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What’s on Our Radar Screen – Perspectives on Risk
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Does one size fit all?

“My colleagues at the Federal Reserve and I understand these concerns, and we are committed to crafting supervisory policies and regulations that are appropriately scaled to banks' size and complexity”

- Chairman Bernanke, October 2, 2013
Interest Rate Trends

Note: 30-Year Treasuries not issued 2002-2006.
Source: U.S. Board of Governors of the Federal Reserve System (FRB): H.15 Selected Interest Rates
FRB Atlanta – Approach to Risk & Analysis

• Goals:
  • Forward looking portfolio view of existing and emerging risks
  • Risk analysis & prioritization
  • Follow-up: Balanced response, with risk mitigating actions as appropriate

• Formal Process with Active Senior Management Support
  • S&R Risk Council – all Division officers – research division advisors
  • Ultimate decisions on risk priority & response at Division’s SLT (Executive Committee)

• Key Components:
  • Industry outreach & input
  • Vertical view – Risk stripes: Credit, Operational, Market & Liquidity, Compliance, etc…
  • Horizontal view - Business lines: Community, Large / Regional, International
  • System engagement and involvement – Participation in key activities & coordinated reviews (CCAR, DFAST, Recovery & Resolution, Vendor Mgmt. etc…)
  • Risk Analysis Unit – Research, surveillance, & analytical support
  • Risk group specialists / Business line examiners– Active in core supervisory work across multiple institutions-horizontal perspective
What’s on Our Radar?

- **Macro Economy and Operating Environment – International, domestic and local**
  - Risky mature markets (US & EU), slowing emerging markets (BRICs), geopolitical concerns, domestic fiscal situation, impact of future monetary policy actions i.e...QE “tapering”, real estate markets – commercial & residential

- **Political/Regulatory Risks**
  - Uncertainty Implications, compliance resources and costs, guidance overload – Basel III, DFA, Compliance - CFPB, QM, Incentive compensation, stress testing, recovery and resolution

- **Bank Growth Strategies – Strategic Risk – Banking Business Model**
  - Pursuit of risky products, intense pricing competition, talent management, profitability pressures & challenges

- **Interest Rate Risk: Prolonged low interest rate environment & rising rate implications**
  - Unintended consequences in supervised institutions & multi-faceted implications, reaching for yield, margin compression, debt service pressure, risk modeling assumptions, wealth management activities

- **C&I Loan Growth**
  - Underwriting, pricing competition, fundamentals, expertise

- **Asset Quality**
  - Improving aggregate trends, lower concentrations in RE, growth in C&I and consumer sectors such as indirect auto, adding product lines - ABL

- **Liquidity**
  - Low risk perception. Funding sources seems abundant due to surge of low cost deposits, low wholesale dependence, and low aggregate loan demand, but future stability and deposit behavior is a concern

- **Operational Risks**
  - Cyber attacks, outsourcing & vendor management, accounting changes, audit and risk management resources & expertise