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**Philadelphia FMS**  
**Chapter Presentation**  
**May 12, 2021**  
**The New Normal: Legal Update**

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# **Environmental, Social, and Governance (ESG) Issues**

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- ◆ Climate risk and other environmental, social, and governance (ESG) issues have generated increased attention from securities regulators and other market participants.
- ◆ Recent focus has been on improving the reliability, consistency, and comparability of ESG and climate-related disclosures, including efforts to establish mandatory reporting requirements.

- ◆ Board Diversity requirements:
  - Nasdaq has proposed new listing rules that would require listed companies to (i) disclose statistical information relating to each of their director's self-identified gender, race, and self-identification as LGBTQ+, and (ii) to have, or explain why they do not have, at least two diverse directors
  - SEC currently reviewing whether to approve.

# **Developing Relationships with Proxy Advisory Firms**

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- ◆ The influence of proxy advisors, such as Institutional Shareholder Services (ISS) and Glass Lewis, has been the subject of much debate. However, today proxy advisors do play a large role in the proxy voting process.
- ◆ There is a growing percentage of outstanding shares of public companies being held by institutional investors, many of whom do not have the time or resources to do their own research, especially on the smaller companies in their portfolio. These companies are relying more and more on proxy advisory firms.

# Wire Transfers for Purchase of Cryptocurrency Assets

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- ◆ What role can community banks play in the cryptocurrency space?
  - Initiate wire transfers at the direction of Bank deposit customers whereby such customers wish to use their funds deposited at the Bank to purchase cryptocurrency assets from certain cryptocurrency exchanges.
  - Act as custodian of cryptocurrency assets\*\*
  - Engage in any other cryptocurrency asset related activities.\*\*

\*\*These roles would require a significant investment of time and capital and create many regulatory issues.

## **Wire Transfers for Purchase of Cryptocurrency Assets (cont.)**

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- ◆ OCC Interpretive Letter #1170 focuses on the authority of national banks to provide cryptocurrency custody services for customers, and also highlights the ability of banks to engage in other cryptocurrency related services for its customers. We believe this would include wire transfers.
- ◆ The Financial Crimes Enforcement Network (“FinCEN”) released two notices of proposed rulemaking in the fourth quarter of 2020. These proposed rules would require financial institutions to collect, retain, and transmit information on transactions involving convertible virtual currencies.
- ◆ FinCEN and the Department of the Treasury each also released advisories on October 1, 2020 about risks for facilitation of ransomware payments that could involve cryptocurrency assets. These also be considered when the Bank reviews and updates its BSA/AML compliance program

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# Polling Question #2

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