



GUIDANCE & SUPERVISION

LISCC Liquidity Program Operating Manual

December 15, 2020 (v.1.2)

Replaces v.1.1 dated April 1, 2019

Redacted Public Version

Note: All redactions in this redacted public version are indicated in bold, italic font with brackets around it, like this: [Redaction: description of redacted material]. Additionally, the front cover, end page, and some font sizes and colors are slightly different from the original internal document to reflect Board publishing standards and to increase accessibility.

The CLAR Manual referenced in the LISCC Program Operating Manual is no longer correct as it does not reflect the practice of recent years. Prior to approximately 2019, examiners conducted a horizontal exam and liquidity assessment referred to as CLAR. Thereafter, the Liquidity program changed its approach to conducting various types of exams throughout the year. Liquidity program exams follow the processes set forth in the LISCC Program Operating Manual.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Liquidity Program Operating Manual

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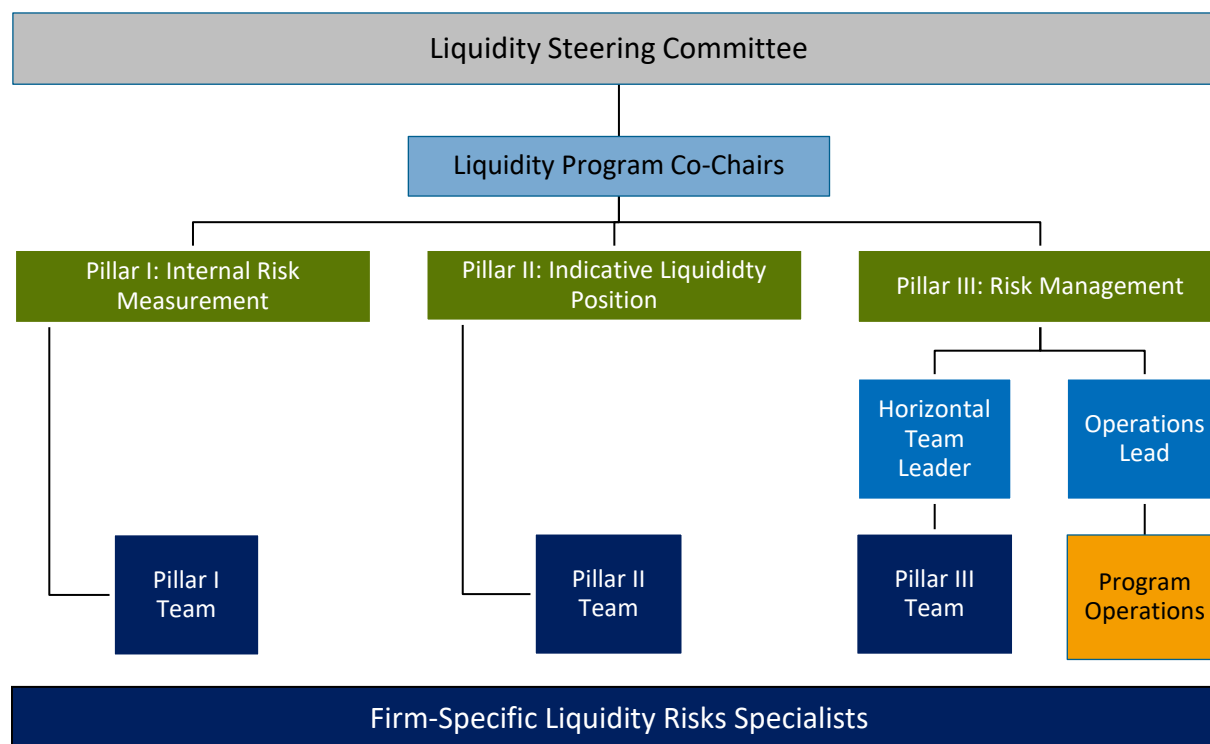
Section 1: Program Overview and Operations

The Liquidity Program assesses the adequacy of Large Institution Supervision Coordinating Committee (LISCC) firms' liquidity position and liquidity risk management practices through both horizontal and firm-specific examinations, in-depth reviews, ongoing monitoring and analyses, and issue remediation assessments. The Comprehensive Liquidity Analysis and Review (CLAR) is the horizontal component of this program. CLAR and the firm-specific liquidity assessments undertaken by firm-specific dedicated supervisory teams (DSTs) are conducted on a forward-looking basis, analyzing the firms' liquidity risk management practices and resiliency under normal and stressed conditions. Since CLAR only targets a select population of liquidity risk topics in a given year, the option to complete firm-specific events helps ensure the most critical inherent risk and risk management areas are evaluated and considered in the assignment of the liquidity component rating. The Liquidity Program culminates in the assignment of a liquidity rating of each LISCC firm.

The Liquidity Program Steering Committee (SC) is the primary governing body of the program. While outlined in further detail below, the SC is responsible for vetting Liquidity Program exam conclusions, MRIA remediation assessments, issue closure assessments for findings tied to a Conditionally Meets Expectations rating, and the annual liquidity assessment and liquidity rating for each LISCC firm. Ultimately, the OC is responsible for approving the overall liquidity rating.

The day to day program execution responsibilities are managed by the co-chairs and the pillar leadership group (PLGs). There are four PLG members who report directly into the co-chairs. The three Pillars are I) internal risk measurement II) indicative liquidity position III) risk management. The fourth PLG member is the Operations Lead. The liquidity program is staffed by full-time, liquidity risk subject matter experts. Program staff are assigned to either a horizontal team (Pillar I, Pillar II, and Pillar III) or a specific firm (firm-specific liquidity risk-specialist). Horizontal staff primarily execute horizontal exams; however, can assist with any aspect of program execution (firm-specific exams, in-depth reviews, and monitoring). The firm-specific liquidity risk-specialists conduct monitoring and generally execute firm-specific exams and issue remediation assessments. Firm-specific liquidity risk-specialists may also participate on horizontal examinations or in-depth reviews. To effectively assign a liquidity component rating, collaboration between the three horizontal Pillar teams and the firm-specific liquidity risk-specialist is required.

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Governance Structure

Liquidity Program Steering Committee

The primary governing body of the liquidity program is the SC. The Liquidity SC is responsible for the coordination and oversight of the LISCC Liquidity Program.

Roles and Responsibilities

The Liquidity SC is responsible for:

- Overseeing the Liquidity Program Leadership Group (Liquidity PLG), including review of Liquidity PLG members' performance (this is the specific responsibility of the Chair/Co-chairs);
- Reviewing and recommending for approval to the OC the annual supervisory plan for liquidity across the LISCC portfolio;
- Vetting and approving supervisory findings based on horizontal and firm-specific examinations;
- Vetting proposed annual liquidity assessment and liquidity ratings and recommending annual messages and ratings to the LISCC OC through the DST;
- Reviewing/Approving a process to ensure divergent views related to the annual CLAR examination or any other firm-specific or horizontal examination that occurs during the year related to liquidity are discussed and resolved or elevated to the OC for further discussion;
- Closely coordinating with other Program Steering Committees on related areas of assessment (this is a specific responsibility of the co-chairs and PLG);

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- Approving an annual self-assessment, with the support of the Office of the OC, as needed;
- Overseeing the development of the scope, staffing plan, and execution of components of the annual supervisory plan conducted by the horizontal team leads and DSTs; and
- Reviewing and approving MRA supervisory issue closure recommendations or potential enforcement actions applicable to liquidity throughout the year. The SC will also review and approve MRA closure recommendations if those MRA's are tied to CME ratings. The co-chairs and PLG will review/approve all other MRA issue closures, unless requested by the SC.

Composition

The SC chairs are the co-chairs of the Liquidity program. The SC is comprised of multi-disciplinary system experts including senior Federal Reserve officers with a range of perspectives on liquidity issues, including supervisors, policy staff, economists from the research and monetary affairs functions, and legal staff. The PLG and Co-Chairs of the program are standing members on the committee. The SC may also include members from the OC and other program steering committees. The liquidity program SC membership is available via the link below.

[Redacted: hyperlink to internal website to which the Liquidity Program SC membership is posted]

Decision-making

Each SC member present should provide a recommendation to the Chair/Co-Chairs on the findings from CLAR examinations, firm-specific examinations, liquidity ratings, supervisory plans and any other matter that the Chair/Co-Chairs bring to the full committee for formal consideration. SC members may abstain from voting on issues if the individual does not feel strongly on a particular issue or have the technical expertise for certain nuanced topics. On subjects where the SC does not have consensus, the Co-Chairs will document material dissenting viewpoints and may elevate the issue(s) to the OC. A SC member may request a viewpoint be presented to the OC or the co-chairs will use judgement on what constitutes a material divergent view that requires escalation. Alternatively, the Co-Chairs may use SC member input in their deliberations; however, unless a formal, divergent view is presented, the decision is ultimately at the discretion of the Co-Chairs.

Documentation and Communication

The Liquidity program co-chairs will provide updates to the OC and LISCC, as requested per OC and LISCC protocols. These generally happen after SC meetings where significant horizontal examination or ratings are vet. Following each Liquidity SC meeting, a summary highlighting all decisions and the basis for those decisions as well as any action items or open issues will be posted to the Liquidity SharePoint site by the Operations Lead.

Liquidity Letter Oversight Group (LOG)

The LOG is responsible for overseeing the production and review of the liquidity program horizontal, exam conclusion letters. Supervisory communications for matters such as supervisory issue closure, new issues arising from firm-specific examinations, or other matters not directly pertaining to the

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communication of liquidity horizontal examinations are not overseen by the LOG, unless requested by the SC. The LOG is chaired by the operations lead. LOG membership will generally change every year but will include the program Co-Chairs, PLG, and at least one DST representative. In instances where LOG oversight is not required for written communication, the co-chairs and operations lead have letter oversight responsibilities and will collaborate with the appropriate stakeholders (i.e. liquidity risk-specialists and DST leads) in development of the written communication. Straightforward communications, such as MRA closure letters will solely be overseen by the Operations Lead, unless requested otherwise during issue closure vetting.

Roles and Responsibilities:

- Ensure that conclusions reached during vetting sessions with the Liquidity SC are appropriately translated into the horizontal examination letters;
- Ensure all supervisory messages are clear and concise;
- Coordinate with stakeholders, including each DST, to receive and incorporate any feedback prior to final letter issuance; and
- Review any other liquidity correspondence that is assigned by the SC.

Liquidity Program Leadership Group (PLG)

The PLG reports to the program co-chairs. The PLG is responsible for overseeing the design and execution of the supervisory plan for all pillars, including baseline monitoring and coordinating with DSTs to ensure firm-specific examinations adhere to program standards and Liquidity SC directives. All PLG members are part of the program Steering Committee. Horizontal teams conducting liquidity work described in this chapter report into the PLG.

Key responsibilities of the Liquidity PLG include:

- Overseeing the process and providing input into the development of annual supervisory plan and assisting with developing the program's strategic direction;
- Overseeing the development of the scope, staffing plan, and execution components of the annual supervisory plan;
- Providing periodic updates to SC regarding status of the supervisory plan and any issues arising;
- Engaging with firm-specific liquidity specialists on the annual supervisory plan, firm-specific examinations, and issues from those events requiring escalation;
- Reviewing supervisory issue remediation proposals as prepared by the firm-specific liquidity risk-specialist;
- Translating horizontal and firm-specific exam conclusions into recommendations for input into the liquidity component rating;
- Drafting supervisory letter language for all horizontal examinations led by the respective Pillar;
- Ensuring any divergent views among team members or between teams are documented, discussed and elevated to the Liquidity SC as needed; and

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- Closely coordinating with PLGs for other core programs on related areas of assessment.

Operations Lead

The Operations Lead is a member of the PLG but has unique responsibilities in addition to those outlined above, given the group does not lead the execution of exams. The operations lead is responsible for ensuring the program is executed in an efficient and effective manner, and for collaborating closely with the Program Coordinator and the Office of the OC on all operational elements of the program. The Operations Lead reports into the program Co-Chairs and has the following responsibilities:

- Chairing the letter oversight group (LOG);
- Planning and day-to-day execution of the primary program-wide initiatives, such as supervisory planning, developing policies and procedures, administration of vetting, SC meeting planning, among other program responsibilities;
- Establishing operating standards for execution of program supervision;
- Ensuring all major program developments and decisions are clearly documented, preserved, and communicated to relevant stakeholders;
- Developing and implementing an on-boarding program for Steering Committee Members and horizontal examination staff; and
- Closely collaborating with the OC COO, and staff in other programs with similar responsibilities.

CLAR Horizontal Teams

Horizontal examination and analytical teams will report directly to the respective PLG for Pillars I and II. The Pillar III horizontal staff report into the horizontal team lead (HTL). Pillar III is the only Pillar within the program with a HTL. Key responsibilities of the horizontal teams include:

- Developing scope documents, staffing plans, and methods of execution for specific examinations;
- Executing the horizontal examination from planning to completion in accordance with LISCC and program-specific operational requirements;
- Presenting examination conclusions to the SC;
- Serving as the contact for firm-specific liquidity risk specialists for matters pertaining to the horizontal examination;
- Closely coordinating with firm-specific liquidity risk specialists in completing the horizontal, including the socialization of potential supervisory issues prior to vetting;
- Providing periodic status updates to staff and program leadership;
- Attending CLAR close-out meetings with firms to discuss CLAR results (along with PLG and DST Leads);
- Supporting the DST's with liquidity-related supervisory issue remediation monitoring.

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Firm-Specific Liquidity Specialists

Liquidity risk-specialists (LRS) are assigned to each LISCC firm. LRS' are primarily responsible for firm-specific monitoring and assessing their firms outstanding issue remediation. LRS are also generally the examiner-in-charge for firm-specific examinations. The LRS are overseen by the management structure established in their respective districts (i.e. their Legal Entity Reserve Bank Manager).

With regard to firm-specific supervision, the LRS is responsible for:

- Monitoring changes and trends that may impact the liquidity position or adequacy of the liquidity risk management of the firm, and sharing those trends with the MAP core team and Liquidity program leadership;
- Monitoring and assessing supervisory issue remediation and applicable enforcement actions in-line with LISCC Program and Reserve Bank standards;
- Executing firm-specific examinations in adherence to LISCC and program-specific manuals, policies and procedures;
- Compiling the quarterly results of firm-specific monitoring and reporting out results;
- Developing scope documents, staffing plans, and methods of execution for firm-specific examinations;
- Executing the firm-specific examination from planning to completion in accordance with LISCC and program-specific operational requirements;
- Communicating the outcomes of firm-specific examinations to the Liquidity PLG and DST. And, to present the findings to the Liquidity SC and DST or its designees for vetting.

LRS may also participate on horizontal examinations and/or in-depth reviews. A LRS may be assigned as an examiner as part of the review of facilitate the horizontal with subject-matter expertise of the institution. When executing program-specific, horizontal work, a LRS will functionally report to one of the PLG (or HTL for Pillar III) for the duration of the assignment. With regard to Liquidity program horizontals, the LRS serve as the primary point of contact between the firm and horizontal staff.

The firm-specific LRS are also responsible for:

- Serving as primary point of contact for horizontal staff, providing background information and coordination of the review with the firm;
- Attending horizontal exam meetings with their supervised firm;
- Engaging with horizontal staff during reviews to ensure potential findings are factually accurate and well socialized with the DST prior to Liquidity SC vetting;
- Participating in periodic horizontal updates with program staff and/or Liquidity Program Steering Committee; and
- Participating in horizontal conclusions vetting meetings with Liquidity SC.

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Program Manager (Coordinator)

The Program Manager will work closely with the Operations lead and will be responsible for the day-to-day project management and logistical support of the program. This includes:

- SharePoint site maintenance;
- Coordination of meetings and logistics;
- Working with PLG members to track progress on supervisory issue remediation across the program as a whole and briefing the PLG and SC on status;
- Preparation of correspondence, meeting agendas/summaries, presentations and necessary project management documentation;
- Assisting operations lead in responding to LISCC oversight requests for information;
- Collaborating with the OOC to develop program policies and procedures; and,
- Supporting EIC's and program staff to ensure compliance with LISCC and program standards.

Vetting and Decision-Making Process

Horizontal and Firm-Specific Examination Work

No less than twice per year, the Liquidity SC convenes to vet the findings of horizontal and firm-specific examination work conducted over the preceding period. The Liquidity SC informs decisions regarding messaging on liquidity issues (i.e. MRIA's and MRA's).

Liquidity Risk Management and Position Assessment

Liquidity ratings are vet by the Liquidity SC. The liquidity rating is based on a supervisory assessment of a firm's liquidity position and liquidity risk management practices. The DST is responsible for the development of a proposed liquidity rating. The DST ratings recommendation should follow the Large Financial Institution Rating System. The program will coordinate an annual liquidity rating vetting; however, DST's can propose a change to the overall rating at any point in the supervisory cycle if material changes occur regarding the firm's overall liquidity position or risk management practices. The DST LRS will present the firm's liquidity rating recommendation based on the totality of horizontal and firm-specific work. Following the vetting session, the DST or the program co-chairs will present the SC-vetted liquidity rating to the OC for review and approval. Any divergent views expressed and not resolved during the Liquidity SC vetting will be brought forward to the OC.

Communication of Horizontal Exam Liquidity Findings

After the Liquidity SC vetting of horizontal examinations, the EIC's will provide draft supervisory letter language to the PLG member overseeing the review. Once the PLG approves the draft it should be provided to the operations lead. Draft letters should incorporate SC vetted feedback. The operations lead and co-chairs will oversee the review of horizontal examination letters. LOG involvement is described elsewhere in the manual. Program leadership will collaborate with each DST team throughout

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the letter writing process. Members of the examination team, DST (if not leading the exam) and the Liquidity PLG, as appropriate, will attend the meeting with the firm to discuss the results of the exams.

Divergent Views

The LISCC program has general guidelines for divergent views. LISCC expectations surrounding divergent views are available ***[Redacted: hyperlink to internal website containing document on divergent views]***.

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Section 2: Supervisory Program Cycle

This section describes Liquidity Program responsibilities around the various phases of the supervisory cycle, including supervisory planning, execution of key examination steps and deliverables for firm-specific and horizontal supervisory events and monitoring, and the associated documentation, posting, and communications requirements, managing supervisory issues and enforcement actions, and conducting the annual assessment¹. Content aligns with the LISCC Manual.

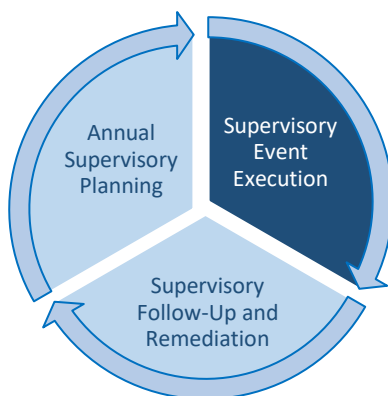
Supervisory Planning

The first key step of the annual supervisory process is developing the supervisory plan for the upcoming supervisory cycle. The supervisory plan is owned by the LISCC OC and its completion is facilitated by the OOC. Details on the supervisory planning process can be found **[Redacted: hyperlink to internal website containing the Supervisory Planning Process document]**.

Supervisory Event Execution

This section describes responsibilities and record-keeping requirements for the execution of approved, firm-specific and horizontal examinations.

Overview



After the LISCC OC communicates the approved supervisory events for the next supervisory cycle, program staff can shift focus to event execution. Both firm-specific and horizontal examinations consist of four phases:

1. Examination preparation
2. Examination execution

¹ Given the very recent implementation of the LFI Ratings Framework and the initial rating assignments occurring in 1st Quarter 2019, the content on the completion of the annual assessment will be provided in 2019.

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3. Examination conclusion
4. Supervisory follow-up and remediation

While the deliverables and expectations are generally consistent for both firm-specific and horizontal examinations, activities in some cases do vary. Unless specifically stated otherwise, the expectations in this section are applicable to all LISCC examinations.

In addition to the program-specific standards described in this section, LISCC Program-wide standards have been established for key aspects of the examination and monitoring processes. All members of the LISCC Program are responsible for understanding and following these important requirements, which can be found at the following links:

LISCC Examination and Monitoring Documentation/Posting Standards:

- Examination Workpapers Expectations and Approval Requirements
- Examination Workpapers Requirements for Participation on Other Agencies' Exams
- BOND Posting Minimum Requirements

Table 1: Universe of Exam Activities/Deliverables (Firm-Specific and Horizontals)

| Activities/ Deliverable | Overview |
|---|--|
| Infrastructure Preparation | The Exam Support Team create C-SCAPE and ExamSpace platforms for all supervisory events approved during the supervisory planning phase. After a proposal receives SC approval, the project manager, in collaboration with the EIC/PLG or designee begins preparing all internal infrastructure platforms by ensuring dates, resources and examiner access are accurate in ExamSpace. SharePoint and C-SCAPE. |
| (Scope Memo - Horizontal Template) (Scope Memo - Firm-Specific Template) | Scope memos detail the body of work necessary to complete the examination and must receive approval from the SC or delegated body at least 50 calendar days before the exam commencement date. The Exam Commencement Date is the day the on-site portion of the review commences. EICs should notify all liquidity risk embeds when the final scope memorandum is ready to post to each firm specific BOND database. Scope memos are posted to BOND prior to the exam commencement date. |
| (Workprogram) | EICs may (i.e. optional) create a workprogram for either horizontal or firm-specific examinations to help guide and document the examination assessments. The workprogram must be developed in such a way to ensure all elements of the scope are comprehensively assessed. |

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| (Entry Letter Template) | Entry letters are drafted in conjunction with the scope memo. Letters must be sent to the DST at least 40 calendar days before the exam commencement date. The DST is responsible for sending the entry letter to the firm(s) within 3 days (i.e. 37 days before the Exam Commencement Date or 30 days prior to the FDL Review period) and posting the entry letter to BOND and ExamSpace at least 30 calendar days prior to the Exam Commencement Date. |
| Firm Documentation Submissions (Entry Letter responses) | Firms submit supporting examination documents to IntraLinks. EICs are responsible for contacting Reserve Bank specific IntraLinks coordinators to grant individuals access. Coordinators will provide EICs with firm-specific IntraLinks folder names to include in each entry letter. |
| Internal Kick-Off Meeting | Members of the exam team, DST and PLG member are invited to an internal kickoff meeting to discuss scope, logistics, and the firm documentation submission before the exam commencement date. No documentation is required for this meeting. |
| Kick-off Meeting with Firm(s) | Kick-off meetings may be held with each firm. These are not required meetings and are left to the exam team discretion. |
| (Meeting Minutes Template) | Examiners must document all external meetings. Meeting minutes should reflect examiner concerns, associated discussions and a recap of discussions held with firms. |
| Soft Close Out Meeting with Firm(s) | EIC should hold a soft close out meeting at the end of the onsite work but prior to the vetting to communicate that the onsite work has concluded, and seek clarifying information to support preliminary conclusions and supervisory findings. The EICs should notify the firm of supervisory concerns the potential findings/issues stemming from the exam. The EIC's should ensure the firm understands any concern is still subject to internal governance and vetting. |
| (Examiner Conclusion Memo Template) | The examiner conclusion memo documents individual examiner conclusions for their specific scope objective(s). If there is one, the workprogram is an input into the memo. Examiner conclusion memos are the key input into the EIC conclusion memo. All proposed supervisory findings stemming from examiner conclusion memos must be input into the Disposition of Findings form as well as the EIC Conclusion Memo. The EIC is responsible for communicating deadlines to receive all examiner conclusion memos. Pillar 1 examinations do not require Examiner Conclusion Memos, rather leverage meeting minutes, EIC conclusion memo and DOF for exam documentation. In Pillar 1 common team exams, meeting minutes are utilized in lieu of examiner conclusion memos. |
| (EIC Conclusion Memo Template) | EIC conclusion memos summarize exam results and are the basis for vetting and supervisory letter development. At request of the PLG, the EIC's may also complete a presentation to be provided to the SC with the exam conclusion memo. The memo and presentation should be reviewed / approved by the PLG and shared with the SC at least 7 calendar days before the vetting. In Pillar 1 where a common |

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| | team approach is utilized, the EIC conclusion memo should comprehensively document the examiner assessments and conclusions that were required in the scope. |
| (Disposition of Findings Memo Template) | The EIC's disposition of findings memo tracks the proposed MRAs, MRIAs, assessments, ratings and other supervisory recommendations as they evolve from the examiner conclusion memos and through the EIC conclusion memo. The template should be transparent to the SC and either provided directly or summarized within the presentation. For Pillar 1 exams, each examiner needs to review the DOF memo and confirm they agree with conclusions reached in the aggregate conclusion memo. If there is a issue outside of the DOF the examiner may follow the divergent view process and note that in the DOF. |
| SC Vetting | The Liquidity Program SC will vet all horizontal and firm—specific liquidity reviews. |
| (Vetting Outcome Template) | The Vetting Outcome Template will be completed to reflect the decisions, and divergent views for scope memos, exams, and Remediation Validation Event (RVE) vetting. |
| Workpaper Documentation Completed | All final workpapers should be uploaded to ExamSpace in accordance with the LISCC Examination Workpapers Expectations and Approval Requirements. |
| (Supervisory Letter to Firm) | Supervisory letters are drafted by the EIC, reviewed and edited by the LOG and DST lead(s) and receive sign off from Board Legal. |
| Close-Out Meeting with Firm(s) | Formal close-out meetings are held with each firm after the vetting and conclusions are finalized. . Each DST is responsible for setting up a close out meeting. In certain instances, there may not be a need to have the meeting and the firm may be given the option. However, in all cases, a firm should be given the opportunity to discuss the exam results. If the firm opts to not have a close-out meeting, the close out meeting date would be the date the firm declines a meeting. |
| Firm's Response Letter | Firm(s) are required to provide a remediation plan in response to supervisory issues within 45 calendar days upon receipt of the supervisory letter. A response letter from a firm may not be necessary in limited instances, generally when there are no new supervisory issues cited. |
| (Acknowledgment Letter Template) | The LRS, EIC and PLG are responsible for reviewing the firm(s) response letter and providing an acknowledgment letter in reply no later than 30 calendar days of receipt. |
| Infrastructure Updates | Supervisory Letter, firm response letter, and acknowledgement letter are uploaded to BOND. This is the responsibility of the DST and LRS. The Exam Support Team enters supervisory issues into C-SCAPE within 10 days of issuing the supervisory letter. The EIC is responsible for confirming supervisory issues are correctly entered into C-SCAPE. |

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| Link to all Examination Templates | National Exam Tools and Templates– This includes all national templates. |
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Phase I – Examination Preparation

Introduction

This section covers liquidity program horizontal and firm-specific examination preparation. Expectations regarding in-depth reviews, baseline monitoring, and analytics are out of scope of this section and will be addressed in separate policies and procedures.

- *Horizontal examination:* Horizontal examinations are reviews designed to assess the adequacy of a group of firms' specific activity, business line, or risk management practices. Horizontal exams are most appropriate when the FR wants to ensure consistent application of established supervisory expectations, to assess a risk common to multiple firms, and/or to ensure consistent assignment of ratings.

All horizontal examinations are required to have at least one EIC who is responsible for leading the overall execution of the exam throughout all phases. Horizontal examinations can be conducted through a common team or common scope or both.

- *Firm-specific examination:* Firm-specific examinations are reviews of a single firm focused on a discrete topic and may be conducted jointly with another regulatory agency. Firm-specific examinations are generally performed for issues that do not affect other firms as materially; when supervisory expectations and industry range of practice are well understood; for inquiries which require in-depth knowledge of the firm's structure or management; or when the issue is time sensitive, making a horizontal examination impractical. Each firm-specific examination requires an examiner in charge (EIC) who is responsible for leading the overall execution throughout all phases described in this section. The EIC is generally the DST liquidity risk-specialist. However, the EIC may be a different individual based on availability and required subject matter expertise. .

In this section, unless stated otherwise, EIC refers to the individual responsible for leading the overall firm-specific or horizontal exam. The EIC may also rely on the program coordinator to assist with meeting expectations laid out in this document.

Internal Examination Infrastructure Preparation

The program coordinator is responsible for setting up and preparing internal infrastructure platforms and documentation templates to prepare for the examination. Table 2 gives an overview of internal systems used to execute a Liquidity Program examination.

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Table 2: Examination Infrastructure for Firm-Specific and Horizontal Exams

| Platform | Purpose | Responsible Parties |
|---------------------------------------|---|--|
| BOND | The automation platform for sharing supervisory information among Reserve Banks and with other federal/state banking regulatory agencies. | DSTs (for supervisory communications with the firm) are primarily responsible for ensuring BOND records are completed and up-to-date for each event (firm-specific and horizontal) at their firm, in addition to all other formal correspondence to or from the firm. The liquidity risk specialist is responsible for sending the final Scope to BOND for processing. |
| C-SCAPE | Internal event management tool used to populate DST supervisory plans, resources, and supervisory findings. Feeds into BOND, ExamSpace, and ROAM-T. | Liquidity Program Operations will work with EIC's to confirm horizontal C-SCAPE event is updated with accurate dates and staff resources. DSTs are responsible for maintaining firm-specific events entry. |
| Liquidity SharePoint (SP) Site | Primary working site where all exam work products are stored. | <p>Program Coordinator is responsible for creating SP library for the exam and ensuring all exam team members have access.</p> <p>EIC may use the Liquidity SP site to store any pre-planning work if ExamSpace is not ready at the time of pre-planning. Documents should be transferred to ExamSpace once it is generated.</p> |
| ExamSpace | Federal Reserve System (FR)'s authorized repository for supervisory work, serving as a national collaborative solution for maintaining, organizing, storing and securing work papers. Includes a direct connection to IntraLinks. | ExamSpace should be used as the repository for all final exam materials, as well as for “significant drafts” of any document that covers findings and/or proposed findings (e.g., when a document is passed to a manager for review and input). |
| IntraLinks | A temporary repository (only active for the duration of the business need) that facilitates the secure bi-directional exchange of electronic files between the FR and financial institution. | For examinations, documents submitted by the firm in response to the entry letter via IntraLinks should flow directly to ExamSpace. In other instances, DSTs are responsible for |

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| | | ensuring documents submitted by their firm flow from IntraLinks to the SharePoint site. |
| ROAM-T | The primary tool for tracking staff's time across the FR. | Exam team is responsible for verifying their actual hours worked in ROAM-T at the end of every week. |

The subsections below provide additional information on each platform and its role specific to the Liquidity Program. For more information on these platforms, please see the referenced internal guidance documents.

BOND

BOND is the automation platform for sharing supervisory information among Reserve Banks and with other federal/state banking regulatory agencies. For the Liquidity Program, consistent with the LISCC program, the following documents must be posted to BOND for each firm participating in the examination:

- Entry Letter
- Scope Memo
- Supervisory Letter
- Firm's Response Letter
- Acknowledgement Letter
- If applicable: Extension Requests/Approval Letters

LISCC Program-wide BOND expectations can be found ***[Redacted: hyperlink to internal website containing document that describes BOND expectations]***, and information on the BOND application is available ***[Redacted: hyperlink to internal website to which information on BOND is posted]***.

C-SCAPE

C-SCAPE is the primary internal event management tool. All staff assigned to the Liquidity Program is expected to have C-SCAPE access. Once an event is approved, the program coordinator uses the approved scope memo to enter all C-SCAPE fields, including staff commitments. After staff is entered into C-SCAPE, their time commitment automatically feeds through to ROAM-T, the primary tool for tracking staff's time sheets across the FR. If exam staffing changes, the program coordinator must update the information in C-SCAPE.

C-SCAPE also is a central location for managing supervisory issues including MRIAs, MRAs, or provisions for enforcement actions. Details on C-SCAPE issue ownership and maintenance will be added to the Liquidity Program Policies and Procedures Manual in the future.

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Additional information on C-SCAPE, including how to request access, can be found ***[Redacted: hyperlink to internal website to which information on C-SCAPE is posted]***.

Liquidity SharePoint (SP) Site

The Liquidity Program SharePoint site is a repository for storing liquidity program related information that isn't exam-related and stored on ExamSpace. Liquidity SharePoint site access is driven by OOC guidance and maintenance of program staff AD groups.

ExamSpace

Per AD Letter 17-6: Implementation of LFI ExamSpace Application for ECM and FRB-Staffed Exam Events, ExamSpace is the Federal Reserve's authorized repository for maintaining, organizing, storing and securing exam supervisory work including firm-specific and horizontal (umbrella event and sub-event pushed to DSTs) events. All examiners should follow the LISCC Program-wide ExamSpace examination workpaper expectations and approval requirements available ***[Redacted: hyperlink to internal website to which ExamSpace expectations and requirements are posted]***. Examiners and risk specialists participating on each examination are expected to populate the workpaper database on a flow basis as information is received and analysis is developed and completed.

Note: The workpaper requirements differ when Federal Reserve System examiner(s) participate on another regulatory agency's supervisory event. Please reference LISCC Program guidance for expectations for participation on another agency's supervisory event.

For an overview of ExamSpace, including its connection to IntraLinks (see below), user guides, FAQs, training presentations, and Reserve Bank contacts, please see the LFI ExamSpace Information Center. For specific questions with regards to ExamSpace, examiners should contact the individuals listed in the above link for their specific district.

IntraLinks

If the examination requires that firm(s) submit documentation, examiners must use IntraLinks. IntraLinks is a secure cloud-based service that the FR uses to securely upload documents from an external organization. Documents submitted by the firm in response to the entry letter via IntraLinks should flow directly to ExamSpace. LRS are responsible for ensuring documents submitted by their firm are uploaded to the SharePoint site when SharePoint is being utilized.

To ensure that firms can submit documents to the IntraLinks exchange, the entry letter appendix includes instructions to the firm, as described in the entry letter template. For more information on ExamSpace and its connection to IntraLinks, as well as the set up structure, see the IntraLinks Talking Points and IntraLinks: Uploading Files Reference. For specific questions, please contact the local Reserve Bank contacts listed on the LFI ExamSpace Information Center.

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ROAM-T

ROAM-T is the primary time tracking tool for all FR staff. All time spent on liquidity examinations is entered into ROAM-T. After an examination is entered into C-SCAPE, it will automatically flow into ROAM-T for all staff assigned to the event. All examination staff is responsible for ensuring that they book their time in ROAM-T under the automated event.

ROAM-S

In addition to C-SCAPE, ROAM-S exists as a tool. Events and resources booked in C-Scape will flow to ROAM-S, which then flows to ROAM-T. ROAM-S is a conflict of interest flagging tool. The relevant Reserve Bank exam support staff is responsible for ensuring events and resources in C-SCAPE appropriately flow to ROAM-S as well as checking ROAM-S for potential direct/indirect conflict of interest flags. Upon discovery of a COI, local RB exam support staff should notify the EIC and PLG lead over the review.

Creation of Initial Examination Documents

The pre-examination period generally begins 8-12 weeks before the exam commencement date. The EIC begins drafting and vetting the scope memo. The EIC may choose to create a workprogram that is consistent with the scope memo objectives and can guide the exam work. Once the scope memo is approved by the Liquidity SC or delegated body, the EIC prepares the entry letter to the firm. In the final week before the exam commencement date, the exam team is expected to review firm-provided documentation in response to the entry letter before the internal kick-off meeting.

Table 3: Pre Examination Activities/Deliverables

| ACTIVITY/DELIVERABLE | TIMING | FIRM SPECIFIC | | HORIZONTAL | | | | DOCUMENT REPOSITORY |
|---|-------------------|---------------|-------------------|-------------|-------------|---------------|----------------------------|---------------------|
| | | Responsible | ES Approver | Responsible | ES Approver | Responsible | ES Approver | |
| | | | | Umbrella | | Firm Specific | | |
| SCOPE MEMO | | | | | | | | |
| SC Vetting and Approval | ECD-50 | EIC | N/A | Horiz. EIC | N/A | N/A | N/A | ExamSpace |
| Complete Vetting Outcome Template | Scope Vetting + 7 | Ops Team | N/A | Ops Team | N/A | Ops Team | N/A | ExamSpace |
| Incorporate Feedback and post final scope memo to ExamSpace | | EIC | EIC Local Manager | Horiz. EIC | PLG or HTL | N/A | Posted only to umbrella ES | ExamSpace |
| Post Final Scope Memo to BOND | ECD-37 | EIC | N/A | N/A | N/A | LRS | N/A | BOND |
| WORK PROGRAM (OPTIONAL) | | | | | | | | |
| Begin drafting of work program | Prior to ECD | EIC | | | | N/A | N/A | ExamSpace |
| Finalize/Align work program with scope | Commencement Date | EIC | EIC Local Manager | Horiz. EIC | PLG or HTL | N/A | N/A | ExamSpace |
| ENTRY LETTER | | | | | | | | |
| Prepare Entry Letters | | EIC | N/A | Horiz. EIC | N/A | LRS | N/A | ExamSpace |
| Entry Letter Approval | ECD-40 | EIC | EIC Local Manager | Horiz. EIC | N/A | LRS | PLG or HTL | ExamSpace |
| Provide Final Entry Letter to DST | ECD-40 | EIC | N/A | N/A | N/A | LRS | N/A | Outlook |

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|--|--------------|-----------|-----|------------------|-----|-----|-----|---------------|
| Date/Sign/Send Entry Letter to Firm | ECD-37 | DST | N/A | N/A | N/A | DST | N/A | Outlook |
| Post Final Entry to BOND | ECD-30 | DST | N/A | N/A | N/A | DST | N/A | BOND |
| CONFIRM RECEIPT OF ENTRY LETTER MATERIALS FROM FIRM | ECD-7 | EIC | N/A | Horiz. EIC | N/A | LRS | N/A | Intralinks/ES |
| INTERNAL KICK OFF PREP | ECD-7 | Exam Team | N/A | Horiz. EIC | N/A | LRS | N/A | N/A |
| SCHEDULE EXAM KICK OFF AND CLOSE OUT MEETINGS | Prior to ECD | EIC & DST | N/A | Horiz. EIC & DST | N/A | LRS | N/A | Outlook |
| <i>ECD=Exam Commencement Date</i> | | | | | | | | |

Scope Memo

The scope memo sets out the firm(s) in scope, lists specific deliverables and associated deadlines, provides the exam's goals, and defines the rationale. It also:

- Identifies the specific area(s) to be examined and gives an overview of the activities and risks to be evaluated,
- Specifies examination procedures to be performed, including any sampling process (judgmental/statistical) to be used and the level of transaction testing,
- Defines examination logistics including review period, location, and contact information, and
- Defines examiner assignments and responsibilities including expectations surrounding product deliverables.

Drafting Responsibility

For both firm-specific and horizontal examinations, one scope memo is required. The EIC takes the lead on drafting the scope memo and ensuring it is approved by the Liquidity SC or delegated body. Examiners should use the Horizontal Scope Memo Template or the Firm-Specific Scope Memo Template, as appropriate. To ensure proper records retention, once a horizontal scope memo is approved, the firm-specific EIC should save it to ExamSpace for their firm and upload to BOND.

Approval Process/Vetting

- *Horizontal and Firm-specific examination:* The EIC drafts the scope memo and should vet the scope with the SC. The scope memo is expected to be vetted at least 50 calendar days before the exam commencement date. The EIC must incorporate any feedback into a final scope memo at least 37 calendar days before the exam commencement date. The scope memo must be finalized prior to sending out the entry letter and the scope memo is never to be shared with the firms. If the scope is adjusted post-SC vetting, the EIC's are expected to obtain PLG approval before amending the Scope document. The PLG overseeing the exam is also required to notify the operations lead of the change(s) and the operations lead will communicate the change and rationale to the SC. No new vetting or SC approval is required. ExamSpace approval requirements are accessible via the hyperlink immediately below.

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[Redacted: hyperlink to internal website to which examination workpapers expectations and approval requirements are stored]

Documentation Requirements

The scope memo documentation requirements are the same for firm-specific and horizontal examinations and are summarized below.

- The pre-vetting draft, final scope memo and completed Vetting Outcome Template are to be stored in the examination library on ExamSpace. ExamSpace requires all significant drafts to be stored in this repository.
- After receiving formal approval from the Liquidity SC, the final scope memo is converted to a .pdf file and uploaded to the BOND Document Profile for the examination for each firm.
- The LRS is responsible for uploading the final scope memo to BOND and associating it with the appropriate event C-SCAPE ID for their firm.

Workprogram

The EIC may create a workprogram if it is beneficial to the examination assessments. If developed, workprogram assignments must be made and communicated to exam staff. If a workprogram is developed it is a required document to complete by the examiners. There is no specific workprogram template and the EIC may choose the format or platform that works best for the specific examination. If used, workprograms must be consistent with the scope memo objectives and developed at the same time as the scope memo.

Approval Process

Workprograms do not require approval, but should be developed and socialized with the responsible PLG member at least 7 calendar days before exam commencement and prior to being shared with the exam team.

Documentation Requirements

All workprograms should be stored in ExamSpace.

Entry Letter

The entry letter notifies the firm(s) of the exam, documents requested, the process for submitting the documents and the EIC or FR contact. The EIC tailors the entry letter to reflect the scope objectives and activities. For onsite exams, EICs coordinate the onsite visit with the firm to ensure that team members have access to the facilities. The EIC also works with the firm to arrange for meetings according to the expectations included in the entry letter.

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Drafting Responsibilities

For firm-specific and horizontal examinations, the EIC drafts the entry letter. For horizontal examinations, the EIC is further expected to work with the DST and/or the liquidity risk embed to ensure that the entry letter captures all firm-specific nuances, as appropriate. In addition, the risk-embed is responsible for working with the horizontal EIC to tailor the entry letter further to avoid requesting information that has been already provided by the institution (e.g. Risk Committee packages, ALCO decks, etc.).

Approval Process

- *Firm-specific examination:* The DST Lead (or designee) is responsible for approving the entry letter, signing it, and issuing it to the firm using the LISCC letterhead available **[Redacted: hyperlink to internal website to which the entry letter template is posted]**.
- *Horizontal examination:* The PLG over the area of the review is responsible for approving the entry letter. Once the letter is approved, the EIC works with the DST for each firm in scope to ensure it is signed by the DST Lead and placed on LISCC letterhead (available **[Redacted: hyperlink to internal website to which the entry letter template is posted]**) prior to transmittal.

Documentation Requirements

Entry letter documentation requirements are the same for firm-specific and horizontal examinations and are summarized below.

- All work done to prepare the entry letter is done directly in the examination library on ExamSpace.
- Final copies are stored on ExamSpace and converted to a .pdf file and uploaded to the BOND for the examination for each firm.
The DST is responsible for uploading the final entry letter to BOND and associating it with the appropriate C-SCAPE event ID at least 30 calendar days before the Exam Commencement (onsite) Date.

Transmittal

The entry letter must be submitted to the firm(s) at least 37 calendar days before the Exam Commencement (onsite) Date. For firm-specific and horizontal examinations, the associated DST sends the entry letters to the firm via secure Outlook email. Horizontal examinations must provide the DST the letter at least 40 calendar days prior to the Exam Commencement (onsite) Date.

Internal Kick-off Meeting

Before the exam commencement date, the EIC should hold an internal kick-off meeting with the exam team. This is generally a level-setting conference call in which all staff participating on the exam is expected to attend. The meeting purpose is to:

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- Discuss the scope memo including exam objectives; roles and responsibilities including who attends which meetings, who takes notes, and work product expectations including templates; timelines to ensure the exam stays on schedule; and logistics including physical access and technology access.
- Highlight entry letter material received, emphasizing the expectation that examiners review assigned materials in advance and be prepared for meetings.
 - An examiner who identifies a scheduling conflict that prevents him/her from reviewing the materials to be prepared for meetings notifies the EIC. If the conflict cannot be resolved, the EIC elevates the issue to the PLG, which may suggest other resources or scope modifications.
 - Determine initial questions regarding materials or logistics, if any, to consolidate and present to the DST to submit to the firm.
- Invitees:
 - All members of the specific exam team
 - A DST member if no DST member is on the examination
 - PLG member
- Documentation:
 - There are no required documents associated with these informal meetings.

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Phase II – Examination Execution

This section covers Liquidity Program expectations with regards to communication and information sharing, meetings, internal deliverables, and divergent views in order to ensure consistent, high-quality exam execution. After preparatory work is completed, a kick-off meeting with the firm(s) may be held shortly after the examination commencement date (ECD). In certain instances, there is no need for a specific kick-off meeting with the firm and the exam team may prefer more discrete meetings to discuss particular areas of focus within the exam.

Examiners are expected to follow procedures outlined in this section while executing the onsite portion of the examination. Table 4 gives a high-level overview of the associated activities and deliverables required during the exam execution phase.

Table 4: Onsite Activities/Deliverables

| ACTIVITY/DELIVERABLE | TIMING | FIRM SPECIFIC | | HORIZONTAL | | | | DOCUMENT REPOSITORY |
|---|-----------------------|---------------|-------------|-------------|-------------|-------------------|-------------|---------------------|
| | | Responsible | ES Approver | Responsible | ES Approver | Responsible | ES Approver | |
| | | | | Umbrella | | Firm Specific | | |
| KICK OFF MEETING WITH FIRM(S) (Optional) | ECD | EIC | N/A | N/A | N/A | LRS and Horiz EIC | N/A | N/A |
| BEGIN FILLING OUT WORK PROGRAM (if required by EIC) | Onsite Weeks | Exam Team | N/A | N/A | N/A | Exam Team | N/A | ExamSpace |
| INTERNAL PERIODIC CHECK-INS | Onsite Weeks | Exam Team | N/A | Horiz EIC | N/A | Exam Team | N/A | N/A |
| ONSITE MEETING MINUTES | 10 days after meeting | EIC | N/A | N/A | N/A | Exam Team | N/A | ExamSpace |
| BEGIN WRITING EXAMINER CONCLUSION MEMO(S) | | Exam Team | N/A | N/A | N/A | Exam Team | N/A | ExamSpace |
| SOFT CLOSE MEETING WITH FIRM (S) | Last Day Onsite | EIC | N/A | N/A | N/A | LRS and Horiz EIC | N/A | N/A |
| ECD=Exam Commencement Date | | | | | | | | |

Communication and Information Sharing

Communication is critical to the success of an examination. Internal and external communications are conducted via Outlook, conference calls, and/or internal work products. Examiners are expected to adhere to communication and documentation standards as outlined in this section to ensure consistent and transparent dialogue between stakeholders in the examination and wider Liquidity Program.

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Internal Communication

Exam teams are expected to regularly communicate internally across team members and constituents, as outlined below. Expectations are applicable to firm-specific and horizontal examinations.

EIC and Exam Team Communication

- The EIC discusses expectations with and gives regular progress updates to the exam team, primarily using scheduled check-in conference calls/meetings and Outlook.
- Exam team members share supervisory finding updates, and administrative questions or concerns with the EIC. Supervisory findings should also be documented in the examiner conclusion memo, workprogram (if applicable), and disposition of findings memo.

EIC and DST Communication

- The EIC is expected to include the relevant DST on any firm-specific updates primarily using Outlook and check-in conference calls even if a DST member is not on the exam team.
 - During the exam, the EIC solicits help from the DST if there are difficulties in receiving requested information from the supervised institution, especially if a lack of cooperation or responsiveness by firm management hinders the examination process.
 - In addition, the EIC or examiner covering a specific firm is expected to have, at minimum, a midpoint check-in with the firm-specific risk specialist/DST. Check-in meetings with a DST should be more frequent if material concerns arise during the course of the review.
 - Examination conclusions are communicated to DSTs as part of the vetting process.

PLG, Exam Team, and DST Communication

- The PLG is available to discuss the examination with the exam team and DST \ at any time. Any exam team or DST member is encouraged to reach out to the PLG with questions, concerns or feedback.
 - The EIC is expected to inform the PLG of difficulties in executing the examination within the examination period.
 - In certain circumstances and depending on the progress of the exam, the EIC may request scope modifications from the PLG. If so, the PLG may escalate modifications to the Liquidity SC prior to providing approval.

EIC, PLG and Cross-Program Communication

- At times, the examination will identify risks or other aspects that are better followed-up on by other programs. In these instances, the EIC should escalate these to the PLG overseeing the examination for knowledge sharing. If there are examiner concerns outside of Liquidity, these should also be documented in the EIC Conclusion Memo and shared with the SC.

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- When there is cross-program collaboration on an exam, the EIC's and PLG should coordinate the exam with the other program(s) and determine a cadence for information sharing etc.

External Communication

Exam teams are expected to communicate externally with firms and, in certain circumstances, other regulators via Outlook secure email, conference calls and/or in-person meetings throughout the examination.

Firms

- The EIC communicates exam-related information to the firm(s) as follows:
 - Examination expectations, including meeting requests, are included in the entry letter and the EIC discusses them at the kick-off meeting with the firm (typically held on the exam commencement date).
 - The EIC may choose to hold a wrap-up meeting (usually on the last day onsite) to communicate that the onsite work has concluded, and seek clarifying information to support preliminary conclusions and supervisory findings.
- The EIC and exam team work through the DST for ad hoc exam-related communications with the firm:
 - To schedule meetings that were not requested in the entry letter; and
 - To submit follow-up questions that the exam team has consolidated.
- Communications between the exam team and the firm(s) are to be conducted through the DST for each firm and in accordance with the DST's local Reserve Bank policies. DST's may prefer the EIC fulfill this responsibility. Regardless, both the DST and EIC should be aware and aligned of what is communicated to the firm and when.

Other Regulators

- EIC communication with other regulators depends on whether the other-agency examiner is on the exam team:
 - Other-agency examiners on the exam team are part of normal communications between the exam team, as if they were internal members.
 - Regulators who are not on the exam team do not receive firm-provided information and are not included in communications or meetings with the firm(s), without prior PLG approval.
 - Final outcomes from examinations in which another agency was not a participant may be shared with the other agency by the DST in accordance with local Reserve Bank policies.

Internal and External Written Communications

Information security is critical. Improper data handling could lead to the inappropriate disclosure of confidential supervisory information, negative impact on supervised firms, and FRB reputational risk.

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Supervisory staff must be familiar with policies and procedures for information security, in particular those associated with Information Classification & Handling, Data Loss Protection, and AD 15-3 Security Requirements for Microsoft Office Documents.

Internal

- All information is marked with the appropriate information classification level.
- All internal examination documentation is to be stored and worked on in ExamSpace. Documentation may not be shared with any Federal Reserve staff that is not authorized. OOC policy currently allows Liquidity program SharePoint access to all LISCC staff.
 - The Liquidity SharePoint site is the primary repository for internal stakeholders to store and share information unrelated to exam-specific content.

Firms

- Emails to firms are marked using the appropriate information security classification. Emails to firms on the Transport Layer Security (TLS) Connections list are to be classified using the “Secure External” Delivery option.²
- The EIC and exam team consolidate follow-up questions that the DST submits to the firm(s). To minimize burden, these are not shared on a one-off basis.
- The only examination documentation ever shared with firms is the final entry letter, final Supervisory Letter, and meeting agendas or presentations, via established protocols, without exception. Internal deliverables, including scope memos and workprograms are never shared with firms.

Other Regulators

- Other agency examiners on the exam team are part of normal communications between the exam team, as if they were internal members and in line with established protocols. However, other regulators cannot access ExamSpace. Thus the EIC or program coordinator helps make alternative arrangements so the other-agency examiner has access to the workpapers, consistent with the DST’s local policies and FR information security standards.³
- All email communications to other regulators are marked “Secure External.” (Note, it is fine to CC a regulator on an email marked “External” (i.e., directed to a firm on the TLS Connections list described in Firms above).

² Selecting “Secure External” routes the email through the ZIX server; either the recipients must also have a ZIX server to receive the email or they must log onto our ZIX server to retrieve the email.

³ An ongoing initiative is aimed at information sharing with other regulators. These procedures may change when decisions are made. For time being, please reference local Reserve Bank policies with regards to information sharing agreements with other regulators.

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Meetings

The EIC holds meetings throughout the examination internally with the exam team and externally with the firm(s). The below procedures govern meeting protocol and describe meeting types.

Internal Meetings

During the examination, the EIC holds regular team meetings. The purpose is to allow examiners to share information, ask questions, and discuss emerging supervisory concerns.

- Invitees
 - All members of the specific exam team
 - DST member if no DST member is on the exam team
- Documentation
 - The meetings do not need to be documented unless there are divergent views discussed.

Other Regulators

Whether to invite other regulators to meetings depends on if the other agency examiner is on the exam team.

- If so, the specific examiner is invited to all meetings with the exam team and firm(s).
- Those who are not on the examination are not invited to meetings without the DST's prior approval.

External Meetings

During the examination, the exam team meets with the firm(s), following the below protocols. All documentation related to meetings with firms, including minutes, agendas, and shared materials, are stored on ExamSpace.

To schedule meetings, the exam team:

- Works through the DST to schedule all meetings with the firm (the DST can delegate this responsibility back to the exam team, if requested), including those described in the entry letter;
- Invites a DST member to participate if no DST member is on the exam team.

Before meeting with a firm, the exam team:

- Clearly communicates to the firm, via the DST, the meeting expectations including a meeting agenda;
- Reviews the materials provided by the firm, to the extent possible, and discloses scheduling conflicts to the EIC that prevent the review of materials to prepare for meetings;
- "Accepts" or "declines" the electronic meeting invitation.

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At the meeting:

- Exam team members are expected to attend any meetings with the firm(s) in person, to the extent possible. If an examiner cannot attend in person, a dial in should be made available. The dial in information is not shared with anyone not on the exam team;
- If there is a large group of examiners, the EIC uses discretion to decide if an examiner role call is appropriate, recognizing that time is valuable and only key-person introductions may be necessary;
- The EIC is responsible for ensuring that a designated note taker uses the meeting notes template to document the meeting and uploads copies to the examination library on ExamSpace.
- Exam meetings with the firm must be documented.

Meetings with the Firm(s)

The following meetings are the general types of meetings an exam team will have with the firm(s) in scope.

1. Kick-Off Meeting (optional): A kick-off meeting is generally scheduled for the beginning of the examination, typically on the exam commencement date.
 - Purpose:
 - The discussion covers introductions between the exam team and firm management, logistics and the EIC overview of exam objectives. The bank may provide an introductory overview of the area being reviewed.
 - Invitees:
 - The exam team
 - DST member if none is on the exam team
 - Key members of firm management
 - Documentation:
 - The EIC may rely on the agenda submitted in the first-day letter meeting requests or submit a more detailed one via the DST.
 - The EIC or designee posts the agenda, minutes and supporting documentation to ExamSpace.
2. Deep-Dive Meeting: The EIC or designee may hold a meeting to more thoroughly discuss an area within the scope of the exam. The examiner leading the topic(s) being discussed should make every effort possible to be on-site at the firm for the meeting(s).
 - Purpose: Discuss specific area(s) within the scope of the examination.
 - Invitees:
 - EIC
 - Relevant exam team members
 - DST member if none is on the exam
 - The appropriate firm management

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- Documentation:
 - The EIC or designee should provide the firm a detailed agenda and/or topics to be discussed.
 - The EIC or designee posts the agenda, meeting notes and supporting documentation to ExamSpace.

For Pillar 1 common-team exams, deep dive meeting minutes are the supervisory support document for potential supervisory concerns. Meeting minutes should reflect potential concerns (via the FR provided meeting questions), the firm's response and our assessment of the firm's response. Deep-dive meetings are required when the exam identifies any potential supervisory issues.

3. Status updates (required): The EIC or designee may hold periodic status update meetings with a firm during the examination.
 - Purpose: Discuss examination progress and outstanding information requests.
 - Invitees:
 - EIC
 - Relevant exam team members
 - DST member if none is on the exam
 - The firm regulatory liaison or appropriate member(s) of firm management
 - Documentation:
 - The EIC or designee may give the firm a brief agenda to communicate key topics.
 - The EIC or designee posts the agenda, minutes and supporting documentation to ExamSpace.
4. Wrap-up Meeting/Soft Close (optional during the on-site portion): The EIC may hold a wrap-up meeting on the last day of the onsite work. If the EIC knows of circumstances specific to the review that may discourage communication with the firm, the EIC should not schedule this optional meeting. However, before the on-site portion of the exam ends, the EIC should meet with the firm to discuss preliminary concerns (if any) and allow the firm time to respond to those items.
 - Purpose:
 - The EIC communicates that the onsite part of the examination has concluded. The EIC will work with the DST risk-specialist to prepare for on-site closing discussions.
 - The EIC may seek clarifying information to support preliminary conclusions and supervisory findings. If the EIC shares preliminary conclusions and supervisory findings, the EIC communicates that these are preliminary and nature and subject to change. The EIC may not discuss the severity of the issues nor their proposed classification (e.g., MRA/MRIA), since these decisions will be made later in the vetting and confirmed by the Liquidity SC.
 - The meeting gives the firm's management an opportunity to voice concerns or disagreement with the preliminary findings and/or clarify factual misunderstandings. The EIC addresses these concerns at the meeting, if possible.

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- Invitees:
 - Exam team
 - DST member if none is on the exam team
 - Key members of firm management
 - Documentation:
 - The EIC typically provides the firm with a brief agenda or presentation to communicate key topics.
 - The EIC or program coordinator posts the agenda or presentation, minutes and supporting documentation to ExamSpace.
5. Final Close-Out Meeting (required): The LRS works through the DST to schedule the final exit meeting after the examination findings are vetted, and approved by the SC. The meeting is generally held within 30 days after the supervisory letter is sent but can be held prior to letter issuance.
- Purpose:
 - The LRS communicates final examination conclusions and supervisory findings.
 - The primary objective is to allow the firms an opportunity to discuss the content of the letter and discuss remediation, if necessary.
 - Invitees:
 - The exam team
 - DST member if none is on the exam team
 - Key members of firm management
 - PLG
 - Co-Chairs (optional)
 - Documentation:
 - The LRS typically provides an agenda and/or a presentation to guide the discussion and share highlights of the overall conclusions and findings, submitted via the DST.
 - The LRS or program coordinator posts the agenda, minutes, and supporting documentation to ExamSpace.

Internal Deliverables

Internal deliverables during the examination execution phase include an examiner conclusion memo, workprogram (optional), meeting minutes, disposition of findings memo, and EIC conclusion memo. Examiners store all firm documents and internal work products on ExamSpace. ExamSpace deliverable standards can be found in the LISCC Examination Workpapers Expectations and Approval Requirements. All material calculations included in final supervisory products, presented to the Operating or Steering Committees, or referenced in supervisory communications to firms such as letters, should be checked by a second reviewer. Examples of materiality include calculations used to support a supervisory recommendation or cited as noteworthy in supervisory products. Internal deliverables are never shared with the firm(s).

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Workprogram

As noted in the exam preparation section, the EIC may create a workprogram to aid examiners in conducting the review in alignment with the approved scope. The workprogram contains detailed objectives, questions and:

- Granular action items and/or questions for the exam team to answer
 - Note that examiners do not give the workprogram questions to the firm(s).
- Deliverables for the exam team to create
- Resources to conduct the work
- Approaches to analyze materials received from the firm(s).

Responsible Parties

As part of the scope, the EIC assigns examiners to complete specific sections of the workprogram.

Approval Process

No explicit approval is necessary. However the EIC may require documentation enhancements to meet management standards.

Documentation Requirements

Examiners work in the workprogram directly in ExamSpace and complete the workprogram by the last day of the onsite review (unless otherwise directed by the EIC).

Meeting Minutes

Examiners summarize internal or external meetings using the Meeting Minutes Template.

Responsible Parties

The EIC or program coordinator designates an examination team member to complete meeting minutes for each internal and external meeting. All external meetings must be documented and minutes posted to ExamSpace.

Approval Process

No explicit approval is necessary. However, the EIC may require documentation enhancements to meet high quality management standards.

Documentation Requirements

The designated examiner posts the meeting minutes to ExamSpace generally within ten business days of the meeting. Exceptions can be made to this; however, all meeting notes should be finalized prior to the completion of the examiner conclusion memo.

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Examiner Conclusion Memo

Examiners document their individual work and conclusions for each assigned scope objective in the Examiner Conclusion Memo Template. If there is a workprogram, it is a key source of information for examiners to use in filling out the examiner conclusion memo. The EIC relies on the memos when writing the EIC conclusion memo. While the EIC may review and opine on the adequacy of each examiner conclusion memo, the EIC should make edits only using bubble comments. If the EIC disagrees with an examiners final assessment, it should be reflected in the EIC conclusion memo and Disposition of Findings template. For Pillar 1 common team exams, an examiner conclusion memo is not required. Instead, meeting minutes will document examiner assessments in areas where there is potential concern. The aggregate/EIC conclusion memo will document examiner conclusions from all areas outlined in the scope.

Responsible Parties

Each examiner is responsible for completing an examiner conclusion memo that covers the assigned scope objectives. As noted, this is not a required document in Pillar 1 common-team exams.

Approval Process

The examiner submits the examiner conclusion memo to the EIC. The EIC may require documentation enhancements to meet high quality management standards. However, the examiner conclusion memo reflects findings that the examiner recommends, even if they differ from the EIC's opinion. The EIC should not directly edit examiner conclusion memos. Rather, EIC feedback should be provided via bubble comments or in a separate document/email.

Documentation Requirements

The examiner posts the examiner conclusion memo to ExamSpace by the last day of the onsite review (unless otherwise directed by the EIC) and shares the hyperlink with the EIC.

EIC Conclusion Memo

For firm-specific and horizontal examinations, the EIC prepares a single memo using the EIC Conclusion Memo Template to summarize the examination's key information and takeaways. The EIC conclusion memo is an aggregation of the individual examiner conclusion memos and summarizes the overall conclusions of the examination, including proposed horizontal and firm-specific findings. The EIC conclusion memo is used for the vetting process. Upon request of the PLG, co-chairs and/or SC, the EIC may also be required to develop a presentation that synthesizes the information outlined in the EIC conclusion memo to facilitate the vetting process. The EIC conclusion memo should clearly document the facts and circumstances for each firm, particularly around proposed messaging.

Responsible Parties

For both firm-specific and horizontal examinations, the EIC creates a single EIC conclusion memo.

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Approval Process

While the EIC conclusion memo serves as a key input into the vetting process (see Phase III – Examination Conclusion), the EIC conclusion memo does not require formal approval before being vetted. However, the EIC should share the EIC conclusion memo with the “next level up reviewer” before the vetting process. This expectation varies slightly for firm-specific and horizontal examinations:

- *Firm-specific examination:* The “next level up reviewer” is the DST lead or designee.
- *Horizontal examination:* The “next level up reviewer” is the PLG responsible for the specific risk area.

For firm-specific and horizontal examinations, the purpose of the “next level up reviewer” is to ensure the EIC conclusion memo is written in a logical, clear and concise manner, and fully supported by appropriate facts, statistical data, and analysis; and the focus, tone, and conclusions are consistent with facts. Within Pillar III, the horizontal team lead would review EIC conclusion documentation prior to PLG review.

Documentation Requirements

Because the EIC conclusion memo is a key input for the vetting, for firm-specific and horizontal examinations, the EIC must ensure that:

- All examiner assignments and scope objectives listed in the scope memo are completed.
 - If not completed, the reason for deviating from the scope documented in the relevant examiner conclusion memo is documented in the conclusion memo.
 - If the scope was altered (expanded or reduced, and approved), this is documented in the EIC conclusion memo.
- The EIC conclusion memo is completed fully and accurately using the required template and all proposed findings are clearly supported in accordance with FR standards outlined SR 13-13.
- All workpapers supporting the EIC conclusion memo are uploaded to ExamSpace.
- All workpapers are properly classified (e.g., Internal FR or Restricted FR).

As with other internal deliverables, the EIC conclusion memo is to be stored on ExamSpace.

Disposition of Findings (DOF)

The Disposition of Findings Template tracks the proposed MRIAs, MRAs, and/or other supervisory recommendations as they evolve from the examiner conclusion memos to the EIC conclusion memo, and any subsequent reviews up until the vetting. The DOF is due before the vetting. A completed DOF document should be provided to the appropriate governing body in conjunction with any other vetting material.

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Responsible Parties

The EIC completes the DOF template, copying findings/assessments from the examiner conclusion memos, and documenting any significant changes made by the EIC and rationale for such changes. In Pillar 1 common-team exams, the DOF will be required for all individual examiners as there is no conclusion memo required. The DOF is then shared with subsequent reviewers for review and input. Rationale for suggested changes by each level of review is required. Given the current structure of the Liquidity Program, the following required elements of the DOF Template include:

- Examiner Recommended Findings: Copy/Paste from the Examiner Conclusion Memo
- EIC Review: EIC should Agree/Disagree with each examiner recommended finding and document rationale
- Manager Review: For horizontal examinations, this would be the applicable PLG. For firm-specific events this should be done by the local manager.
- Senior Manager Review: Not required for the Liquidity Program.

Approval Process

As with the EIC conclusion memo, the “next level up reviewer” is responsible for ensuring that issues are properly reflected, as evidence that they were adequately considered. The EIC should ensure there is a “consult” from the LISCC Program counterpart (i.e., if the exam is program-led, the DST lead (or designee) is given an opportunity to review the EIC conclusion memo and DOF document and provide feedback). All diverging views should be in the DOF and in the SC vetting deck, if applicable.

Documentation Requirements

As with other internal deliverables, the DOF is to be stored on ExamSpace.

Divergent Views

There are many supervisory benefits to sharing viewpoints and debating ideas, as discussed in AD 17-7 List of Guiding Principles and Suggested Practice for the Divergent Views Framework.

The LISCC program has general guidelines for divergent views. LISCC expectations surrounding divergent views are available **[Redacted: hyperlink to internal website containing document on divergent views]**.

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Phase III – Examination Conclusion

Introduction

Examination conclusion begins after the last day onsite. Examiners finalize their conclusion memos, allowing the EIC to put together the EIC conclusion memo and begin the disposition of findings memo. These documents assist the EIC in preparing for the vetting process. Once vetting is completed, divergent views recorded, and the evolution of findings captured in the disposition of findings memo, the EIC will work with the Operations Lead, Co-Chairs and potentially the LOG to complete the supervisory letter. The PLG and Co-Chair will consult with the DST's to determine if a close-out meeting is more appropriate before or after the issuance of the supervisory letter. Prior to sending the supervisory letter, the EIC certifies the completion of all workpapers. Upon communication of the supervisory letter, the supervisory letter is to be posted to BOND and supervisory findings entered in C-SCAPE.

Table 5: Post Examination Activities/Deliverables

| ACTIVITY/DELIVERABLE | TIMING | FIRM SPECIFIC | | HORIZONTAL | | | | DOCUMENT REPOSITORY |
|--|-------------------------|---------------|-------------------|---------------|-------------|---------------|-------------|-----------------------------|
| | | Responsible | ES Approver | Responsible | ES Approver | Responsible | ES Approver | |
| | | | | Umbrella | | Firm Specific | | |
| Post Examiner Conclusion Memos/Workprograms | Determined by EIC | Exam Team | EIC | N/A | N/A | Exam Team | Horiz EIC | ExamSpace |
| Post EIC Conclusion Memo | Vetting - 7 days | EIC | EIC Local Manager | Horiz EIC | PLG or HTL | N/A | N/A | ExamSpace |
| Post Disposition of Findings (DOF) | Vetting - 7 days | EIC | EIC Local Manager | Horiz EIC | PLG or HTL | N/A | N/A | ExamSpace |
| Vetting and Approval | | EIC | N/A | Horiz EIC | N/A | N/A | N/A | |
| Complete Vetting Minutes | Vetting + 14 days | Ops Team | N/A | Ops Team | N/A | N/A | N/A | ExamSpace |
| Supervisory Letter LOG Review | Vetting + 21 days | EIC | Ops Lead | N/A | N/A | LRS | Ops Lead | ExamSpace |
| Workpaper Certification | Before Letter Mail Date | EIC | N/A | Horiz EIC/PLG | N/A | LRS/DST | N/A | ExamSpace |
| Schedule and Conduct Final Close-Out Meeting with Firm | | EIC | N/A | Horiz EIC | N/A | LRS | N/A | |
| Supervisory Letter Signed and Mailed to Firm | Vetting Date + 60 days | DST L/D | N/A | N/A | N/A | DST L/D | N/A | Outlook |
| Supervisory Letter Posting | Mail Date + 7 days | DST L/D | N/A | N/A | N/A | DST L/D | N/A | BOND, ExamSpace, SharePoint |
| Enter Issues in C-SCAPE | Mail Date + 10 days | Exam Support | N/A | Exam Support | N/A | Exam Support | N/A | ExamSpace |
| Notify Exam Support of Exam Closure | Mail Date + 10 days | EIC | | Horiz. EIC | | | | |

Development of Supervisory Findings

EICs and examiners communicate with each other throughout the exam so the EIC can understand and appropriately consider the examiner viewpoints. Examiners also write an examiner conclusion memo

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documenting the overall conclusions for their specific scope objective(s), using a workprogram as appropriate. Examiner conclusion memos should contain assessments and any/all proposed supervisory issues. The EIC then summarizes and aggregates the exam results, including proposed supervisory findings in the EIC conclusion memo. This serves as the basis for the disposition of findings template, vetting and feedback letter development.

As noted, for Pillar 1, supervisory findings and assessments may be documented in meeting minutes. The EIC should escalate concerns identified and documented in meeting minutes into the aggregate conclusion memo. Further, a disposition of findings template is required for all exam participants. Or, email confirmation from each participant that records agreement with a consolidated DOF is acceptable.

Vetting

The Liquidity Program vetting process is a formal venue for participants and constituents (including exam team members, the DST, and the PLG, and the SC, relevant risk specialists and additional members of other LISCC programs), to make a careful and critical examination of supervisory conclusions and foster an exchange of opinions. Staff is strongly encouraged to respectfully and professionally share opinions as robust discussions strengthen the quality and consistency of supervisory findings, ratings, and key messages across the supervised firms. Vetting meetings also enable collaboration in developing supervisory solutions, and the sharing of knowledge, supervisory perspectives, horizontal perspectives and divergent views. Ultimately, this process serves to refine findings into formal supervisory feedback to be sent to the firm(s). The vetting process is outlined below.

Vetting Coordination

The project manager is responsible for coordinating the vetting meetings and invites. The vetting coordinator:

- Schedules all vetting meetings and managing the Outlook invitations
- Reserves required conference room
- Invites required and additional/optional attendees
- Updates the Outlook invitation with hyperlinks to meeting materials.

As with internal and external meetings, meeting summaries are required for all vetting. The operations lead and project manager generally are responsible for capturing vetting takeaways. Using the designated Vetting Outcome Template, the vetting scribe records:

- Attendees and date of meeting
- Approval of memo and changes required to vetting documents and/or conclusions
- Required follow-ups and owners
- Vetting highlights including questions and answers, divergent views raised, proposed changes and, to the extent possible, who made the comments

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Documentation Expectations

The EIC or program coordinator uploads all vetting documents to the Liquidity SharePoint site. ExamSpace is also used during the examination process by the exam team. ExamSpace expectations are noted above.

Attendance Expectations

The liquidity program SC is the formal governing authority for supervisory findings (note: L-Ratings require OC approval). Required attendees for vetting sessions for non-ratings discussions include the liquidity SC, examination teams (including the EIC who generally presents the conclusions), as well as program DST risk-specialists and/or DST lead or designee (for firms in-scope of the exams). All other program participants are considered optional. Given the vetting sessions are where conclusions are finalized, it is critical each DST for in-scope firms attends and shares any concerns with conclusions being discussed during the vetting. To hold the meeting, required attendees (or their designated replacement) must (1) accept the meeting invitation or (2) have given feedback in advance to the EIC. If a required attendee accepts but does not attend the meeting, the meeting may proceed. The required attendees who do not attend have to provide feedback prior to vetting to be effectively incorporated into the decision making process.

Supervisory Feedback Development and Transmittal

Introduction

An important part of the examination and inspection is the communication of supervisory messages and/or findings to the directors and/or senior management. To be effective, communications must be: (1) written in clear and concise language; (2) prioritized based upon importance; and, (3) focused on the more significant matters that require attention. Supervisory feedback is drafted in accordance with SR 13-13 and as outlined in the LISCC Manual Part III: Supervisory Feedback.

Supervisory Letter

To close an examination, supervisory feedback is sent to the firm(s) in a supervisory letter. The letter captures the key messages that FR staff wish to communicate to the board of directors and/or senior management regarding the firm's Liquidity position and risk management practices or examination conclusions. The letter completion is a collective effort of exam team staff, risk specialists, and the Liquidity Program LOG.

The Supervisory Letter should follow the LISCC Supervisory Letter Template and include:

- Brief description of scope

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- Overall assessment or executive summary of the areas reviewed using the language below:

- ❖ **Acceptable/Satisfactory:** Issues are minor and correctable in the normal course of business without undue management effort.
- ❖ **Needs Improvement/Fair:** Issues are numerous in nature or warrant concerted management effort to address. Process and/or controls are not commensurate with the inherent risk level at this point in time; however, management has the ability to address the issues. This rating could also apply when management is taking steps to address issues, but there has not been enough time for demonstrated performance.
- ❖ **Weak/Unsatisfactory:** Weaknesses need immediate attention and board attention. Management's ability to address the issues/weaknesses is questionable.

- Relevant findings and conclusions, including MRIAs and MRAs, as applicable
 - MRIAs/MRAs must be written to align with the expectations outlined in SR 13-13.
 - *Matters Requiring Immediate Attention*, matters arising from the examination/inspection that the FR is requiring a banking organization to address immediately;
 - *Matters Requiring Attention*, matters that are important and that the FR is expecting a banking organization to address over time
 - Each MRIA/MRA must have a timeline associated with it per SR 13-13.
- A deadline of 45 days from the report disposition date for management to respond to any issues.

Responsible Parties/Letter-Writing Process

While expectations are generally consistent for firm-specific and horizontal examinations, the leader in drafting the supervisory findings letter differs:

- For *firm-specific examinations*, the EIC drafts the Supervisory Letter, working with the operations lead and their local reporting structure.
- For *horizontal examinations*, the EIC takes the lead on drafting the supervisory letter for each firm. The EIC may delegate the initial drafting to members of the exam staff members, but is responsible for ensuring high-quality drafts for each firm. The applicable PLG should review the draft letter prior to more broad dissemination.
- For both firm-specific and horizontal examinations, the EIC should post the letter to the examination library on ExamSpace and notify the operations lead that the letter is ready for review. The operations lead is responsible for making sure letter oversight meets expectations outlined elsewhere in the manual.
- Letter writing is expected to be a collaborative process between the program leadership and the DST. Steps should be taken to ensure all parties are comfortable with the letter language, while remaining consistent with vetted decisions.

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- Following the Liquidity LOG review, the DST is responsible for formatting the supervisory letter for their firm onto LISCC letterhead, adding the DST Lead's signature, and ensuring the letter is addressed to the appropriate firm contact(s).

Approval Process: Liquidity Letter Oversight Group (LOG)

The Liquidity LOG is responsible for overseeing the production and review of supervisory letters containing ratings information to firms. The Liquidity LOG is led by co-chairs and operations lead and may also include membership from a subset of members of the Liquidity SC, Board Legal or DST Leads.

Key responsibilities of the Liquidity LOG include:

- Ensure that conclusions reached during vetting sessions with the Liquidity SC are appropriately translated into feedback letters.
- Ensure all supervisory messages are clear and concise
- Review and adjust all introductory and common language components of feedback letters
- Review and adjust thematic and firm-specific issues in feedback letters
- Coordinate with stakeholders to receive and incorporate any feedback prior to final letter issuance.

Documentation Requirements

- All work done in preparation of the supervisory letter should be done directly in the examination library on the Liquidity SharePoint site.
- Final copies are to be stored on ExamSpace and the Liquidity SharePoint site.
- The DST is responsible for uploading the final scope memo to BOND and associating it to the appropriate event C-SCAPE ID.

Transmittal

In all instances, the supervisory letter must be submitted to DSTs with ample time (e.g. a few days) for a DST to review the letter prior to signing and sending to the firm. The final Supervisory Letter is expected to be delivered to the firm(s) from the DST.

Divergent Views

Any divergent views that arise during the letter writing process are required to be documented in accordance with the divergent views process. The EIC is required to continue to update the Disposition of Findings Memo to accurately capture potential material changes or divergent views.

As mentioned, refer to AD 17-7 List of Guiding Principles and Suggested Practice for the Divergent Views Framework. The LISCC program has general guidelines for divergent views. LISCC expectations surrounding divergent views are available ***[Redacted: hyperlink to internal website containing document on divergent views]***.

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Exam Closure

After feedback is formally sent to the firms, the exam is considered “closed.” The EIC or program coordinator is responsible for ensuring that all appropriate documents are posted to BOND and supervisory findings inputted into C-SCAPE in a timely manner.

C-SCAPE

- After feedback is formally sent to the firms, the exam is considered “closed” and should be marked as such in C-SCAPE by the EIC or program coordinator.
- In order to mark as closed, the EIC may need to reach out to DSTs to ensure that each firm has marked the exam as closed on their firm-specific C-SCAPE page.
- The Operations Support teams are responsible for entering in all MRIA/MRAs associated with the Liquidity examinations into C-SCAPE before closing the exam, including the assignment of primary and secondary issue owners that will assume responsibility of following up on the findings throughout their life cycle.

LFI ExamSpace

LFI ExamSpace provides for the ongoing maintenance of work papers and is designed to facilitate the sharing of information for firm-specific and horizontal supervisory activities in a consistent manner across all portfolios. Management groups, Reserve Bank management, and Board staff may utilize LFI ExamSpace to gain insights into supervisory activities and assessments on a firm-specific and horizontal basis.

LFI ExamSpace will provide supervisory staff with a means for:

- Tracking the progress of specific events, knowledge transfer, and referencing past and future events;
- Supporting the EIC’s role in managing all required aspects of the event to which they are assigned;
- provides audit trail and supporting documentation for the assessment and findings communicated to the firm;
- Overseeing the completion of events;
- Meeting expectations related to quality management;
- Responding to formal and informal information requests and subpoenas, and
- Testing conformance with System policies and procedures through quality assurance activities.

All analysis, assessments, and supporting work papers related to FRB Staffed should be maintained in LFI ExamSpace. Workpapers should not be stored on other applications, databases, or shared drives, unless required by System guidance (e.g., NIC Letter 1601, AD 13-21, etc.)

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Workpaper Approval in LFI ExamSpace

ExamSpace includes features that allow for documenting the approval of workpapers in order to meet LISCC expectations that a review of workpapers associated with the Supervisory Letter is conducted prior to their issuance. There are two types of approvals for work papers: i) approval of individual documents associated with an event, and ii) approval of the complete set of work papers for an event as part of completing/closing the event.

NOTE: Workpaper approval in LFI ExamSpace is expected to **follow** the Liquidity Program protocol (as described below); not the System guidance as outlined in the LFI ExamSpace User Guide. How to perform the approvals remains unchanged.

Both the EIC and a Deputy Team Lead and/or Horizontal Team Lead are required to review and certify that the work papers are complete and fully support the findings and conclusions as described below and adhere to Liquidity Program guidance. Refer to the LFI ExamSpace User Guide for how to perform approvals using the Overall Approval Functionality in LFI ExamSpace.

Primary - EIC Approval

The EIC is required to review the work papers stored in the ExamSpace event to ensure that findings and assessment are fully supported and that scope objectives and any changes have been addressed by the review team. This review should occur prior to the letter being mailed to the firm. The ExamSpace Event should be closed only after the EIC has completed his/her comprehensive review of the work papers to determine if the examination team:

- Followed the approved scope (including addendums);
- Completed all scope objectives and assessed each as appropriate;
- Identified and fully analyzed, supported, and documented all findings in the work papers, and
- Provided reasonable conclusions based on well supported findings.

The EIC should be able to certify that the set of workpapers:

- Is complete and can independently stand on its own, and
- Fully support the findings and final assessment. Any open items, unanswered questions, or missing conclusions should be explained and documented in the workpapers.

Secondary – Deputy Team Lead (DTL) Approval

A secondary level of review should be performed by a Deputy Team Lead (and / or Horizontal Team Lead if Liquidity Program led). Secondary reviews should be primarily focused on whether work paper documentation fully supports the supervisory findings and conclusions included in the final Supervisory Letter or Report. The reviewer should be focusing on information from vetting (or other discussions); whether the vetting session summary and disposition of findings documents accurately reflect information from vettings or discussions and provide adequate support for the final Supervisory Letter or Report. This review should occur prior to the letter being mailed to the firm.

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Note: Each ExamSpace Event will be archived (Read only) automatically 60 days following the Actual Completion Date of the supervisory event in C-SCAPE. The Actual Completion Date is the date on the letter to the firm, if one is prepared, or when all on-site and off-site supervisory work is complete.

For more detail, please reference LFI ExamSpace User Guide, LFI ExamSpace Information User Guide - Document Properties, and Quick Reference.

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Phase IV – Supervisory Follow-Up and Remediation

Introduction

After an examination is closed and supervisory feedback is sent to the firm, the examination team staff should prepare to conduct any follow-up work as necessary. Examiners are expected to follow the procedures below as it pertains to receiving management response letters from the firm(s) and providing acknowledgement in turn.

Table 6: Follow-Up Activities/Deliverables

| ACTIVITY/DELIVERABLE | TIMING | FIRM SPECIFIC | | HORIZONTAL | | | | DOCUMENT REPOSITORY |
|--|---------------------------------------|---------------|-------------|-------------|-------------|-------------------|-------------|---------------------|
| | | Responsible | ES Approver | Responsible | ES Approver | Responsible | ES Approver | |
| | | | | Umbrella | | Firm Specific | | |
| Management Response Letter | Supervisory Feedback Letter + 45 days | EIC | N/A | N/A | N/A | LRS and Horiz EIC | N/A | N/A |
| Management Response Letter Posting to BOND | Response Letter + 7 days | Exam Team | N/A | N/A | N/A | Exam Team | N/A | ExamSpace |
| Acknowledgement Letter | Management Response + 30 days | Exam Team | N/A | Horiz EIC | N/A | Exam Team | N/A | N/A |
| Acknowledgement Letter Posting to BOND | Acknowledgement Letter + 7 days | EIC | N/A | N/A | N/A | Exam Team | N/A | ExamSpace |

Post-Event

After each examination in which supervisory feedback is sent, the firm(s) will be expected to provide a firm management response letter via secure email to the DST. Upon receiving this letter, the DST is to share the response with the EIC and exam team and upload a copy into BOND within 7 days. The DST risk-specialist and PLG/EIC is responsible for assessing management's response. The risk-specialist is responsible for preparing an acknowledgement letter to the firm that addresses the adequacy of the institutions' response, sufficiency of remediation action plans and expectations for additional follow-up.

Firm Management Response Letter

- Each supervisory letter requires that firms submit a remediation plan that details how they expect to remediate issues identified by the examination.
- Unless granted an exception, firms are given 45 days from the date that they received the supervisory letter to provide a remediation plan.
- If the supervised institution requests an extension for a management response, action plans, or timeframe for completion, the primary and secondary issue owners need to assess the request's reasonableness, document the FR response, and communicate the response to the firm via secure email.
- The firm response letter is to be shared by the DST with the EIC from the examination, who is responsible for uploading the document to the examination library on the Liquidity SharePoint

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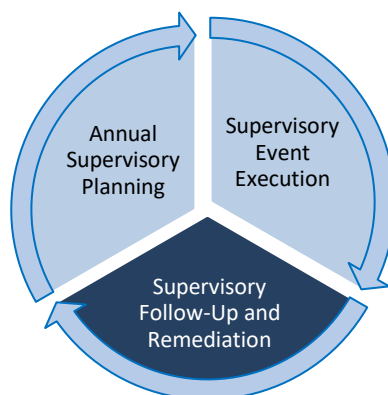
site and circulating it with all examiners that were part of the exam, including any new examiners that will be responsible for assessing remediation.

- The firm response letter is to be posted to BOND within 7 days of receipt.

Acknowledgement Letter

- Upon receipt of the firm's remediation plan, the relevant DST is to send an acknowledgement letter to the firm by using the Acknowledgement Letter Template.
- These letters are to be shared with the examination EIC and responsible PLG member for concurrence before being transmitted to the firm.
- There is no required involvement from the Liquidity LOG in the drafting and distributing the acknowledgement letter. DSTs are to distribute the letter in accordance to the transmittal expectations as outlined in the Supervisory Feedback Development subsection.
- Generally, the acknowledgement letter is due to the firm within 30 days of receipt of the firm management response letter. Exceptions to this are allowed, especially when the EIC and/or DST Risk-Specialist needs a follow-up meeting with the firm to discuss the letter.
- If the response requires additional work and/or meetings with the firm to evaluate the adequacy of the response or action plans, the primary issue owner can request an acknowledgement letter extension with the DST lead and respective PLG via secure email.
- The acknowledgement letter is posted to BOND within 7 days of transmittal.
- In instances where the firm's remediation action plan is deemed insufficient, the firm is required to provide a second submission. The primary issue owner and exam EIC or designee should meet with the firm to discuss supervisory expectations and re-iterate to the firm a second submission is expected. Should the second submission remain insufficient, the DST will inform the firm (either via secure email or in person) that it will be reviewed as part of [upcoming event or horizontal]. A second acknowledgement letter will not be issued.

Issue Management and Follow Up



Primary Issue Owners (LRS) in collaboration with Secondary Issue Owners (PLG) are responsible for monitoring and agreeing on closure of outstanding issues. To evidence issue remediation progress and

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support closure, all MRIs and MRAs are maintained and updated in C-SCAPE, the official repository for tracking all open MRIs and MRAs.

The means of supervisory follow-up to determine closure of an issue may vary based upon the nature and severity of the matter for which corrective action is expected. Follow-up may take the form of a subsequent targeted review, continuous monitoring, and reliance on validation work conducted by an internal audit function. While all supervisory activity types may be used for issue remediation, follow-ups and closures that require little to no transaction testing may occur through a Remediation Validation Event (RVE), a *streamlined supervisory activity* that can be used to conduct independent validation on open supervisory issues. In addition to examinations and RVEs, examiners may also review and include validation work performed by Internal Audit; however, Internal Audit's work may not be relied upon either exclusively or primarily to close an MRIA. Issues requiring more in-depth transaction testing should be conducted through targeted exams.

For detailed guidelines and expectations around issues management and follow up, please reference LISCC Manual Chapter 11: Supervisory Findings as well the Issues Management Framework.

Quarterly C-SCAPE Updates

Primary issue owners are responsible for the overall quality, completeness, and accuracy of the C-SCAPE records for the findings assigned to them. This expectation is the same regardless if a primary issue owner is from a Liquidity Program Pillar or from a DST. All open issues must be associated with a future supervisory event (Remediation Validation Event or targeted examination) until closure. If no follow-up event is scheduled yet, the primary issue owner must provide reasoning for the exception in the general comment section of C-SCAPE.

At least quarterly (90 calendar days or less), the primary issue owner is expected to provide an update of the issue's status via the comments section in C-SCAPE. The issue update should include the following:

- Date of follow-up/interaction or exchange of information
- If follow-up involved meeting with the firm, the name of parties involved in the discussion
- Outcome of the discussion that includes:
 - A concise summary and assessment of the firm's progress to address the issue
 - Whether this assessment results in a change in status of timeframe for completion of an MRIA/MRIA
 - Any supplementary link/directions to sources that support the summary and/or assessment.

Issues Tracking

The secondary issue owner is responsible for tracking:

- Escalating matters that cannot be resolved and/or when divergent views arise;
- Ensuring adequate knowledge transfer occurs if the primary issue owner transitions off the team or onto another role; and

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- Identifying new primary owners for orphaned issues (for example: when the original author moves on to another position; the person replacing that position would become the primary issue owner and this change should be reflected in C-SCAPE.
- Reviewing issue closure materials and providing primary issue owners feedback prior to vetting.

Pending Verification

Once the firm believes they have remediated the issue and Internal Audit has validated the remediation work, the issue is ready for examiner validation. In this case, the primary issue owner:

- Marks the issue as 'Pending Verification' within C-SCAPE,
- Includes the date the issue is considered to have 'Pending Verification' status, and
- Determines appropriate supervisory activity for issue closure

Closure via Exam

If an open supervisory issue is being validated through an exam either in isolation or as part of a larger scope, the full suite of documents (Entry Letter, Scope Memo, etc.) must be completed and sign-off should occur consistent with expectations outlined in this manual. The Vetting Outcome Template will be completed following the vetting. See the Issues Management Framework on the LISCC SharePoint for more detail.

Remediation Validation Event Outline

A Remediation Validation Event (RVE) is a streamlined supervisory activity that could, be used to conduct independent validation on open supervisory issues. As RVEs are meant to offer a streamlined alternative to a standard exam, they should be completed in a timely fashion (less than four weeks onsite plus 60 days post work). Both MRIAs and MRAs may be closed through an RVE. Discussions should be held with DST, PLG and EIC's local manager to obtain sign-off for RVE deliverables *prior* to the PLG or SC discussion. See the Issues Management Framework on the LISCC SharePoint and Liquidity Program Issue Remediation Procedure for more detail.

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APPENDIX A – Universal LISCC Program Policy Links

For a description of the overall policy applicable to any of the topics listed, please click on the item:

Supervisory Planning

Annual Assessment (to be created)

Examination Workpapers Expectations and Approval Requirements

Issues Management Guidelines

Enforcement Actions

BOND Posting Minimum Requirements

Examination Workpapers Requirements for Participation on Other Agencies' Exams

Divergent Views

Access Controls

Info Security and CSI (Including Breach Protocol)

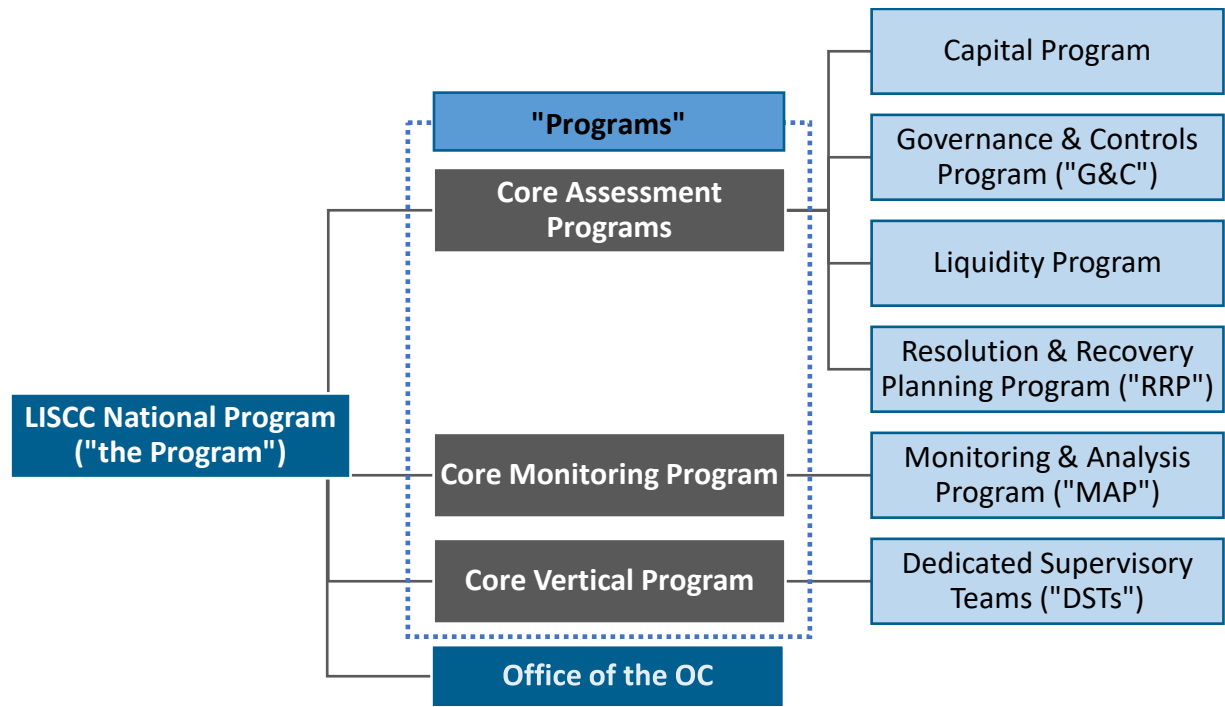
Meeting and Calendar Management

Records Management

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APPENDIX B – LISCC Program Structure and Acronyms

LISCC Program Structure, Titles, and Abbreviations:



The following acronyms are used throughout LISCC Program, operating manuals, and tools/templates:

| Acronym | Definition |
|---------|--|
| Acronym | Definition |
| ALM | Asset and Liability Management |
| AML | Anti-Money Laundering |
| BCBS | The Basel Committee on Banking Supervision |
| BHC | Bank Holding Company |
| BSA | Bank Secrecy Act |
| CBEM | Commercial Bank Examination Manual |
| CCAR | Comprehensive Capital Assessment Review |
| CFP | Contingency Funding Planning |
| CLAR | Comprehensive Liquidity Assessment Review |
| CMG | Crisis Management Group |
| COG | Coordination and Oversight Group |
| CPU | Central Production Unit |
| CRA | Community Reinvestment Act |
| CSI | Confidential Supervisory Information |
| CSR | Committee on Supervision and Regulation |
| DCCA | Division of Consumer and Community Affairs |
| DFAST | Dodd Frank Act Stress Test |

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| | |
|-------------|--|
| DST | Dedicated Supervisory Teams |
| EAC | Edge Act corporation |
| ECB SSM | European Central Bank Single Supervisory Mechanism |
| FBO | Foreign Banking Organization |
| FDIC | Federal Deposit Insurance Company |
| FHC | Financial Holding Company |
| FOMC | Federal Open Market Committee |
| FRS | Federal Reserve System |
| FSB | Financial Stability Board |
| G&C | Governance and Controls |
| HET | Horizontal Evaluation Teams |
| HTL | Horizontal Team Lead |
| ICOG | Information Collection Oversight Group |
| IRM/IC | Independent Risk Management and Internal Controls |
| LCR | Liquidity Coverage Ratio |
| LISCC | Large Institution Supervision Coordinating Committee |
| LOG | Letter Oversight Group |
| MAP | Monitoring and Analysis Program |
| MCAT | Model Coordination and Advisory Team |
| MCBL | Management of Core Business Lines |
| MOG | Model Oversight Group |
| MRA | Matters Requiring Attention |
| MRIA | Matters Requiring Immediate Attention |
| OC | LISCC Operating Committee |
| OCC | Office of the Comptroller of the Currency |
| OFAC | Office of Foreign Assets Control |
| PLG | Program Leadership Group |
| RRP | Resolution and Recovery Program |
| SC | Steering Committee |
| SDG | Scenario Design Group |
| SMB | State Member Bank |
| SMV | Supervisory Model Validation Unit |
| SNC | Shared National Credit |
| SR | Supervision & Regulation |
| SR Director | Director of Supervision and Regulation at the Board of Governors |
| SRP | The Supervisory Assessment of Recovery and Resolution Preparedness |
| SSTMGC | Supervisory Stress Test Model Governance Committee |
| UFIRS | Uniform Financial Institutions Rating System |



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