

DOCUMENT 5

Use of External Consultants Within the Bank Supervision Function

Do's and Don'ts

- **DON'T** confuse a consultant with a Reserve Bank employee. The consultant is not an employee. There are restrictions on the responsibilities that may be assigned to a consultant.
- **DON'T** allow a supervised entity (e.g., bank or bank holding company) or its employees to believe a consultant is a Reserve Bank employee.
- **DON'T** allow a consultant to make any final decision or value judgement that results in a final decision. For example, if a consultant participates in a bank examination, the examiner-in-charge retains the responsibility and authority for making any final determination related to that examination.
- **DON'T** allow a consultant to meet with a supervised institution to present findings or conclusions without a member of the examination team, the examiner-in-charge, or other Reserve Bank representative being present.
- **DO** allow a consultant to independently perform data-gathering functions, such as interviewing bank personnel or attending meetings to collect information to complete his or her work assignment.
- **DO** remember that a consultant may make recommendations, give opinions, and provide analysis to the Reserve Bank, but he/she does not have policy, managerial, or decision-making authority.
- **DO** remember that when a consultant participates as an examiner on an examination or inspection, the consultant must report to a designated employee, such as the examiner-in-charge. In addition, the consultant may not serve as an examiner-in-charge.
- **DO** remind employees that while under contract, a consultant must adhere to many of the same ethical standards that are applicable to Reserve Bank employees. For example, without prior authorization, a consultant is prohibited from purchasing shares of stock in any banking organization. A consultant may not participate in an examination of a bank where he/she, a spouse, or a dependent child has a loan or investment.
- **Do** remind employees that a consultant granted access to confidential or sensitive information must comply with the Board and Reserve Bank's handling procedures and requirements. The consultant also may be subject to additional prohibitions as outlined in the consultant agreement with the Reserve Bank.