



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF BANKING  
SUPERVISION AND REGULATION

**SR 10-10**

**April 30, 2010**

**TO THE OFFICER IN CHARGE OF SUPERVISION  
AT EACH FEDERAL RESERVE BANK**

**SUBJECT: Interagency Guidance on Correspondent Concentration Risk**

Attached is interagency guidance issued by the Board of Governors of the Federal Reserve System and the other federal banking agencies.<sup>1</sup> This guidance reminds institutions of supervisory expectations on sound practices for managing risks associated with funding and credit concentrations arising from correspondent relationships (correspondent concentration risk).<sup>2</sup> The guidance highlights the need for institutions to identify, monitor, and manage correspondent concentration risk on a standalone and organization-wide basis. The guidance also reinforces the supervisory view that financial institutions should perform appropriate due diligence on all credit exposures to and funding transactions with other financial institutions.

Reserve Banks are asked to distribute this letter to financial institutions supervised by the Federal Reserve, as well as to supervisory and examination staff. Questions regarding this letter may be directed to Barbara J. Bouchard, Associate Director, at (202) 452-3072; or Craig A. Luke, Supervisory Financial Analyst, Supervisory Guidance and Procedures section, at (202) 452-6409. In addition, questions may be sent via the Board's public website.<sup>3</sup>

Patrick M. Parkinson  
Director

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<sup>1</sup> The other federal banking agencies include the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

<sup>2</sup> See, for example, SR letter 93-36, "Preliminary Examiner Guidelines for Regulation F – Interbank Liabilities."

<sup>3</sup> See <http://www.federalreserve.gov/feedback.cfm>.

Attachment:

*Correspondent Concentration Risks*

Cross Reference:

- SR letter 93-36, “Preliminary Examiner Guidelines for Regulation F – Interbank Liabilities”