd	Huntington Bancshares (\$108.2B; Columbus, OH) and Capital One Financial Corporation received the highest customer satisfaction scores for their mobile banking apps in a study by J.D. Power that measures customers’ satisfaction with mobile banking. However, overall satisfaction declined compared to the prior year, potentially driven by the continuous roll-out of new features.	MEDIUM PRIORITY



Strategic Risk, cont'd

Date	Event	Priority for Bank XYZ
July 1 st	CommonBond Inc. (New York, NY) and Massachusetts Mutual Life Insurance Company (\$249.9B; Springfield, MA) announced a partnership to offer a student loan refinancing program on a national basis. The partnership will give MassMutual's 9,000 financial advisors tools to restructure their customers' student debt.	MEDIUM PRIORITY
July 31 st	American Express Co. agreed to purchase digital payment automation platform Acompay from ACOM Solutions, Inc. (Long Beach, CA). This acquisition enables American Express business cardholders to access Acompay's enterprise resource planning, accounting systems, and automated clearing house (ACH) and card payments software.	LOW PRIORITY
July 29 th	JPMorgan Chase & Co. is terminating its three-year partnership with OnDeck Capital, Inc. (\$1.2B; New York, NY) The bank had been utilizing OnDeck's technology platform to originate small business loans that satisfied the bank's underwriting criteria. JPMorgan will continue to offer online business loans but utilize its own technology platform.	LOW PRIORITY
July 29 th	Northern Trust Corporation (\$126.5B; Chicago, IL) unit Northern Trust Asset Management entered into an agreement to acquire Belvedere Advisors LLC, an asset management firm that owns Emotomy, a digital investment advice platform for financial professionals. This acquisition bolsters Northern Trust's offerings to the financial advisor segment.	LOW PRIORITY
July 29 th	The wealth management division of Morgan Stanley unveiled an encrypted document sharing capability in collaboration with Box Inc. The digital product will enable financial advisors to share encrypted documents with clients.	LOW PRIORITY
July 23 rd	Visa, Inc., Mastercard Inc., and PayPal Holdings Inc. are a few of the 27 companies to have signed a nonbinding letter of intent to join Libra, Facebook Inc.'s cryptocurrency, whose launch is dependent on permissions from global regulators and policymakers.	LOW PRIORITY
July 23 rd	Robo-advisor Betterment Holdings, Inc. (New York, NY) announced its intent to offer FDIC-insured checking and high-yield savings accounts. The accounts will be offered via partnerships with FDIC-insured banks. Betterment is the latest wealth management firm to offer banking products.	LOW PRIORITY

Strategic Risk, cont'd

Date	Event	Priority for Bank XYZ
July 19 th	Citizens Financial Group (\$161.7B; Providence, RI) has raised \$5.4B in deposits on its digital platform, Citizens Access, as of 2Q19. Citizens has migrated about 15.0% of its total cash management commercial client base to a new cash management program called accessOPTIMA, which is an improvement to the company's old cash management offering for both Citizens and its clients.	LOW PRIORITY
July 18 th	Ally Financial Inc. is moving into the unsecured point-of-sale loan businesses and away from the credit card business. It agreed to acquire Health Credit Services, LLC for approximately \$190.0MM, and ended the bank's card partnership with Toronto-Dominion Bank (\$1.0T; Toronto, Canada). Ally failed to achieve its objectives for the program in light of Toronto Dominion Bank's credit risk appetite.	LOW PRIORITY
July 17 th	Stock-trading app Robinhood (Menlo Park, CA) plans to relaunch its high-yield cash management account after confusion following the original launch announcement last December. The new product will be a "cash management feature within customer's existing brokerage account" rather than a standalone checking account.	LOW PRIORITY
July 17 th	Charles Schwab's recently launched subscription-based pricing model, known as Schwab Intelligent Portfolios Premium, attracted about \$1.0B in new assets under management since its launch.	LOW PRIORITY
July 17 th	Austin Heberger and Gavin Lee, managing \$350.0MM in assets, left the Pasadena, CA office of Wells Fargo & Co. unit Wells Fargo Advisors Financial and formed Arroyo Capital Partners.	LOW PRIORITY
July 17 th	PNC Financial Services Group Inc. (\$392.9B; Pittsburgh, PA) CEO William Demchak stated that PNC aspires to become a national retail bank. Demchak said the bank's strategy is to expand into the 50 largest Metropolitan Statistical Areas over the next few years.	LOW PRIORITY
July 16 th	Since 2016, Goldman Sachs Group Inc. (\$925.4B; New York, NY) has continued to make investments related to consumer-facing business. These businesses have resulted in cumulative pretax losses of \$1.3B, but Goldman Sachs expects to generate a better return as the consumer business attains greater operating scale.	LOW PRIORITY

Strategic Risk, cont'd

Date	Event	Priority for Bank XYZ
July 15 th	PayPal Holdings Inc. launched its international money transfer service, Xoom, in 32 markets in Europe. Xoom customers can send up to €10.0K in a single transaction. Existing PayPal customers can use their PayPal account to access Xoom's services that is meant to make it quicker and easier to send money abroad.	LOW PRIORITY
July 15 th	Citigroup Inc. is using artificial intelligence to monitor commercial clients' transactions to look for signs of fraud, hacking, or other improper activity. This new technology, called "outlier detection", builds on technology used to catch credit card fraud and expands its use to vulnerable corporate banking clients.	LOW PRIORITY
July 15 th	Morgan Stanley says it will offer an AI-powered chatbot AskResearch – initially developed for internal use to navigate the company's research – to its clients through a mobile app by early 2020. Morgan Stanley originally built the chatbot for its analysts and sales teams to make finding research more efficient, as well as discover new data.	LOW PRIORITY
July 11 th	Mastercard Inc. partnered with OpenText, a global leader in Enterprise Information Management, to help companies to facilitate integrated payments and enhance the management of vendor master data across global supply chains. The partnership will start in the automotive industry and will also provide OpenText Business Network customers the ability to access spot financing through the Mastercard Track B2B global trade enablement platform.	LOW PRIORITY
July 11 th	JPMorgan Chase & Co. rolled out its new digital investing solution – You Invest Portfolios – that enables customers to open a robo-advisor account with access to the company's ETFs for a minimum opening deposit of \$2,500. The platform, which has fees that begin at under \$1 a month or 35bps, will structure clients' portfolios to match their individual risk profile.	LOW PRIORITY
July 10 th	Cryptocurrency exchange Coinbase (San Francisco, CA) is partnering with insurance broker giant Aon Plc (\$29.1B; London, UK) to launch its own regulated insurance company. Coinbase is looking to establish captive insurance subsidiaries to insure themselves, in addition to now offering insurance to other cryptocurrency exchanges.	LOW PRIORITY

Strategic Risk, cont'd

Date	Event	Priority for Bank XYZ
July 9 th	Signature Bank (\$48.6B; New York, NY) established a fifth private client banking team in its San Francisco office, which will be headed by Rosie Mora. Mora was appointed to group director and senior vice president and joins the company from Citigroup Inc. unit Citibank NA.	LOW PRIORITY
July 9 th	Signature Bank announced the creation of a new team that will focus on the mortgage servicing sector and offer cash and treasury management products and services to residential and commercial mortgage servicers and originators, lender-controlled structures, commercial real estate owners/operators, hedge funds, and private equity firms.	LOW PRIORITY
July 9 th	Deutsche Bank AG said it would leave the equities sale and trading business and shrink its fixed-income segment to allow for the bank to redirect attention to its core businesses. The restructuring will involve creating a “bad bank” for its €74.0B of undesired risk-weighted assets, in addition to cutting 18,000 jobs by 2022 – leaving around 74,000 employees globally at Deutsche Bank. The bank said it would also establish a fourth business unit – a “corporate bank” – in addition to its current investment bank, private bank, and Deutsche Wealth Services asset management unit.	LOW PRIORITY
July 2 nd	Visa, Inc. and PayPal Holdings, Inc. launched a payments feature that enables consumers and small businesses in Canada to instantly access funds. PayPal's new Instant Transfer, powered by Visa Direct, a real-time push payments solution, moves money from customers' PayPal accounts to their bank account via their Visa debit cards.	LOW PRIORITY
July 2 nd	Wells Fargo & Co. created a new department to oversee regulatory priorities. CEO Allen Parker said the new division “is an important step in Wells Fargo’s work to meet the expectations of our regulators.”	LOW PRIORITY
July 1 st	Deutsche Bank AG’s global head of Deutsche Bank Wealth Management says that the bank is planning to add 300 relationship and investment managers by 2021 in an effort to push the bank into the top 10 wealth managers in the world, according to a Reuters report. The move, which is part of Deutsche Bank’s major restructuring effort, will target entrepreneurial wealth, family offices, and millennial high-net-worth individuals.	LOW PRIORITY

Significant Management Changes

SAN FRANCISCO & NORTHERN CALIFORNIA

Date	Bank	Management Change
July 24 th	Wells Fargo & Co.	Named Julia Wellborn as head of Private Wealth Management, a division of Wealth & Investment Management.
July 22 nd	Discover Financial Services	Announced that Wanji Walcott joined as chief legal officer and general counsel. Ms. Walcott was previously senior vice president and general counsel with PayPal Holdings, Inc.
July 22 nd	Charles Schwab Corp.	Announced that the company's executive vice president for investor services, Terri Kallsen, left the organization after her position was eliminated as part of organizational restructuring efforts.
July 22 nd	TD Ameritrade Holding Corp.	Announced that current TD Ameritrade Holding Corp. CEO and President Tim Hockey will step down from his position and leave the company by the end of next February.
July 10 th	U.S. Bank NA	Announced that David Palombi will assume the role of global chief communications officer. (U.S. Bank's footprint overlaps with that of XYZ Bank's in several states)
July 10 th	Wells Fargo & Co.	Named Fiona Gallagher chief executive officer for the Ireland-based Wells Fargo Bank International Unlimited Company (WFBI), effective October 1.

LOS ANGELES & SOUTHERN CALIFORNIA

Date	Bank	Management Change
July 3 rd	City National Bank	Named Marcelo Brutti as executive vice president and chief risk officer. Prior to this position, Brutti served as chief risk officer for Hyundai Capital America Inc.

Significant Management Changes

NEW YORK METRO AREA

Date	Bank	Management Change
July 24 th	Metro Bank PLC	Announced that it will seek a replacement for chairman and founder Vernon Hill, who will remain on the board as a non-executive director and will remain chairman until a new, independent, non-executive chair is appointed. The bank also reported deposit outflows of £2.0B in the "extremely challenging first half" of 2019.
July 22 nd	Metro Bank PLC	Appointed Cheryl Newton as chief information officer and Daniel Frumkin as chief transformation officer, subject to regulatory approval.
July 18 th	Morgan Stanley	The company's Morgan Stanley Investment Management Inc. unit appointed Michael Nirschl as the company's next head of data and analytics. Nirschl previously served as a senior machine learning software engineer at Google.
July 16 th	Deutsche Bank AG	Appointed Neal Pawar to group chief information officer, as well as to serve as a member of the bank's management committee beginning in early September.
July 11 th	Bank of New York Mellon Corp.	Appointed Jolen Anderson as global head of human resources, effective September 2. Anderson will serve as a member of the firm's Executive Committee.
July 9 th	CIT Group Inc.	James Gifas joined the company as head of treasury services, effective July 8. Prior to joining CIT Group, Gifas was senior vice president of merchant services and commercial card services at M&T Bank Corp.
July 9 th	HSBC USA	Patrick Burke will retire as president and CEO of HSBC USA, and will be succeeded by Michael Roberts, former chief lending officer and global head of corporate banking and capital management at Citigroup.
July 9 th	Desutche Bank	Frank Strauss, the head of its retail and commercial bank, and Chief Regulatory Officer Sylvie Matherat will leave at the end of July. The news comes amid the bank's announcement of a major restructuring effort, which will result in job cuts totaling 18,000 by 2022.

Significant Management Changes

BOSTON, MASSACHUSETTS

Date	Bank	Management Change
July 24 th	Santander Bank NA	Appointed Timothy Wennes to president and CEO of the company – a role he will take over in mid-September. Joining from MUFG Union Bank, Wennes will succeed Duke Dayal, who was named as the next CFO of Santander UK.
July 24 th	Santander Consumer USA	Current CFO Juan Carlos Alvarez was appointed to CFO of Santander Bank and Santander US. The company's head of pricing and analytics, Fahmi Karam, will assume Alvarez's CFO title at Santander Consumer USA.

Select International Events

AMERICAS

- 1. The U.S. threatened to impose wider tariffs on the European Union (EU), pending the outcome of a World Trade Organization case over the EU's subsidies of Airbus SE.** Additional tariffs in consideration include 89 items with an annual trade value of \$4.0B, such as cheese, pasta and whisky.
- 2. The U.S. announced preliminary duties on imports of fabricated structural steel from Mexico and China that it regards as unfairly subsidized.** The Department of Commerce stated that this will allow U.S. businesses “to seek relief from the market-distorting effects caused by unfair subsidization of imports.”
- 3. President Donald Trump announced that he is considering placing tariffs on French wine.** The announcement was in response to France's imposition of a new tax that affects American technology companies, including Facebook and Google.
- 4. Argentina appears to be recovering from its year-long recession.** The peso appreciated 9.0% since the beginning of May and monthly inflation fell from 4.7% in March to 2.7% in June, which enabled an increase in real wages.
- 5. The IMF projects weak economic growth for Latin American/Central American regions, including Mexico and Brazil.** Argentina is expected to recover very slowly from last year's economic downturn.
- 6. Carlos Urzúa resigned as Mexico's finance minister after just seven months,** citing multiple disputes with President Andrés Manuel López Obrador.

ASIA

- 1. In 2Q19, China experienced the slowest rate of economic expansion seen in almost 30 years,** growing at 6.2% year-over-year for the quarter compared to 6.4% in the 1Q19. The slowdown was primarily driven by the contraction in exports – a sign that the trade war is weighing on China's economy – in addition to lower levels of housing construction activity and overall investor sentiment. The Chinese government will look for ways to stimulate economic growth in the wake of US announcements of additional tariffs on Chinese imports.
- 2. The U.S. and Japan have been in talks concerning a trade deal pertaining to the automobile and agriculture sectors.** The parties hope to have the trade agreement completed by President Donald Trump and Prime Minister Shinzo Abe's September meeting in New York.
- 3. Japan has cut growth forecasts for 2019 as exports continue to fall.** Trade tensions between the U.S. and China have disrupted supply chains across Asia, lowering export capabilities.
- 4. South Korea's central bank announced its first reduction in interest rates since 2016** after the country suffered its worst quarterly economic contraction since the Great Recession. The Bank of Korea voted to slash rates by 25bps to 1.5% during its July policy meeting, and simultaneously cut the country's growth forecast for 2019 to 2.2% from 2.5%.

Select International Events

EUROPE

1. **The IMF now ranks a no-deal Brexit as one of the biggest threats to the world economy.** In combination with U.S.-China tariffs and U.S. auto tariffs, the IMF predicts severely-slowed economic growth. A no-deal Brexit is now seen to be increasingly plausible, as newly-elected prime minister Boris Johnson has pledged to leave the EU on October 31st, with or without a deal.
2. **Manufacturing activity in the eurozone fell to a six-and-a-half-year low in July.** The purchasing manager's index for manufacturing fell to 46.4, significantly below the 50-point marker for steady growth. The Eurozone's two biggest economies, France and Germany, showed sharp decreases in activity and slower growth than expected.
3. **The EU announced that Christine Lagarde, former finance minister of France and head of the IMF, will succeed Italian economist Mario Draghi as head of the European Central Bank (ECB).**
4. **The governor of France's central bank called for a European-wide payments system to rival retail payment system competitors from the U.S. and China.** European banks have been behind international competitors in real-time payments, and now face pressure from emerging mobile technologies.
5. **Germany's Ursula von der Leyen was elected European Commission president.** She will commence her five-year term in November.
6. **Murat Cetinkaya, governor of the Turkish central bank, was removed from office by President Recep Erdogan.**

MIDDLE EAST & AFRICA

1. **The Organization of the Petroleum Exporting Countries (OPEC) finalized a pact with Russia that ensures the coalition will continue to coordinate on oil production beyond the current pact, which is due to expire in nine months.** The pact seeks to prevent inventory buildup and keep prices at a higher level to balance the involved nations' budgets.
2. **South Africa's President, Cyril Ramaphosa, reappointed Lesetja Kganyago to a five-year term as governor of the South African Reserve Bank.** Kganyago's second term will take effect in November.
3. **The Central Bank of Nigeria's monetary policy committee decided to maintain the monetary policy rate at 13.5% in light of positive macroeconomic trends.**

Note on this Report

This report is designed to provide information on events impacting a certain group of banks and financial technology companies and the markets that make up XYZ Banks footprint. It is not meant to be a comprehensive view of every fine or penalty levied against any financial institution operating in the United States.

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

The 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

Sources

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