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Sarbanes Oxley News, February 2018

Dear members and friends,

Today we will start with the 2017 Annual Report of the Financial Stability Oversight Council.

The Council was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), and is charged with three primary purposes:

1. To identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace.

2. To promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the U.S. government will shield them from losses in the event of failure.

3. To respond to emerging threats to the stability of the U.S. financial system.

Pursuant to the Dodd-Frank Act, the Council consists of ten voting members and five nonvoting members and brings together the expertise of

federal financial regulators, state regulators, and an insurance expert appointed by the President.

Executive Summary

U.S. financial market conditions have generally been stable since the publication of the Council's last annual report.

Asset prices generally increased, commodity prices partially recovered after falling in previous years, and commercial real estate (CRE) valuations remained high, according to certain measures.

Short-term funding markets experienced significant changes over the past two years as SEC reforms of money market mutual funds (MMFs) went into effect.

While low interest rates have supported growth in recent years, interest rates have generally increased across maturities since the Council's last annual report, against the backdrop of continued gradual improvement in economic fundamentals.

Developed economies grew at relatively subdued levels, and emerging market economic growth picked up slightly, as the global economy has continued to rebound slowly in the post-crisis period.

At the same time, several factors continue to generate global economic uncertainty, including developments following the referendum in the United Kingdom (UK) to leave the European Union (EU), problems affecting European banks, and rapid corporate credit growth in China.

Since the Council's last annual report, actions by financial regulatory agencies have included the continued implementation of capital and liquidity standards for financial institutions; application of supervisory and company-run stress tests; supervisory review and feedback on large banking organizations' resolution plans; implementation of additional reforms of the derivatives markets and of asset management practices; enhanced safeguards related to operational risks for technological systems and cybersecurity; and improvements in data scope, quality, and accessibility.

Over the past 18 months, the Council rescinded its designations of two nonbank financial companies for supervision by the Federal Reserve.

In June 2016, the Council rescinded its determination regarding GE Capital Global Holdings, LLC (GE Capital), based on its determination that changes at GE Capital since the Council's July 2013 determination significantly reduced the potential for GE Capital's material financial distress to threaten U.S. financial stability.

The Council rescinded its determination regarding AIG in September 2017, based on decreased capital markets exposures to the company; the company's exit from certain important financial markets; and additional Council analyses indicating that there is not a significant risk that a forced asset liquidation by AIG would disrupt market functioning and thereby pose a threat to U.S. financial stability.

The Council continues to serve as a forum to facilitate coordination among federal and state financial regulatory agencies to monitor market developments and identify potential threats to financial stability.

As a result of post-crisis regulatory reforms, the U.S. financial system is clearly stronger and much better positioned to withstand a market shock or an economic downturn than it was before the financial crisis.

Maintaining a resilient financial system is important in large part because economic growth—and the economic well-being of Americans—depends on the financial system's ability to provide capital to businesses and individuals, to provide vehicles for savings, and to intermediate financial transactions even in the face of adverse events.

Indeed, the crisis had a significant and lasting effect on U.S. economic growth.

Nearly ten years after the crisis began, with most of the post-crisis regulatory reforms required by the Dodd-Frank Act having been implemented, this is an appropriate time to assess the effectiveness of the reforms and to consider any unintended consequences that could have negative effects on financial stability or economic growth.

To read it:
https://www.treasury.gov/initiatives/fsoc/studies-reports/Documents/FSOC_2017_Annual_Report.pdf

Opening Remarks at the Securities Regulation Institute
Chairman Jay Clayton

Thank you for that warm welcome.

I am delighted to join you today by videoconference. I know Meredith [Cross] has prepared questions. I look forward to answering those, as well as questions from this distinguished audience.

When I was teaching at UPenn law school, the best classes were the ones where students asked difficult, but informed, questions. With Meredith and this audience, I know that I am in for a treat.

Before we get to the question and answer session, I want to take a few moments to highlight two issues:

(1) my expectations for market professionals, particularly when dealing with new products or new forms of old products, and

(2) the SEC's approach to remaining Dodd-Frank rulemaking mandates.

I believe you and investors should know my perspective on these topics, and how that perspective is being influenced by a variety of factors.

Expectations for Professionals

My first message is simple and a bit stern. Market professionals, especially gatekeepers, need to act responsibly and hold themselves to high standards. To be blunt, from what I have seen recently, particularly in the initial coin offering ("ICO") space, they can do better.

Our securities laws – and 80 plus years of practice – assume that securities lawyers, accountants, underwriters, and dealers will act responsibly. It is expected that they will bring expertise, judgment, and a healthy dose of skepticism to their work.

Said another way, even when the issue presented is narrow, market professionals are relied upon to bring knowledge of the broad legal framework, accounting rules, and the markets to bear.

Legal advice (or in the cases I will cite, the lack thereof) surrounding ICOs helps illustrate this point. Let me posit a few scenarios.

First, and most disturbing to me, there are ICOs where the lawyers involved appear to be, on the one hand, assisting promoters in structuring offerings of products that have many of the key features of a securities offering, but call it an "ICO," which sounds pretty close to an "IPO."

On the other hand, those lawyers claim the products are not securities, and the promoters proceed without compliance with the securities laws, which deprives investors of the substantive and procedural investor protection requirements of our securities laws.

Second are ICOs where the lawyers appear to have taken a step back from the key issues – including whether the "coin" is a security and whether the offering qualifies for an exemption from registration – even in circumstances where registration would likely be warranted.

These lawyers appear to provide the "it depends" equivocal advice, rather than counseling their clients that the product they are promoting likely is a security. Their clients then proceed with the ICO without complying with the securities laws because those clients are willing to take the risk.

With respect to these two scenarios, I have instructed the SEC staff to be on high alert for approaches to ICOs that may be contrary to the spirit of our securities laws and the professional obligations of the U.S. securities bar.

I recognize that in some ICOs there is no market professional involved. The SEC is undertaking significant efforts to educate the public that unregistered securities investments offered by unregistered promoters, with no securities lawyers or accountants on the scene, are, in a word, dangerous.

Before I move on to the next topic I want to raise one more narrow, distributed ledger or "blockchain"-related legal issue by means of a hypothetical.

I doubt anyone in this audience thinks it would be acceptable for a public company with no meaningful track record in pursuing the commercialization of distributed ledger or blockchain technology to

(1) start to dabble in blockchain activities,

(2) change its name to something like "Blockchain-R-Us," and

(3) immediately offer securities, without providing adequate disclosure to Main Street investors about those changes and the risks involved.

The SEC is looking closely at the disclosures of public companies that shift their business models to capitalize on the perceived promise of distributed ledger technology and whether the disclosures comply with the securities laws, particularly in the case of an offering.

Perspective on Remaining Dodd-Frank Mandates

I will now turn to another topic, which has been around for a while and, experience proves, is not easy: finishing rulemaking mandates under the Dodd-Frank Act ("Dodd-Frank").

As many in this room know, including those who devoted substantial time to Dodd-Frank rules while they served at the SEC, if crafting these rules was straightforward, they would be done.

Since arriving at the Commission, I have been working with my fellow Commissioners and the SEC's able and dedicated staff to pursue an agenda that is true to the agency's mission as viewed through the lens of long-term Main Street investors.

In the area of rulemaking, this means efficiently allocating the Commission's limited resources to a combination of statutory mandates and the needs of the day (such as the broad dissatisfaction with the current regulatory approach to retail investment advice, which is commonly referred to as the "fiduciary rule").
In other words, how quickly we can complete the remaining Dodd-Frank rules is a multi-variable function and two of the key variables – there are

many – are mission-critical demands and the complexity of the mandates themselves.

With that as context, I will try to shed further light on how I believe we should proceed on the remaining Dodd-Frank rules.

These rules for the most part fall into four categories, each of which has characteristics that inform how I believe we should approach that category and the specific rules in it.

The first category is the remaining rules to stand-up the security-based swap regime. The SEC has finalized many, but not all, of the Title VII rules that Congress directed it to establish.

As we seek to complete the Title VII rules, I believe that final implementation should be done holistically – as a coherent package. The rules are substantially interrelated and this approach should allow for more efficient implementation and internal consistency.

I should also note that, in some instances – in part because of statutory variances and differences in products and markets – the SEC's final and proposed rules governing security-based swaps have differed, in some cases significantly, from the rules governing swaps that the Commodity Futures Trading Commission ("CFTC") adopted pursuant to its own Title VII mandates.

We are seeking to harmonize our ultimate securities-based swap rules with the CFTC, where appropriate, to increase effectiveness as well as reduce complexity and costs. This requires deliberate and constructive engagement with our CFTC brethren, which I am pleased to report is well underway.

The second category is executive compensation rules for both public companies and SEC-regulated entities. Those rules are challenging for various reasons, including that we are writing on an already very colorful canvas and different constituencies see the rules as serving different, and sometimes inconsistent, goals.

Here, as a result of the complexity and scope of the existing executive compensation disclosure regime, as well as the nature of the mandates, I believe a serial approach is likely to be most efficient and best serve the SEC's mission.

I am pleased that we recently issued interpretive guidance to help companies comply with the new pay ratio rules. This guidance was true to the statutory mandate, practical, and intended to help companies reduce compliance costs.

With those same themes in mind, I am discussing with my fellow Commissioners and the staff how best to address the remaining mandatory executive compensation rules.

The third category is specialized disclosure rules, such as resource extraction disclosure. I do not need to tell you there are many strong and divergent views on how these rules should be approached.

I also will remind you that, beyond the statutory text, they pose additional challenges, including how the SEC can meet its obligations under the Administrative Procedure Act and, as various court cases demonstrate, still survive legal challenge. In the case of resource extraction, we also must comply with the parameters of the Congressional Review Act.

In short, the task is difficult and it is clear some stand poised to challenge our work, whatever its outcome. Yet that does not relieve us of our responsibility. With that perspective, I have asked the staff to craft rules for consideration by the Commission that meet the objectives of Congress, take into account this array of procedural and substantive constraints, and bring finality to these matters.

The last category, which in some instances overlaps with the others, is mandates for which market developments – including developments resulting from shareholder engagement – have, at least in part, mitigated some of the concerns that motivated the statutory requirements. For example, several companies already have made public their policies regarding compensation clawbacks.

Some of these policies go beyond what would be required under Dodd-Frank. We have seen a few companies attempt to claw back compensation from their executives under these policies. Our rulemaking priorities, as well as the rules themselves, should reflect these observable developments.

All that said, it is the SEC's obligation to complete the rules mandated by Congress in Dodd-Frank, and I intend to do so. By necessity, as we – me, my fellow Commissioners, and the staff – develop and finalize the rules we will have to be flexible in timing, in sequence, and in content, because there

are many factors beyond our control that can dictate how to apply the agency's limited resources.

Conclusion

In closing, I cannot overstate the importance of the role of those who provide legal advice and other professional services in our markets.

Securities lawyers and other market professionals play a fundamental role in protecting American investors, and the thorough provision of your services is essential to the operation of fair, orderly, and efficient U.S. markets.

And with respect to outstanding Dodd-Frank rulemakings, let me assure you that the SEC is actively looking for ways to navigate the clear challenges presented and satisfy the statutory mandates.

Cryptomining trends

News articles have focused recently on the value and volatility of cryptocurrencies, over the past year, most notably Bitcoin which had a peak value of $20,089.00 in December 2017.

Cryptocurrencies can be earned, or 'mined', by performing computationally intensive operations to support the running of the currency. Malware intended to mine cryptocurrencies on victim computers has been available since at least 2013 and surged in popularity in late 2017 as the currencies' value increased.

Cryptomining malware is attractive to cyber criminals as they are able to use botnets of compromised machines as miners without having to cover the infrastructure costs (e.g. the cost of electricity would be covered by the victim).

Despite the potentially lucrative rewards, cryptomining is becoming increasing economically unviable for some legitimate users as the running costs (hardware and associated electricity costs) often outweigh any potential gains in this increasingly competitive environment.

This has also had real world implications on the price and availability of graphic cards as many are now being purchased specifically for cryptomining.

For cyber criminals, cryptomining malware has some advantages over ransomware. It doesn't rely on the victim being willing and/or capable of making payment. It is also not confrontational but is designed to operate undetected in the background over a long period, potentially earning more money than a ransomware campaign.

More importantly, it can be distributed through same delivery mechanisms as ransomware (e.g. exploit kits) and, once established, a network of mining bots can generate a respectable amount of money with minimal effort (e.g. the Smominru botnet generates 24 XMR per day (approximately £8,500)). Monero is the preferred currency as the

processing power required to mine it is minimal compared to that required to mine Bitcoin.

It is highly likely that the criminal deployment of cryptomining malware will increase during 2018 as cyber criminals either shift their focus away from other forms of malware or run these campaigns alongside their established cyber criminal activities.

The nature of evolving risks to financial stability

Agustín Carstens, General Manager of the BIS, at the 53rd SEACEN Governors' Conference/High-level Seminar and 37th Meeting of the SEACEN Board of Governors, Bangkok.

Introduction

Good evening. Thank you for that kind introduction. I wish to express my gratitude to our hosts at the Bank of Thailand, especially Governor Veerathai Santiprabhob, for their extraordinary hospitality, and to SEACEN for organising tomorrow's conference.

It's also a pleasure to be back in Asia, where you all, as policymakers, have managed to put together a framework that fosters steady high growth while maintaining financial stability, allowing you to successfully navigate through episodes of extreme turbulence in the global economy and financial markets.

Over the past two decades you have strengthened your financial systems, in part through the pre-emptive use of macroprudential instruments, as well as reforms in corporate governance.

Although US dollar funding shortages hit your major banks, they did not suffer a solvency crisis during the Great Financial Crisis as did banks in Europe and the United States.

The greater exchange rate flexibility that many of your jurisdictions have allowed, combined with the development of local currency bond markets, has also contributed to financial system resilience.

On the macroeconomic front, your economies show the great benefits to be gained from openness to direct investment and trade, and increased integration in global supply chains.

Trade recovered more strongly in Asian emerging markets than elsewhere subsequent to the Great Financial Crisis. Regional factors now play a more important role in explaining variation in output than global factors, as the regional economies have become more integrated through stronger supply chains.

The theme of tomorrow's conference is "Pursuing stability in a world of instability". I commend you on this choice. Indeed, there will never be a world of perfect stability. It is our ongoing job as central bankers to identify and prepare for possible shocks to the system.

Tonight I would like to discuss three risks to financial stability from the current perspective:

(i) the path of policy normalisation;

(ii) protectionism or at least uncertainty in trade policies; and

(iii) rapid technological change in financial services.

Policy normalization

To start with policy normalisation, the backdrop is that in advanced economies interest rates have been low for long, and central bank balance sheets have been swollen by years of unconventional policies.

Low interest rates and ample liquidity have had significant spillover effects to many emerging market economies, including in Asia and the Pacific. They have encouraged increases in indebtedness and the elevation of house and other asset prices beyond historical standards in many economies.

As monetary policy in advanced economies has been overburdened for some time, and markets overly dependent on accommodative policies that aggravate the risks to financial and macroeconomic stability over the medium to longer term, normalisation to build policy space ahead of the next downturn would be a very welcome development.

That said, recent indicators point towards a very slow pace of interest rate increases for advanced economies. Market participants also expect central bank balance sheets to shrink only gradually.

One risk is that the pace of interest rate normalisation could be considerably faster than currently priced into yields.

While higher rates could simply reflect higher growth and inflation approaching targets, they could also portend a jump in term premia. Financial markets could be similarly roiled by changes in balance sheet policies.

Examples of "snapbacks" in rates seemingly unrelated to changes in growth or inflation expectations include the taper tantrum of 2013, the bund tantrum of 2015 and, further back, the 1994 bond market sell-off.

Given the global reach of the US dollar, rises in dollar yields are eventually likely to result in higher yields in emerging markets, and a de facto tightening of financial conditions.

In addition to reducing spending and investment, higher interest rates could squeeze the debt servicing capacities of households and corporations in Asia, which have leveraged up in recent years, with much of the debt at floating rates.

And the overstretched asset valuations mentioned earlier could correct as well, with knock-on hits to economic growth.

While local currency depreciation might mitigate some of the real effects, work at the BIS has documented that US dollar appreciation vis-à-vis domestic currencies can often hurt activity through balance sheet deterioration more than it helps through improvement of competitiveness.

More generally, normalisation of interest rates and liquidity conditions may well expose other weaknesses in the global financial system: as Warren Buffet once put it, only when the tide goes out do you discover who's been swimming naked.

Not only can unforeseen linkages of global financial institutions spread financial stress in unforeseen ways, but there may be precious little time to adjust to higher interest rates and exchange rate volatility, as mobile international capital can be highly procyclical.

In sum, while we should not forget that policy normalisation will be a welcome development on the whole, given where we are, we will need to carefully manage it.

Part of this management will be to further stabilise the banking system, including through the timely and consistent implementation of Basel III reforms.

Protectionism

Next, I would like to talk about the growing risk of protectionism and uncertainty in trade and capital market policies.

Events over the past few years have heightened our awareness of the challenges posed by globalisation - in particular the uneven distribution of its benefits and adjustment costs within societies.

And as we now know all too well, this can prompt a backlash.

The solution is not to reverse global integration but to redress its distributional consequences. Let's preserve and enhance free trade - maintain and refurbish agreements and, when necessary, adjust them.

To be more specific, the way forward with trade agreements is to modify and to improve them to widen their beneficiaries.

For example, there should be common labour, safety and health standards for industries, to mitigate multinational firms' race to the bottom in global markets. There should be programmes for retraining and re-employing laid-off workers.

Both global and domestic policy institutions need to make a better case for global trade. Many politicians seem unaware of the returns to global value chains in advanced economies, including in terms of overall job creation. Similarly, the cost of protectionism is underappreciated.

At the same time, let us not forget that exchange rate flexibility is one of the antidotes to the worsening of current account imbalances that can exacerbate the job costs of globalisation and open markets.

Persistent intervention so that current account surpluses lead to more reserve accumulation and less exchange rate appreciation runs the risk of exacerbating imbalances.

Global capital market integration with flighty international capital also poses challenges. Just as reversing integration is not the answer on the trade side, so too capital controls are not the right answer on the financial side - not in most cases, anyway.
Rather, we should continue to increase the resilience of our economies and financial systems to international capital flows and exchange rate movements.

In this respect, I would like to commend you on some of the regional measures you have undertaken - perhaps an example for other emerging market economies.

More than a decade ago, ASEAN+3 and EMEAP took initiatives that have boosted local currency bond markets (though most jurisdictions have made more progress on the sovereign than on the corporate front).

Local currency debt markets allow both the sovereign and firms to reduce financial vulnerability to exchange rate movements, in particular the hit to national or corporate net worth that local currency depreciation can inflict.

That said, the US dollar remains the dominant global currency in trade and finance, and market participants' impulse to hoard dollars in situations of stress is deeply ingrained.

The maintenance of much higher levels of reserves than before the Asian financial crisis is appropriate.

But given the potential cost of the accumulation of own reserves, it makes economic (if not always political) sense for central banks and treasuries to also enter into reserve sharing arrangements.

The Chiang Mai Initiative Multilateralization and related bilateral swap arrangements in this region deserve credit in this regard. But they remain fair weather cooperation, untested in a storm; their practical usefulness could be strengthened.8

Rapid technological innovation

Lastly, I would like to touch on some of the risks posed by rapid technological innovation. We are entering a new era in which internet access and a new generation of payments and financial intermediation technologies ("fintech") are greatly expanding the ability of both diffuse creditors to provide funds, and small businesses to raise funds. The supply of investment funds will be more inclusive.

"Big data" analytics and the use of algorithms also have the potential to enhance the identification, analysis and management of risks and to reduce the cost of adherence to compliance and regulatory reporting requirements. This latter objective is sometimes known as "regtech".

In theory, by increasing the breadth, depth and diversity in the provision of funds, and by decreasing the costs of payments, risk assessment and regulatory compliance, these technological innovations could make the financial system more stable.

At the same time, we must be aware of the risks posed by such rapid technological change. In the provision of credit, new underwriting procedures and mechanisms of certification, many being managed by entities that are not regulated as credit institutions, could lead to declining credit standards and even a credit bubble without proper discipline.

Current banking business models could face competitive challenges from rapid disintermediation of customers.

Similarly, on the asset management side, with the large-scale entrance of new classes of investors whose behavioural tendencies are unfamiliar, risk management models may prove inadequate.

In addition, algorithmic trading - which has the characteristics of a black box and which we have seen could increase the vulnerability of trading systems to flash crashes - is another, potentially interrelated, risk.

In cyber-security, data leaks and infiltration of systems could result in financial and reputational losses for key institutions in the global financial system.

It is not unthinkable for cyber-attacks to potentially hinder the operation of traditionally reliable financial transactions such as retail electronic transfers.

Authorities in all jurisdictions should treat those threats very seriously and actively invest in raising the reliability of their defences and crisis response capabilities.

Vigilance is required on the part of supervisors and regulators so that the protection of depositors and investors is maintained in the face of rapid technological change.

Just as firms will need to adopt their ways of managing risks and meeting regulatory requirements, regulators and supervisors will need to revise their practices.

They will need to develop the capacity - now often called "suptech" - to assess and to use the data yielded by fintech.

Suptech can refer to the use of machine learning and natural language processing to link communications and behavioural data to financial stability risks that could derive from trading activity. In fraud detection as well, the use of machine learning to identify high-risk patterns is under way, and shows real promise.

While there is likely to be consolidation as banks unable to deal with the competitive challenges exit, we must ensure that the banking system as a whole retains sufficient financial strength in the face of disruptive technologies.

We must also ensure that, despite the convenience and speed afforded by the adoption of the new technologies, investors do not skip due diligence in making financing decisions and clearly understand the risks that they are taking.

And with the new data analytics offered by artificial intelligence and machine learning, we must relentlessly stress-test the resilience of financial institutions to cyber-security threats.

I would like to add a word on the possibility of central bank digital currencies, which is receiving much attention and stimulating discussion.

In some jurisdictions, particularly those where the use of cash is declining rapidly, policymakers are considering providing a digital alternative to cash to serve as a store of value and medium of exchange.

Under one design of such an alternative, anyone could electronically open an account and deposit money at the central bank.

To be sure, various forms of digital central bank currencies, depending on degrees of access, remuneration and other features, can be envisaged as improving welfare, among others, given potential efficiencies to be gained in payment, clearing and settlement.

Considerations of financial inclusion objectives may also come into play in some jurisdictions.

But each jurisdiction will need to consider the risks to financial stability as well. Over time central banks have evolved to limit access to their balance

sheet only to commercial banks (and some selected non-bank financial institutions).

This defines the centuries-old two-tier banking system - the central bank being a bank for banks and banks providing services to the public and the broader economy.

Digital central bank currencies, under certain designs, could do away with this long-standing practice, with major implications. Granting access to central bank balance sheets to many parties would present competition to bank deposits.

One could expect a shift of deposits to the central bank under certain conditions that could in principle exacerbate financial stability risks. The shift would be particularly marked in times of stress, when depositors would fly to safety at any price, leaving banks vulnerable to losing deposits to the central bank.

Many tough questions would arise. Could commercial banks still undertake efficiently their current forms of intermediation? Which type of financial intermediary, besides the central bank, could take their place?

Most importantly, central banks would end up intermediating more. With a larger balance sheet, they have to choose how to allocate funds. Would the central bank be more efficient than the private sector in resource allocation, and if not, would the benefits be worth the welfare costs?

So while it is a good thing that some jurisdictions have been thinking seriously about digital currencies, and are fairly advanced in their planning, it is highly likely that other jurisdictions, considering their own financial system structure, underlying preferences for privacy and other constraints, will approach the introduction of central bank digital currencies more cautiously.

One area in which policymakers across jurisdictions might share a common view is with regard to the recent emergence of so-called cryptocurrencies (more like cryptoassets) such as bitcoin.

While these can offer decentralised peer-to-peer exchange and cash-like anonymity, the general judgment is that their volatile valuations, as well as inadequate investor and consumer protection, make them unsafe to rely on as a common means of payment and store of value.

We should not hesitate to warn the public about the differences between central bank money and privately created virtual currencies. The growth and development of the latter may end up quite badly if we in the central banking community do not warn enough of the importance of this distinction.

Concluding remarks

While the risks I have outlined above are significant, they are by no means unmanageable. We can learn from previous tightening episodes and prepare ourselves for the risk of sharp snapbacks in the level of interest rates. We can do a better job in both spreading and selling to the body politic the benefits of economic and financial integration.

Globalisation is not off the rails; it is just in need of maintenance.

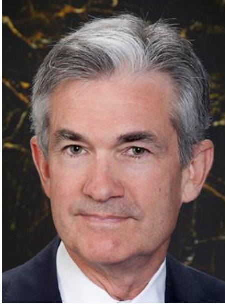
We should continue to enhance our capacity to respond to the challenges posed by some disruptive innovations in financial services. At the same time, we should not allow for the revolution in IT and innovation to blur the distinction between money and virtual currencies.

And let's also continue to buttress domestic policies with international cooperation that monitors and addresses global linkages - through both global bodies such as the BIS, the IMF and the FSB, and regional ones such as ASEAN and SEACEN.

Not least, let's fully implement the internationally agreed financial reforms - such as Basel III - in a timely and consistent manner to ensure the resilience of our financial systems.

Remarks at the Ceremonial Swearing-in

Chairman Jerome H. Powell, at the Federal Reserve Board, Washington, D.C.



It is both humbling and a great privilege to be standing here today. I am particularly honored by the trust and faith that the President has placed in me and by the Senate's quick action in confirming me. There is no greater honor than public service, as Randy, Lael and all of our colleagues here at the Fed would agree.

The Congress has assigned the Federal Reserve the goals of stable prices and maximum employment. Price stability means that businesses and households can make important decisions without concern for high or volatile inflation.

Maximum employment means that those who want a job either have one or can find one reasonably quickly. We also have important responsibilities for the stability of the financial system and for the regulation and supervision of financial institutions, including our largest banks.

Through regulation that is both effective and efficient, we seek to ensure that credit, which is vital for a healthy economy, will be available to families and businesses throughout the business cycle, so they can invest in a brighter future.

These are awesome responsibilities, and the Congress has wisely entrusted us with an important degree of independence so that we can pursue our monetary policy goals without concern for short-term political pressures.

As a public institution, we must be transparent about our actions so that the public, through its elected representatives, can hold us accountable. Over the past 25 years, the Fed has been a leader among central banks in improving transparency.

Today, we are open and accountable. We strive to explain our actions in a way that enhances the public's understanding of our goals and methods.

We will continue to pursue ways to improve transparency both in monetary policy and in regulation.

When I joined the Board of Governors in 2012, unemployment was 8.2 percent. Many millions of Americans were still suffering from the ravages of the crisis.

Since then, monetary policy has continued to support a full recovery in labor markets and a return to our inflation target; we have made great progress in moving much closer to those statutory objectives.

In addition, the financial system is incomparably stronger and safer, with much higher capital and liquidity, better risk management, and other improvements.

Much credit for these results should go to Chairman Bernanke and Chair Yellen. I am grateful for their leadership and for their example and advice as colleagues. But there is more to the story than successful leadership.

The success of our institution is really the result of the way all of us carry out our responsibilities. We approach every issue through a rigorous evaluation of the facts, theory, empirical analysis and relevant research.

We consider a range of external and internal views; our unique institutional structure, with a Board of Governors in Washington and 12 Reserve Banks around the country, ensures that we will have a diversity of perspectives at all times. We explain our actions to the public.

We listen to feedback and give serious consideration to the possibility that we might be getting something wrong. There is great value in having thoughtful, well-informed critics.

While the challenges we face are always evolving, the Fed's approach will remain the same. Today, the global economy is recovering strongly for the first time in a decade.

We are in the process of gradually normalizing both interest rate policy and our balance sheet with a view to extending the recovery and sustaining the pursuit of our objectives.

We will also preserve the essential gains in financial regulation while seeking to ensure that our policies are as efficient as possible. We will remain alert to any developing risks to financial stability.

I am deeply grateful for the opportunity to lead the Fed as we face these evolving challenges. I believe that the way we approach our work, the strong values we hold, and the dedication to public service I see throughout the Federal Reserve have been the keys to our success.

As Chairman, I will uphold these values and do my very best to further our pursuit of something we all seek--an economy that works for all Americans.

Looking into the crystal ball
A report on emerging technologies and security challenges

The time has come for ENISA to take a look at the crystal ball of technology; In particular looking at what are considered to be emerging technologies and what might be their prospective usage scenarios.

Considering emerging technologies and applications is an important step in assessing future security needs.

ENISA has performed this effort in collaboration with external experts from academia and industry.

Starting with a small number of individuals, it is planned to expand this assessment by engaging additional experts, both within and outside ENISA committees and bodies.

For the time being, the initial sight to emerging technologies has shown that currently top technological challenges are:

- The Internet of Things,
- Autonomous systems,
- Next generation virtualized infrastructures (including SDN and 5G),
- Upcoming societal challenges,
- Virtual and Augmented reality,
- The Internet of Bio-Nano Things,
- AI and Robotics.

Knowing that the above list is not exhaustive, ENISA will continue the dialogue with experts to complement it.

For the above emerging technology areas both technological and cyber-security challenges are presented in this report.

By taking into account the emerging security challenges, the most important cyber security areas have been identified by means of “emerging security related areas”.

These are:

- Elaboration on Certification,
- Coordination of actions in cyber space,
- Development of trustworthiness,
- Coverage of complete lifecycle,
- The future of cryptography,
- Future Identification technologies,
- Use of Artificial Intelligence and Machine Learning in cyber security,
- Increasing end-user involvement.

ENISA believes that these cyber security areas will present challenges to the cyber security community in the years to come and hopes that they will be extensively discussed within its stakeholder communities.

Last but not least, in this work input that has been received by the ENISA Permanent Stakeholder Group (PSG) is being mentioned.

In a similar manner, input will be integrated through an interaction with the new PSG that will have its kick-off end of October 2017. In this manner, both previous and new contributions from PSG will be put in the context of the areas presented in this report, widening thus significantly the number of contributors.

To read more:
https://www.enisa.europa.eu/publications/looking-into-the-crystal-ball

Fourth FSB Annual Report

This fourth annual report provides an update on the key activities of the FSB and its audited annual financial statements for the 12-month period ended 31 March 2017.

The report describes the increasing focus of the FSB's work on monitoring implementation and evaluating the effects of the G20 financial regulatory reforms. It provides an update on the activities, publications and decisions by the FSB during the course of the year, and sets out details on the FSB's governance.

The FSB separately publishes an annual report for G20 Leaders on the implementation and effects of the agreed post-crisis international regulatory reforms, the most recent version of which was published in July 2017 and delivered to the G20 Leaders' Summit in Hamburg.

Financial Stability Board in numbers

68 member institutions, comprising ministries of finance, central banks, and supervisory and regulatory authorities from 25 jurisdictions as well as 10 international organisations and standard-setting bodies, 6 Regional Consultative Groups reaching out to 65 other jurisdictions around the world; 33 Secretariat staff; 7 public consultations on policy recommendations during 2016/17.

To read more:
http://www.fsb.org/wp-content/uploads/P160118.pdf

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