Federal Reserve Statement on Supervisory Activities

The Federal Reserve is issuing this statement to provide additional information to financial institutions regarding adjustments to our supervisory approach in light of the Coronavirus Disease 2019 (COVID-19).[1] The United States has been operating under a presidentially declared emergency since March 13, 2020, and financial institutions and their customers are affected by COVID-19. The Federal Reserve understands that this unique and evolving situation could pose temporary business disruptions and challenges that affect banks, businesses, consumers, and the economy. This statement builds upon the interagency press releases issued on March 9, 2020, and March 22, 2020.

The actions outlined below are intended to help financial institutions to deploy their resources as efficiently as possible and continue to support their customers and local economies in a prudent and fair manner while meeting current challenges.

Working with Customers

As described in the interagency statement from March 22, 2020, the Federal Reserve encourages financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. The Federal Reserve will not criticize financial institutions that mitigate credit risk through prudent actions that are consistent with safe and sound practices, as more fully described in the interagency statement.

Increased Focus on Monitoring

The Federal Reserve has placed its focus on monitoring efforts during this period of uncertainty. Monitoring efforts will concentrate on understanding the challenges and risks that the current environment presents for customers, staff, for firm operations and financial condition, and for the largest firms, the risks to financial stability. For all firms, supervisors will focus on continued monitoring and analysis of operations, liquidity, capital, asset quality, and impact on consumers. For large financial institutions, supervisors will also focus on operational resiliency and potential impacts on broader financial stability.

In these efforts, supervisors are coordinating with relevant stakeholders, including primary financial regulatory agencies.

Changed Focus on Examinations

To minimize disruption and burden on financial institutions, the Federal Reserve is reducing its focus on examinations and inspections at this time. Any examination activities will be conducted off-site until normal operations are resumed at the bank and Reserve Banks.

For supervised institutions with less than $100 billion in total consolidated assets, the Federal Reserve generally intends to cease all regular examination activity, except where the examination work is critical to safety and soundness or consumer protection, or is required to address an urgent or immediate

[1] This statement applies to all institutions supervised by the Federal Reserve, including state member banks, bank holding companies, savings and loan holding companies, Edge Act Corporations, and the U.S. operations of foreign banking organizations.

need.[2] The Federal Reserve intends to reassess its approach to examinations in the last week of April to determine whether conditions have changed. Supervised institutions may receive examination reports with respect to recently completed examinations (or examinations near completion); however, supervisors are taking care to ensure that all supervisory findings are still relevant and appropriately prioritized in light of changing circumstances.

For supervised institutions with assets greater than $100 billion, the Federal Reserve intends to defer a significant portion of planned examination activity based on its assessment of the burden on the institution and the importance of the exam activity to the supervisory understanding of the firm, consumer protection, or financial stability.

With respect to the upcoming Comprehensive Capital Analysis and Review, or CCAR, exercise, firms should submit the capital plans that they have developed by April 6, 2020. The plans will be used to monitor how firms are managing their capital in the current environment, planning for contingencies, and positioning themselves to continue lending to creditworthy households and businesses.

Extended Time Periods for Remediation of Supervisory Findings

The Federal Reserve is extending the time periods for remediating existing supervisory findings by 90 days, unless the Federal Reserve notifies the firm that a more timely remediation would aid the firm in addressing a heightened risk or help consumers.[3] For instance, if a status update would otherwise be due in 30 days, the due date is extended to 120 days.

Continuous Communication with Institutions

The Federal Reserve will continue to communicate with financial institutions as this situation unfolds, including through additional statements, webinars, frequently asked questions, and other means.

Financial institutions supervised by the Federal Reserve should work directly with their Reserve Bank and state banking agencies if they have questions on the planned supervisory activities. The Federal Reserve recognizes that the current situation is significantly affecting regions of the country and institutions in different ways through no fault of their own and will work with financial institutions to understand the specific issues they are facing.

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[2] In this instance, "critical" could include exams of less-than-satisfactorily rated state member banks or institutions where a Reserve Bank is aware of liquidity, asset quality, consumer protection, or other issues that are an immediate threat to an institution's ability to operate or to consumers, or Reserve Bank monitoring identifies an unusual circumstance.

[3] Supervisory findings include matters requiring attention, matters requiring immediate attention, and provisions in a formal or informal enforcement action.