



Preparing for Regulatory Challenges of 2023

The Pace Goes On in Q3 2022

September 2022

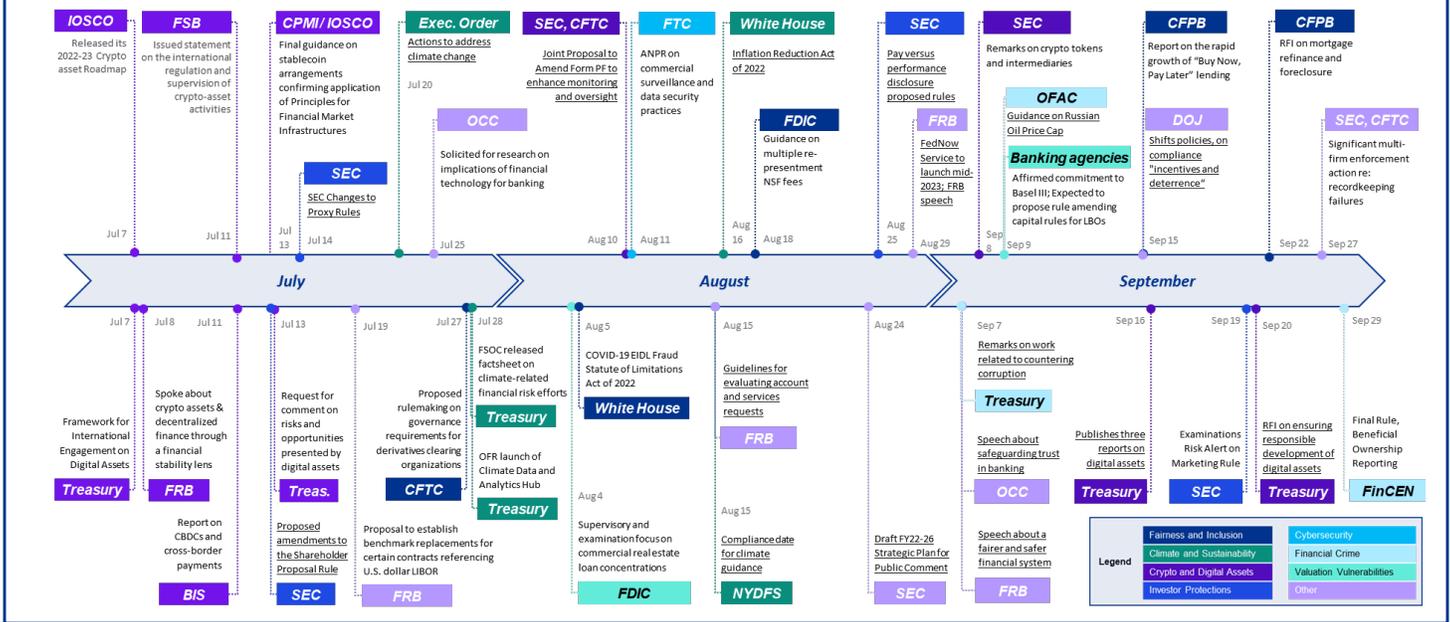
With the close of the third quarter, U.S. financial services regulators have continued their brisk pace (via proposed regulations, memos/guidance, and speeches). At the same time, the regulators are providing glimpses into focal areas coming in 2023—and notably regardless of any Congressional changes that may take place coming out of November mid-term elections.

3rd Quarter 2022 Recap:

Over the past quarter, regulatory actions largely focused on:

- **Supervision & Policy.** Recent speeches from the banking and financial service regulators indicate key areas of supervisory and regulatory priority and focus. Collectively, their remarks point toward certain areas, including digitalization; crypto and digital assets; climate-related risks; capital reforms; merger activities; and fairness, access, and inclusion. Additionally, heightened attention is being directed toward recordkeeping requirements and records retention. Finally, legislative, regulatory, and public attentions are turning to instant payments and peer-to-peer transactions, and this may come under the supervisory purview in the near term.
- **Climate/Energy.** The Inflation Reduction Act, the largest investment in energy security and climate change to date, became law in August 2022. With more than \$370 billion in funding, its provisions cover a mix of energies (wind, solar, hydrogen, biofuel, and oil and gas) and climate-related measures (clean vehicles, carbon capture, battery storage) and will likely spur additional funding streams and public/private investment. Working together through the FSOC, federal financial regulators documented their efforts to address climate-related risks and to enhance coordination and capacity going forward. Final SEC disclosure rules are expected to be released in Q4 2022; federal banking agencies are coordinating final principles for managing climate-related financial risks.
- **Investor Protections.** The SEC has stated that it is considering multiple changes to its rules to increase investor protections, maintain fair and orderly markets, and address the “uneven playing field.” Recent actions include a final and proposed changes to the proxy rules that will raise the voice of the investor in matters such as election of directors, merger applications, and shareholder proposals; final rules related to disclosure of pay vs performance; and guidance related to compliance with a new marketing rule.
- **Crypto/Digital Assets.** Ongoing volatility and uncertainty in the crypto and digital assets markets alongside concerns about consumer and investor protections and risks related to fraud and illicit finance has prompted policy makers and regulators in the U.S. and globally to seek supervisory and regulatory “guardrails” for crypto and digital assets, including stablecoins and central bank digital currencies. During the quarter, regulators have issued multiple reports in response to an Executive Order, outlined their respective regulatory authorities, and published RFIs seeking public comment on crypto/digital asset-related risks.
- **Tech & Data Risks.** Regulators are increasing their scrutiny and enforcement of issues involving data risk management and the applications of new technologies. Requests for comment actively seek information to understand and set parameters around how consumer financial data is collected, used, and protected. Potential new rules that give consumers more control over their financial data are being considered as regulators call out and take action where protocols, such as those around access channels or records retention, may put customer data at risk of misuse (fraud, theft, or abuse) and potential bias in models may increase risk of disparate treatment. (See KPMG Regulatory Insights POV, [Regulatory Scrutiny of Technology and Data](#)).

Regulatory Insights: Q3 2022



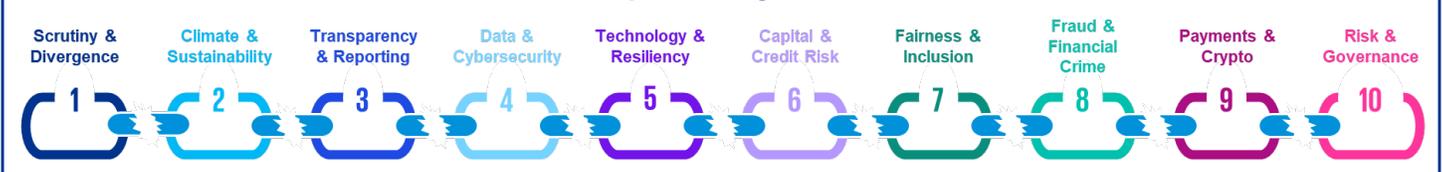
What's Coming?

KPMG Regulatory Insights is currently preparing its Key Ten Regulatory Challenges for 2023 (stay tuned!). Here is our preview of what's to come. Across all areas, financial services companies should expect:

- Increased regulatory scrutiny via supervision, investigations, and enforcements
- Continued regulatory divergence given continuing U.S. socio/political discord

- Codification of prior-proposed 2022 regulations (and generally in keeping with regulatory agendas)
- Initial examinations and supervisory findings focused on regulations with recent/upcoming effective compliance dates
- Continued expansion of regulatory expectations to existing regulations (without the need for new rulemakings) across regulatory themes
- Heightened expectations for risk and governance across all regulatory areas

Ten Key Challenges of 2023



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