GUIDANCE & SUPERVISION

Large Financial Institution (LFI) Supervision Operating Manual

February 1, 2022 (v.1.0)

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.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

LFI Supervision Operating Manual

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Note: This is the inaugural version of the LFI Supervision Operating Manual. Aspects of the manual will be adjusted as the LISCC and LFBO programs gain more experience in conducting "LFI Program" and "LFI Capital" supervisory activities.

For questions, please contact:

LISCC Office of the OC:

[Redacted: email address]

Board LFBO Supervisory Program Development & Analysis (SPDA) Team:

[Redacted: email address]

I. LFI Supervision Overview and Operations

Introduction

All large financial institutions are subject to the Large Financial Institutions (LFI) consolidated supervisory framework[1] and ratings framework; however, supervisory activities and expectations are tailored by supervisory portfolio and the risks presented by individual firms. The Large Institution Supervision Coordinating Committee Program (LISCC)[2] oversees the largest domestic financial institutions and the Board's Large and Foreign Banking Organizations (LFBO)[3] section oversees the associated Reserve Banks' conduct of supervision for non-LISCC domestic and all foreign organizations.

Close collaboration across the LISCC and LFBO portfolios helps to facilitate appropriate application of supervisory standards, broadens supervisory knowledge across portfolios, and improves the efficiency of large bank supervision. Consequently, Board S&R senior leadership expects greater standardization generally among the LISCC and LFBO portfolios in how supervision processes are conducted, share resources where specific skills are needed among the portfolios, and execute "LFI" designated supervisory activities. **This guidance is intended to cover all LFI reviews commencing their assessment period as of the year noted on the cover. These LFI reviews must align with expectations within this document.**[4] A pilot period has been established as of the cover date and this LFI Supervision Operating Manual is intended to describe the governance and roles and responsibilities of the LISCC and LFBO participants during the pilot period, as well as the manner in which LFI supervisory events are executed.

LISCC and LFBO portfolios coordinate supervisory planning exercises to identify cross-portfolio horizontal examinations and monitoring events in advance. These events are overseen by senior officers from the LISCC and LFBO portfolios, and any supervisory findings are taken into account in each program's supervisory assessment and ratings processes. Supervisory activities can include recurring horizontal examinations such as annual capital planning reviews (e.g., Horizontal Capital Exam (HCE)), ad hoc events focused on risks and activities that span the portfolios (e.g., LISCC MAP coordinated Climate monitoring), and certain types of monitoring as described below.

The expectations outlined in this manual are applicable for events and activities designated in consultation with the Board LISCC Senior Associate Director and Board LFBO Associate Director (referred to as Board LISCC and LFBO senior leadership going forward) as "LFI Program" or "LFI Capital Program" within the supervisory planning system of record, C-SCAPE, regardless of how staffing is provided. There may be events and activities where only one or two LISCC or LFBO portfolio firms are included, or only staffing is provided. In those cases, the LFI governance and program expectations would be out-of-scope because the events had not been designated as LFI events. Instead, the governance and program expectations would revert to the applicable "lead" portfolio business-as-usual (BAU) program

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[1] See SR 12-17/CA 12-14 *Consolidated Supervision Framework for Large Financial Institutions*. Foreign banking organizations (FBOs) are also subject to additional expectations, such as the legacy Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations (SR 00-14).

[2] LISCC consists of domestic banking organizations with over $100 billion or more in total assets. See SR 20-30 *Firms Subject to LISCC Supervisory Program*.

[3] LFBO consists of non-LISCC domestic banking organizations with over $100 billion or more in total assets and foreign banking organizations with combined assets of $100 billion or more. See the main LFBO Supervisory Program and Processes home page for a current list of LFBO firms. See Footnote 1.

[4] Throughout the pilot period the guidance will be reevaluated at least twice per year, in June and December, to include feedback received/lessons learned from LFI events that were executed and completed.

expectations. Lastly, other than utilizing the LFI exam templates as described below, each portfolio adheres to its individual processes for conducting supervision and making associated assessments.

For questions from LISCC program staff, please contact the Office of the Operating Committee (OOC) or any OOC staff member. For questions from LFBO portfolio staff, please contact the Board LFBO Supervisory Program Development and Analysis (SPDA) manager or any staff member.

Governance

LFI Steering Group (LFI SG; also referred to as a "LFI Squad" or "LFI Pop-up")

Within LFI supervision, the multiple teams responsible for executing individual activities are required to work closely with one another to share insights on key issues. Governance bodies will be established to oversee the day-to-day execution of each LFI designated event, collaborate with their counterparts in the other core LFI supervisory areas, as well as Dedicated Supervisory Teams (DSTs) in LISCC and in LFBO, to coordinate resource needs and uses, transfer knowledge, and identify common findings.

See LFI Supervisory Planning section below for how LFI events are identified. Once LFI events are identified "LFI Program" or "LFI Capital Program" by Board LISCC and LFBO senior leadership, recommendations on individuals to provide collaborative oversight of the events through the LFI SG must be forwarded and approved by Board leaders, if not provided in advance. The LFI Capital Steering Group (SG), a standing governance body, was established as part of the transfer of three FBOs from the LISCC to the LFBO portfolio in 2021.[5] Refer to the LFI Capital SG charter here. ***Any review designated as "LFI Capital Program" or "LFI Program" must adhere to the operations expectations for conducting supervisory events, including associated LFI templates, outlined in this manual.***

Each LFI SG is accountable to Board LISCC and LFBO senior leadership. Membership for LFI SGs should be small in number, roughly 5-10 members approved by the LISCC OC Chair and Board LFBO Senior Officer, including at least one designated Co-Chair from each portfolio. Each LFI SG is comprised of Federal Reserve System experts from various disciplines, including officers and managers from supervision and risk across the LFBO and LISCC portfolios and from the related LISCC portfolio program Steering Committee (SC) and the LFBO Management Group (MG).

LFI SG Roles and Responsibilities

Each LFI SG is responsible for assisting the SG Co-Chairs in:

- Reviewing, vetting, finalizing, and overseeing the approved scope of work via LFI scope memos;
- Providing periodic updates to the Board LISCC and LFBO senior leadership; and LISCC OC and LFBO MG when requested;
- Approving resources and providing ongoing direction and guidance to staff during the execution of approved work;
- Vetting supervisory feedback to firms; escalating any portfolio representative disagreements to the Board LISCC and LFBO senior leadership;
- Following the expectations in this LFI Operating Manual; including associated templates and protocols, and

[5] See Footnote 3.

- Following other Board AD letters, SR letters, supervisory manuals, and regulations not specifically referred to in this manual.

LFI SG Co-Chairs

Each SG's Co-Chairs will be the principal liaisons to Board LISCC and LFBO senior leadership, the LISCC OC and LFBO MG. SG Co-Chairs are responsible for efficiently and effectively leading all SG meetings and adhering to expectations in this manual. In reaching decisions on outcomes, such as the issuance of supervisory findings, the SG Co-Chairs will seek a majority position among members. In doing so, the SG Co-Chairs must ensure these decisions are brought to the full committee for its formal consideration. In the absence of a majority position, the SG Co-Chairs will make a determination, document divergent viewpoints, and escalate any key concerns to Board LISCC and LFBO senior leadership.

LFI SG Co-Chairs are also responsible for ensuring that operations staff supporting LFI Supervision effectively set all SG meeting agendas, produce meeting minutes and action items, and maintain all documentation in accordance with this manual and Board AD letter expectations.

LFI SG Members

LFI SG members are expected to prepare for, by reading through all meeting materials in advance of any meeting, and actively participate in all SG meetings, informing the SG of the relevant key issues in their respective Reserve Banks and/or areas of discipline related to LFI supervision. SG members are also expected to provide thoughtful, timely, and actionable feedback and input as part of discussions, as well as divergent views.

LFI SG Membership Changes (Applicable to LFI Capital)

SG Co-Chairs are responsible for evaluating SG composition and effectiveness, at least annually, to ensure size and make up are appropriate. In addition, Board LISCC and LFBO senior leadership, SG Co-Chairs, and/or SG members themselves can propose SG membership changes.

When membership changes are proposed, the SG Co-Chairs will collaborate with Board LISCC and LFBO senior leadership, who will assess proposed SG membership changes against member expectations including input from the SG Co-Chairs and consideration of whether or not the candidates' experience, skills, and expertise is consistent with expectations. SG Co-Chairs are responsible for preparing a brief memo to Board LISCC and LFBO senior leadership describing the (a) rationale for the change and (b) background and experience of the proposed addition/replacement. Upon receipt of the memo, Board LISCC and LFBO senior leadership will consider the request and make a decision. Should Board LISCC and LFBO senior leadership disagree, the matter will be escalated, resulting in a consultation with the Board S&R Supervision Group Deputy Director.

LFI Participant Roles and Responsibilities

Examiners-in-Charge (EICs) and Horizontal EICs

- Oversee the development of the scope memo, first day/entry letter, and any workprograms developed for examiners to complete for each firm;
- Collaborate with the resources assigned for each firm or scope section, coordinating closely with both LISCC portfolio program and LFBO firm teams;
- Supervise the progress and work of staff assigned;

- Collaborate closely with assigned dedicated supervisory teams (DST) staff, DST Leads or Central Points of Contacts (or their Deputies), for example:
  - Coordinate issuance of first day/entry letter, plan scope objectives for the specific firm, schedule meetings with firm management, complete workpapers, and communicate preliminary or final supervisory outcomes to firm management;
  - Consider other related supervisory issues at firms;
  - Coordinate with other regulatory agencies;
- Review examiner workprograms for their respective areas;
- Ensure scope is completed as approved, or follow addendeum requirements in scope memo template;
- Serve as subject matter experts if questions emerge prior, during, or following the completion of work relating to the scope, readouts, etc.;
- Participate and lead vettings (scope and outcomes);
- Develop and present the final readout presentations for the LFI SG, Board LISCC and LFBO senior leadership, LISCC OC, and LFBO MG; and
- Provide feedback to SG Co-Chairs on participating resources.[6]

Assigned LFI Event Staff

- Execute scope objectives and complete required workprograms and other workpapers;
- Provide sound, rational supervisory findings and assessments;
- Follow expectations in this manual and its associated templates, including Board AD letters and other manuals as applicable; and,
- Participate in vettings with the EIC/Horizontal EICs and others, as needed.

Operations

Just as collaboration among teams within and across core LFI supervisory portfolios is critical, LFI supervision leverages the existing operations infrastructure within LISCC and LFBO. In practice, each of the operations teams must collaborate to ensure operational requirements, regardless of whether a firm is within the LISCC or LFBO portfolio, are well understood so that LFI supervisory events are organized, executed, documented, and communicated appropriately. In LISCC, this includes the LISCC Office of the Operating Committee (OOC) as well as the LISCC portfolio programs and DST operations teams while, in LFBO, this includes the SPDA and Coordinated Portfolio Activities (CPA) teams, as well as DSTs and their local Reserve Bank (RB) operations support.

Specifically, the LISCC portfolio programs and DST operations teams, the LFBO CPA team, and local RB operations support, work to promote consistency and completeness while establishing an effective process flow to ensure efficient day-to-day operations. LFI supervisory operations team responsibilities include, but are not limited to:

- Implementing operating procedures for execution of LFI supervision for all staff participating on LFI events;
- Implementing approaches to present key program information;

[6] Feedback process to be developed.

- Ensuring all major LFI supervision developments and decisions are clearly documented, preserved, and communicated to relevant stakeholders;
- Collaborating with other operations teams and business stakeholders to develop and enhance supervisory lifecycle processes (i.e., supervisory planning, annual assessment, examinations, and supervisory issues management); and
- Conducting selected quality control and/or quality assurance activities to ensure standards for supervisory lifecycle processes are met.

Divergent Views

Supervisory outcomes are strengthened through the sharing of viewpoints and debating ideas, as discussed in AD Letter 17-7, "List of Guiding Principles and Suggested Practice for the Divergent Views Framework."

Examiners are expected to share supervisory matters, including views and concerns throughout the exam in ongoing communication within the exam team, the firm EIC, and LFI Horizontal EICs (as appropriate), and document them in the examiner conclusion memo, EIC conclusion memo, Disposition of Findings (DOF) memo, and aggregate conclusion memo or other PowerPoint presentation, each as appropriate.

The EIC(s) or Horizontal EICs are made aware of examiner divergent views through ongoing communications within and among the exam teams, and through the review of examiner conclusion memos. The EIC(s) or Horizontal EICs will track the evolution of supervisory issues from examiner to EIC in the DOF, which documents viewpoints that were considered during the examination and review process.

The EIC or Horizontal EICs ensure the appropriate consideration of divergent views by:

- Encouraging the exam team to discuss divergent views throughout the examination in order to gain consensus, if possible, on conclusions and issues;
- Coordinating with firm EICs to resolve matters that can be addressed, wherever possible, in advance of the vetting, and
- Documenting significant differences of opinion or viewpoints in the EIC conclusion memo and DOF for the exam team, LFI Horizontal EICs, and LFI SG to consider during the vetting process. Divergent views that occur during the firm vetting should be captured in the DOF and divergent views that occur during the horizontal event vetting should be captured in the Vetting Outcome Template.

If an examiner believes his/her views are not being considered properly, the examiner will:

- Ensure the examiner conclusion memo and DOF clearly documents her/his views;
- Express the view(s) during the vetting process outlined in this document; and
- Complete the appropriate divergent views template and submits it to the LFI Supervision operations team

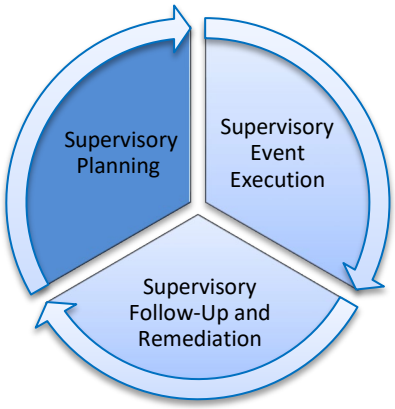
Any divergent views that arise are required to be documented in accordance with the divergent views process for the portfolio from which the divergent view originated. The related operations team will refer to and follow the LISCC Program Divergent Views guidance or the LFBO Horizontal and Coordinated Review Divergent View Template, as the case may be, for more information on how to handle divergent views.

Finally, an examiner may also communicate her/his views to the Horizontal EICs or LFI SG Co-Chairs at any time, as well as raise the material divergent view to the Independent Channel Point of Contact.

II. Supervisory Life Cycle

This section describes responsibilities and record-keeping requirements for the execution of approved LFI supervision events.

LFI Supervision Supervisory Planning



LFI supervision's work for a given year is determined through the independent but coordinated supervisory planning processes established by the LISCC OOC and Board LFBO SPDA group, in consultation with Board LISCC and LFBO senior leadership. All cross-portfolio events and monitoring activities will reviewed and those approved as LFI-designated events will ultimately be agreed upon by Board LISCC and LFBO senior leadership. Supervisory plans can be adjusted during the year, if necessary, to account for shifting priorities, resources, and emerging risks; however, changes to LFI-designated events or monitoring activities will require notification and/or approval by Board LISCC and LFBO senior leadership, depending on the nature of the change.

Periodically, but at least annually, the LISCC OOC Chief Operating Officer and Board LFBO SPDA manager will be responsible for aligning the timing and collaboration of each portfolio's supervisory planning processes.

Following discussions within the respective LISCC programs and Board LFBO and respective governance bodies, proposals will be put forth for LFI events, monitoring activities, and/or resource sharing needed for Barclays, Credit Suisse, and Deutsche Bank.[7] Board LISCC and Board LFBO senior leadership will review and discuss proposals. Jointly conducted events are in-scope for LFI Supervision; however, instances of resource sharing/borrowing will be agreed to separately and are out-of-scope for this LFI Supervision Operating Manual. Once the Board LISCC and LFBO senior leadership designate LFI Program, LFI Capital Program, or coordinated monitoring events and identify the governing bodies (for LFI Program activities, not LFI Capital Program activities), LFI Supervision participants will begin converting the approved proposals into executable supervisory events. In addition, the LISCC Program Co-Chairs and Board LFBO CPA leadership[8] will identify at least one Horizontal EIC[9] from each portfolio.

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[7] During the 2021 transfer of these firms to the LFBO portfolio, agreements were made for continuing speciality skill support from the LISCC G&C Program (BSA/AML, cyber) and LISCC Capital Program.

[8] Includes the manager and first-line officer.

[9] May be referred to as "Program Leads" or "Project Managers" in C-SCAPE, or generally as "LFI Horizontal EICs" or "LFI Horizontal EICs".

Given the need to understand the overall impact to supervision plans, if any ad-hoc events arise, LISCC Program Co-Chairs should initially contact the Board LFBO CPA manager or officer and inform them of their desire to include LFBO firms or vice-versa.

LFI Supervision Examination Execution Overview

After Board LISCC and LFBO senior leadership communicate the approved supervisory events for the next supervisory cycle, LFI supervision participants can shift focus to event execution. Designated LFI Program events consist of four phases (ECMs and IDRs will be covered later):

1. Examination preparation
2. Examination execution
3. Examination conclusion
4. Supervisory follow-up and remediation

While the deliverables and expectations are generally consistent for both portfolios, some activities may be governed differently. Nonetheless, this manual's standards have been established for key aspects of the LFI examination and monitoring (discussed later) processes and all LFI Program and LFI Capital Program event participants are responsible for understanding and following these important examination requirements as described in Table 1 below.

This section covers preparation for LFI exams. Expectations are largely similar for firm-specific and horizontal examinations, and LFI exams leverage elements of both. The complete LFI Exam QC Checklist is posted on the LISCC Exam Tools and Templates page on the LISCC SharePoint site under LFI Events. EICs will be required to complete the EIC checklist throughout the examination cycle, as evidence of their review and compliance with all examination processes.

Examination Process, Timing of Deliverables, and Documentation/Posting Standards

Table 1: LFI Program and LFI Capital Program Events and Deliverables

LFI Activity/ Deliverable	Overview
PHASE 1	**EXAMINATION PREPARATION** **This section covers preparation for LFI exams. Generally, the pre-examination period begins 8-12 weeks before the exam commencement date. Expectations regarding enhanced continuous monitoring (ECMs) / in-depth reviews (IDRs) are covered in Table 3.**
Infrastructure Preparation	After a proposal is approved, the LFI Horizontal EICs and EICs work with the primary contacts/relevant exam support for the designated firm(s) to begin preparing all internal infrastructure platforms and documentation templates in support of the examination (i.e., the Consolidated Supervision, Comparative Analysis, Planning, and Execution application (C-SCAPE), IntraLinks, the Large Financial Institution (LFI) ExamSpace application, and BOND). See Appendix B for a description of these platforms. See LISCC Exam Tools and Templates (LFI Events) and the links in this Table 1 for links to all LFI exam templates.
Scope Memo	A scope memo is required for all examinations and sets out the firm(s) in scope, specific deliverables and associated deadlines, and provides the examination's goals, rationale, and body of work necessary to complete the examination. Scope memos are drafted by the LFI Horizontal EICs, with input from other stakeholders, and must be vetted by the LFI SG or delegated body at

	least 50 calendar days before the exam commencement date and approved at least 37 days before the exam commencement date. See template for instructions. The results of the scope memo vetting, inclusive of any feedback, suggestions, approvals and/or divergent views, are to be documented in the Vetting Outcome Template for all firm-specific and horizontal examinations and stored in LFI ExamSpace. The scope memo will be approved in ExamSpace as described under Workpaper Documentation Completion below and posted to Banking Organization National Desktop (BOND). If there is a significant change in scope, the LFI Horizontal EICs should notify and work with the LFI SG or LFI Capital SG for review and approval of the proposed change. Changes to scope and the supporting rationale for the change should be documented in the addendum section to the scope memo. See template for instructions. Once approved by the LFI SG (or designed body), this information should be communicated to the exam teams, posted to LFI ExamSpace, and uploaded to BOND in the same manner as the original scope memo.
Workprogram	LFI Horizontal EICs may create a workprogram consistent with the scope memo objectives to help guide and document examiner evaluations. Workprograms are to be posted to ExamSpace and require approval in line with scope memo approvals. If created, the completed workprogram is due the last day of the onsite review and should be posted to ExamSpace, unless otherwise directed by the LFI Horizontal EICs.
Entry Letter	Entry letters are drafted using the approved scope memo as the primary input. See template for instructions. Letters must be sent to the firm(s) at least 37 calendar days before the exam commencement date and posted to BOND (executed PDF version) and LFI ExamSpace (unsigned final) at least 30 calendar days before the exam commencement date. The DST team, working with the LISCC Exam Support Team or RB exam support staff, will upload the final entry letter to BOND and associate it with the appropriate C-SCAPE event ID; however it is ultimately the responsibility of the firm EIC to ensure documentation is properly uploaded and reflected. The entry letter notifies the firm(s) of the exam, including its goals and scope, start and end dates, onsite meeting logistics, documentation and meeting requests, instructions on how to submit the documents, and the EIC. Additionally, the letter requests information examiners will need to accomplish the exam's scope objectives. The EIC tailors the entry letter to reflect the scope objectives and activities. For onsite exams, the EIC, working with the the DST, coordinates the onsite visit with the firm to ensure team participants have access to the facilities and works with the firm to arrange meetings according to the expectations included in the entry letter. LFI Horizontal EICs will lead the entry letter drafting at least three weeks before the initial firm transmittal by creating a template for all letters in ExamSpace, with collaboration from event stakeholders as needed (i.e., firm-specific EICs). Once the template has been reviewed within each portfolio and is available to the firm EICs, the firm EICs can develop the firm-specific letters and share them with the relevant DST(s) for further tailoring, fatal flaw review, execution by the DST Lead, and transmittal on local RB letterhead. While rare, there may be cases where multiple FDLs are provided to firms, such as when specific information is needed to tailor the scope appropriate.
Firm Documentation Submissions (Entry Letter responses)	Firms submit supporting examination documents through a secure transmission channel, typically one week before the exam commencement date.[10] If Intralinks is used, files will flow to LFI ExamSpace. The firm-specific EIC is expected to notify exam staff that materials are available for review.
Internal Kick-Off Meeting	LFI Horizontal EICs, firm EICs, members of each exam team, and other DST members are invited to an internal kickoff meeting to discuss scope, logistics, and the firm documentation submission, typically one week before the exam commencement date. Following the internal kickoff, exam team participants are expected to review document submissions during the week leading up to

[10] The exam commencement date (ECD) is the day on which the core supervisory work begins, excluding pre-event scoping and planning activities. For onsite reviews, it is the day on which the supervisory team arrives onsite. For offsite reviews, it is the day on which the supervisory team is expected to begin analysis (C-SCAPE definition).

	the onsite exam commencement date. The firm EICs will take notes using the meeting minute template (see below) and post them to ExamSpace.
PHASE 2	**EXAMINATION EXECUTION** **After preparatory work is completed, the kick-off meeting with the firm(s) typically marks the official examination commencement date (ECD). Examiners are expected to follow procedures outlined in this section in executing the onsite portion of the examination. This section covers LFI Program expectations with regards to communication and information sharing, meetings, internal deliverables, and divergent views in order to ensure consistent, high-quality exam execution. Expectations regarding ECMs and IDRs are covered in Table 3.**
Kick-Off Meeting with Firm(s)	Kick-off meetings are held with each firm, typically on the exam commencement date, to discuss exam objectives, introductions, and logistics. LFI event staff are expected to work with the DSTs to schedule meetings.
Meeting Minutes and Communication	Examiners are to document key external/internal meetings within five (5) calendar days of the meeting and post them to ExamSpace. See template instructions. In addition, for records management purposes, it is imperative that email, Microsoft Teams, WebEx, and/or Zoom correspondences that discuss supervisory matters, or where decisions are reached, must be retained, PDF'd, and stored in ExamSpace. Examiners should share information internally by using hyperlinks to the files posted to the site, as opposed to including documents as attachments. Communications between the exam team and the firm(s) are to be conducted through the DST for each firm and in accordance with the DSTs' local RB policies. Supervisory staff must also be familiar with policies and procedures for information security, in particular those associated with Information Classification & Handling, Data Loss Protection, and AD Letter 15-3, "Security Requirements for Microsoft Office Documents". Emails to firms are marked using the appropriate information security classification and emails to firms on the Transport Layer Security (TLS) Connections list are to be classified using the "Secure External" Delivery option.[11] The only examination documentation ever shared with firms are the executed entry letter, executed supervisory letter, and meeting agendas or presentations, via established protocols, without exception. Internal deliverables are never shared with firms. All email communications to other regulators are marked "Secure External."
Examiner Conclusion Memo	The examiner conclusion memo documents the examiner's overall conclusions for the assigned scope objectives, including objective assessments. The workprogram (if one exists) is an input into the examiner conclusion memo, which is an input into the EIC conclusion memo. If two or more examiners are working together to develop this document, identify clearly the portion(s) for which each is responsible. The EIC should not alter the examiner's memo and will use review bubble comments to provide feedback. See template instructions. The examiner conclusion memo is due in ExamSpace seven (7) calendar days following the last day of the onsite review, initiating the review and approval process. Once ready for approval, a clean version of the examiner conclusion memo should be posted for the EIC to approve in ExamSpace. The EIC may require documentation enhancements to meet high quality management standards, but the examiner conclusion memo reflects findings the examiner recommends, even if they differ from the EIC's opinion, and should not be directly edited by the EIC. The examiner will have the option to make the recommended EIC changes, or not. This will maintain the integrity of the individual examiner's assessment. If the EIC disagrees with the examiner's final assessment, this should be reflected in the EIC conclusion memo and disposition of findings memo.
PHASE 3	**EXAMINATION CONCLUSION** **Examination conclusion begins when the core body of assessment work is completed (historically referred to as "the last day onsite"). Examiners finalize their examiner conclusion**

[11] 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.

	memos, allowing the EIC to assemble her/his EIC conclusion memo and begin the disposition of findings memo. These documents assist the EIC in preparing for the vetting process and serve as point-in-time evidence of examiner and EIC evaluations and assessments. Once vettings are completed, divergent views recorded, and the evolution of findings captured in the Disposition of Findings (per firm) and Vetting Outcome Template (for any SG vetting and for any overall horizontal exam), the EIC (or Horizontal EICs, as the case may be) will work with the relevant approval party to complete the supervisory letter and send to the firm(s). Prior to sending the supervisory letter, the EIC conducts a final close-out meeting with the firm and 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.
EIC (and Horizontal EICs Aggregate) Conclusion Memo	The EIC prepares a single memo to summarize the examination's key information and takeaways. This memo is an aggregation and synthesis of the individual examiner conclusion memos and summarizes the overall conclusions of the examination, including proposed firm-specific findings and an overall assessment based on the exam's scope of work. The EIC conclusion memo is used for the vetting process and forms the basis for supervisory letter development. When using this template as an EIC conclusion memo, it should be prepared by firm. This template can also be used as an aggregate conclusion memo by the LFI Horizontal EICs (in lieu of, or in addition to, a separate document (e.g., PowerPoint)) to consolidate and present the overall findings and conclusions for the horizontal event. The EIC must ensure: (1) All examiner assignments and scope objectives listed in the scope memo are completed; a. If not completed, the reason for deviating from the scope memo documented in the relevant examiner conclusion memo is also documented in the EIC conclusion memo; b. If the scope was altered (expanded or reduced) and approved, this is documented in the EIC conclusion memo and as an addendum to the scope memo; (2) 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 in SR Letter 13-13/CA 13-10, "Supervisory Considerations for the Communication of Supervisory Findings"; (3) All workpapers supporting the EIC conclusion memo are uploaded to LFI ExamSpace; and (4) All workpapers are properly classified (e.g., Restricted FR). If two or more examiners are working together to develop this document, identify clearly the portion(s) of the memo for which each is responsible. The EIC's manager should not alter the EIC conclusion memo and, similarly, the LFI Horizontal EICs' Managers should not alter the aggregate conclusion memo. In each case, the managers will use review bubble comments to provide feedback. See template instructions. If completed as an EIC conclusion memo, it is due within 21 calendar days of onsite work completion, and should be reviewed/approved by the EIC's manager and shared prior to the exam-team vetting.
Disposition of Findings and Vetting Outcome	The Disposition of Findings (DoF) serves as an audit trail of the evolution of proposed MRAs/MRIAs, assessments, and other supervisory recommendations from the examiner conclusion memo to the EIC conclusion memo, and its subsequent reviews by managers, up until the firm vetting. The form is intended to capture, *by firm*, substantive changes to any proposed assessments and findings prior to the formal firm vetting session, and also serves a dual purpose to capture all firm vetting outcomes. See template instructions. The EIC is responsible for ensuring that issues are properly reflected in the DoF as evidence that they were adequately considered. All diverging views expressed prior to firm vetting should be in the DoF memo and in EIC conclusion memo, if applicable. The DoF should be posted to ExamSpace and shared with firm vetting participants (i.e., exam team, DST, LFI Horizontal EICs, other stakeholders) at least three (3) business days in advance of the vetting. The DoF vetting outcome section should be completed within five (5) calendar days thereafter.
LFI SG or LFI Capital SG Vetting	The LFI Horizontal EICs will vet horizontal exam results with the appropriate governing body designated for the review (e.g., LFI Capital SG). Findings are presented to the governing body for

	formal approval and divergent views are considered and addressed. Vetting materials will be distributed to governing body members at least three (3) business days before the vetting and the LFI Horizontal EICs (or designees) will complete a vetting outcome template within five (5) calendar days thereafter.
Vettings	Vettings are formal venues for participants and stakeholders to consider the outcomes of the exams (i.e., overall conclusions and MRIAs/MRAs), consider consistency where appropriate, and foster an exchange of opinions. Vettings also enable collaboration in developing supervisory solutions and the sharing of knowledge, supervisory perspectives, horizontal perspectives, and divergent views. All participants, including staff, must respectfully and professionally share opinions as robust discussions strengthen the quality and consistency of supervisory findings, ratings, and key messages to firms. Ultimately, this process serves to refine findings into formal supervisory feedback to be sent to the firms. There are typically two levels of vettings: (a) firm vetting led by the firm EIC where all firm level exam participants, DST and risk stakeholders, and LFI Horizontal EICs are invited; and (b) SG vetting led by the LFI Horizontal EICs (all horizontal exam participants and stakeholders are inivited) where findings are presented for formal approval and divergent views are considered and addressed. • All SG vetting materials, including the Aggregate Conclusion Memo Template and/or a PowerPoint presentation prepared by the LFI Horizontal EICs, as well as links to EIC conclusion memos, DOF, etc., are to be included in the invites for both the firm and horizontal vettings. Materials should be added to the meeting invite at least three (3) business days before the vetting discussions and will be stored in LFI ExamSpace (as will all vetting outcome templates). • In reaching decisions on the overall assessment and issuance of supervisory findings, LFI SG Co-Chairs (or designated governing body) seek consensus among all governing body participants. In the absence of consensus, the LFI SG Co-Chairs will escalate to Board LISCC and LFBO senior leadership. Any dissenting viewpoints are to be documented in the vetting outcome; and • A LISCC portfolio program operations team member or LFBO portfolio operations team member will be designated as vetting scribe to capture the LFI SG (or designated governing body) vetting outcome using the vetting outcome template. Any divergent views that arise must be documented in accordance with the divergent views process for the portfolio from which the divergent view originated. LFI Horizontal EICs (or designees) will complete a vetting outcome template within five (5) calendar days following the LFI SG vetting.
Vetting Outcome Template	The vetting outcome template will be completed to reflect the outcomes, decisions, and divergent views for all scope memo vettings and exam vettings. This will be done as part of the DoF (see above) for firm vettings; however, a standalone vetting outcome template will be completed within five (5) calendar days following a vetting for all other instances where vetting outcomes must be recorded (e.g., scope vettings and governing body vettings) and shared (via LFI ExamSpace link) with all participants.
Workpaper Documentation Completion	All final workpapers and an unsigned near-final version of the supervisory letter should be uploaded to LFI ExamSpace and approved prior to sending out the supervisory letter. There are two types of approvals for workpapers: (a) approval of individual documents associated with an event; and (b) approval of the complete set of workpapers for an event as part of completing/closing the event. Refer to the LFI ExamSpace User Guide and LFI ExamSpace Workpaper Standards and Guidelines for how to perform approvals using the Overall Approval Functionality in LFI ExamSpace. <u>Primary Approval</u> The EIC is required to review the workpapers stored in an 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 her/his comprehensive review of the workpapers 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 workpapers; and • Provided reasonable conclusions based on well-supported findings. The EIC should be able to certify the set of workpapers: • Is complete and can independently stand on its own; • Adheres to System guidance; and • Fully supports the results and outcomes of the event. Open items, unanswered questions, or missing conclusions should be explained and documented in the workpapers. The LFI Exam QC Checklist, posted on the LFI Exam Tools and Templates page, should be used throughout the examination and during this primary approval process to ensure that all workpapers and products were uploaded, completed, and approved as required. The completed QC Checklist must be uploaded to ExamSpace, prior to primary approval, to serve as evidence of the EIC's review process. <u>Secondary Approval</u> A secondary level of review should be performed for all examinations. Secondary reviews should be primarily focused on whether workpaper documentation fully supports the supervisory findings and conclusions included in the final supervisory letter. The reviewer should be focusing on information from vettings (or other discussions) and whether the supporting documents (i.e., vetting outcome and disposition of findings) accurately reflect information from vettings or discussions and provide adequate support for the final supervisory letter. This review should occur prior to the letter being mailed to the firm. The manager performing the secondary review should be able to certify that the set of workpapers includes: (a) sufficient evidence of vetting; (b) captures any divergent views expressed during the review; and (c) the disposition of and justification for all supervisory findings and conclusions formally communicated to the firm. Note: Each LFI ExamSpace event will be archived (read only) automatically 60 days following the Actual Completion Date of the supervisory event entered 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 Workpaper Standards and Guidelines, LFI ExamSpace User Guide, LFI ExamSpace Information User Guide - Document Properties, and Quick Reference.
Close-Out Meeting with Firm(s)	Formal close-out meetings are held with each firm within 60 calendar days of onsite work completion, based on a near-final letter. The letter can either be provided at this meeting or sent immediately following this meeting.
Supervisory Letter	Supervisory feedback is sent to the firm(s) in a supervisory letter to close an examination and captures the key messages that exam staff wish to communicate to the board of directors and senior management regarding the examination conclusions. Supervisory letter development is a collective effort of exam participants, CPC/DST teams, and LFI Supervision leadership. To be effective, communications must be: (a) written in clear and concise language; (b) prioritized based upon importance; and (c) focused on the more significant matters that require attention. Supervisory feedback is drafted in accordance with SR Letter 13-13 and as outlined in the LFI Manual Part III: Supervisory Feedback. Prior to transmittal of the supervisory letter(s), examination workpapers should be reviewed and approved as described earlier. The initial form of supervisory letter will be developed by the LFI Horizontal EICs using the supervisory letter template and further tailored to each firm's specific MRIAs/MRAs by the firm EIC (the letters may be also be tailored by the LFI Horizontal EICs), with input from the DST lead (or designee). Letters will receive sign off from the relevant LFI Horizontal EIC and from the Board LFBO Coordinated Portfolio Activities (CPA) Project Management Office (PMO) or the relevant LISCC portfolio program LOG.

	Overall assessment or executive summary of the areas reviewed for LISCC firms should use the language below (for LFBO firms, see LFBO Supervisory Activities Assessment Language for appropriate conclusion language)[12]: ❖ ***Satisfactory***: Issues are minor and correctable in the normal course of business without undue management effort. ❖ ***Needs Improvement***: 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. ❖ ***Unsatisfactory***: Weaknesses need immediate attention and board attention. Management's ability to address the issues/weaknesses is questionable. A letter will be submitted by the firm EIC for approval by the relevant LISCC portfolio program LOG or LFBO portfolio equivalent of the LOG at least fifteen (15) days prior to transmittal. For more information on the letter production, review, and approval process, see Table 2 and the LFI Letter Oversight section below. Any divergent views that arise during the letter writing process are required to be documented in accordance with the divergent views process for the portfolio from which the divergent view originated. Please follow LISCC Program Divergent Views guidance or the LFBO Horizontal and Coordinated Review Divergent View Template for more information on how to handle divergent views. Letters are sent within 60 calendar days of the exam close date and the DST will work with LEST or the local RB exam support team to post the executed supervisory letter to BOND no later than seven (7) calendar days after the transmittal date (typically the date of the letter).
PHASE 4	**SUPERVISORY ISSUE FOLLOW UP AND REMEDIATION** **After an examination is closed and supervisory feedback is sent to the firm, the DST staff should work with a local examination support team to prepare to input issued findings (if applicable) into C-SCAPE and conduct any follow-up work as necessary. This last phase of exam execution closely ties with the third phase of the supervisory cycle: supervisory follow-up and remediation.**
C-SCAPE Update	The firm EIC should work with LEST or the local RB examination support team for the institution to input newly issued supervisory issues (if applicable) into C-SCAPE within ten (10) days of issuing the supervisory letter. Primary and Secondary Issue Owners will be assigned in C-SCAPE. Once the new issues are entered into C-SCAPE and reviewed for accuracy and completeness by the firm EIC, either the firm EIC (in the role of Primary Issue Owner) or the newly designated Primary Issue Owner will assume all issue management responsibilities going forward, specifically, the maintenance and upkeep of the C-SCAPE record. If the EIC is not the Primary Issue Owner, the EIC will email all relevant stakeholders (i.e., the new Primary Issue Owner, the Primary Issue Owner's direct manager, the EIC's own direct manager, and the Secondary Issue Owner) promptly after the new Primary Issue Owner is selected. For more on open supervisory issues management, see LISCC Issues Management Framework (for LISCC firms) and LFBO Portfolio - MRIA MRA Program Expectations (for LFBO firms).
Firm's Response Letter	Firm(s) are required to provide a remediation plan (management response) in response to identified supervisory issues within 45 calendar days upon receipt of the supervisory letter. Upon receiving this letter, the DST will share the response with the firm EIC, exam team, and Primary/Secondary Issue Owners and work with LEST or the local RB exam support team to post the firm's management response letter to BOND no later than seven (7) calendar days after the receipt date (typically the date of the letter).

[12] Will be reviewed at a later date to achieve LFI alignment as part of the OASiS development.

Acknowledgement Letter	The Primary Issue Owner, in conjunction with the Secondary Issue Owner (together, "the Owners"), and in collaboration with the DST, will assess the responsiveness and reasonableness of the firm's management response and work with the DST lead (or designee) to draft a communication back to the firm via an acknowledgment letter within 30 calendar days of receipt. The acknowledgement letter addresses the adequacy of the firm's response, sufficiency of remediation action plans, and expectations for additional follow-up. The DST will facilitate the execution and delivery of the acknowledgement letter and will work with LEST or the local RB exam support team to post the executed acknowledgement letter to BOND no later than seven (7) calendar days after the transmittal date (typically the date of the letter). In instances where the firm's remediation action plan is deemed insufficient, the firm will be required to provide a second submission.
Exam Closure	The LFI Horizontal EICs and firm EICs work with each DST's local RB exam support team to close out the firm and horizontal exams in C-SCAPE to ensure that each firm-specific event in C-SCAPE is marked closed prior to closing out the overall horizontal event. The Actual Completion Date in C-SCAPE should align with the letter transmittal date. Exam support teams will assist LFI Horizontal EICs and firm EICs to ensure that all required horizontal and firm-specific documentation that must be posted to BOND has already been done throughout the exam process.

LFI Letter Oversight

LOGs are responsible for overseeing the production of and review of (but not the drafting of) supervisory letters issued in connection with all examinations of firms. First day/entry letters are not required to go through the LOG process and should be produced as described on page 11.

LFI Program entry letters and supervisory letters will leverage the existing Board LFBO CPA PMO staff (e.g., Horizontal Capital Review PMO) or relevant LISCC portfolio program LOG, each of which may be expanded, as needed, to include: (a) a subset of participants from the related LFI SG and one or more LFI Horizontal EICs; (b) LISCC/LFBO portfolio members, as the case may be; and/or (c) staff with responsibility for oversight of broader supervisory communications across LFI Supervision. The initial content of the supervisory letter will be developed by the LFI Horizontal EICs using the relevant letter template, and further tailored to each firm's specific MRIAs/MRAs by the firm EIC (the letters may be also be tailored by the LFI Horizontal EICs), with input from the DST lead (or designee). Letters will be reviewed and receive sign off from the relevant LFI Horizontal EIC and/or the relevant LISCC portfolio program LOG. For LFBO firms, DSTs are responsible for sending all correspondence to their firms and posting to appropriate System databases.

In LISCC, each portfolio program has its own LOG, with each LOG comprised of portfolio program operations staff and at least one senior member from the related portfolio program (e.g., LFI SG member, who may also be a Program Leadership Group or Steering Committee member), as well as at least one participant from the DST that is the subject of the letter under review. In LFBO, this includes the SPDA and CPA teams, as well as local RB DSTs and operations support.

Just as collaboration among teams within and across core LFI supervisory portfolios is critical, LFI Supervision leverages the existing letter approval infrastructure within LISCC and LFBO. In practice, each of the LISCC portfolio programs and their operations teams, the LFBO portfolios and operations teams, and the DST and RB operations teams in both LISCC and LFBO must collaborate, regardless of whether a firm is within the LISCC or LFBO portfolio, to ensure:

- Conclusions reached during vetting sessions are appropriately reflected and translated into the letters;
- External communications are consistent with applicable rules and regulations;
- Supervisory messages are clear and concise;
- Introductory and common language components of the letters, as well as thematic issues in the letters, are reviewed and adjusted; and
- A process is in place to receive and incorporate stakeholder feedback prior to final letter issuance.

While LISCC and LFBO have slight differences, the basic timeline for drafting, editing, and finalizing letters resembles the process flow and description in the table below (please note, for ease of presentation, the LFBO horizontal PMO, SPDA, and CPA teams are collectively referred to as the "LFBO LOG" in Table 2).

Table 2: LOG Process Flow and Description

Task	Role	Task Description	Timeline
Complete Initial Draft Letter (Pre-LOG)	Co- Lead(s), Firm EIC/DST, or designee	The event participants will complete a draft version of the letter. A link to the letter should be emailed to the relevant senior LFI SG member(s) (Cc: to the exam team) upon completion.	Begin drafting letter so that, inclusive of any discretionary senior review (next Task), it will be ready to **submit to the LOG no later than fifteen (15) calendar days prior to the letter transmission date (45 days after Exam Close Date)**. Recommendation is to begin drafting letter no later than 25 calendar days prior to letter transmission date (35 days after Exam Close Date) to allow sufficient time to generate draft for submission to LOG.
Senior Review & Edits (Pre-LOG)	Relevant LFI SG member(s), Firm DST Lead/Deputy, or designee	The relevant LFI SG member(s) or Firm DST Lead/Deputy will review and edit the letter prior to review by the LOG. A link to the letter should be emailed to the appropriate LOG Chair and/or LOG email address (Cc: to the Horizontal EIC(s) and firm EIC) upon completion.	At the LFI Program's or LFI Capital Program's discretion, but any senior review must be completed no later than fifteen (15) calendar days prior to the letter transmission date (45 days after Exam Close Date)

LOG Draft Letter Review & Edits	LISCC portfolio program and LFBO LOG	A member of the relevant LISCC portfolio program or LFBO LOG will acknowledge receipt and one or more participants on the LOG will be responsible for editing the letter. The edits will occur directly in ExamSpace in a separately saved LOG version of the letter and be in the form of line edits and bubble comments. This review and editing period will include consultation with the full LISCC portfolio program or LFBO LOG, if required. The LOG lead will evidence this consultation and any resulting divergent views within the bubble comments.	LOG has 5 days to review/edit the letter. Must be completed no later than ten (10) calendar days prior to the letter transmission date (50 days after Exam Close Date)
Feedback Consolidation	Co- Lead(s), Firm DST/EIC, or designee, with assistance from LOG Chair or designee	The Firm EIC (Exam Team)/DST will review and respond to any LOG feedback.	Must be completed no later than seven (7) calendar days prior to the letter transmission date (53 days after Exam Close Date)
Final LOG Review	LISCC portfolio program or LFBO LOG	The LOG will make any final edits via ExamSpace prior to finalization. Once agreed, a third, final, clean version of the letter will be provided back to the LOG Chair.	Must be completed no later than five (5) calendar days prior to the letter transmission date (55 days after Exam Close Date)
Release to DST for Transmittal to Firm	LOG Chair, DST, EIC, designee	The LOG Chair will approve the final letter in ExamSpace, signifying it is ready for signature and transmittal to the firm by the DST.	Must be completed no later than five (5) calendar days prior to the letter transmission date (55 days after Exam Close Date). Letter must be sent to firm no later than 60 days after Exam Close Date.

LFI Supervision Monitoring Overview

LFI Supervision continuous monitoring (CM) activities are fundamental to the overall Federal Reserve supervisory strategy for LISCC Program and LFBO portfolio firms. CM activities of the supervised firm are conducted through detailed monitoring of the firm's capital, liquidity, and governance and controls (including, but not limited to, internal controls and independent risk management functions, board oversight, senior management and management of business lines, management information systems, and policies, procedures and limits). CM enables each DST to develop and maintain an up-to-date and comprehensive understanding of a supervised firm, including its risk profile and associated policies, procedures, and practices. CM is also a means of identifying emerging risks to the safety and soundness of the organization, as well as current risks in aspects of risk management (e.g., liquidity, capital planning), operational resiliency, financial resiliency or positions, or compliance with laws and regulations. Additionally, CM activities may be used for issue follow-up with the firm, potentially resulting in the recommendation to close or transform a supervisory finding. The two primary types of LFI Supervision CM are Enhanced Continuous Monitoring, which would originate from the LFBO portfolio, and In-Depth Reviews, which would originate from the LISCC portfolio. Each is described below.

LFBO Enhanced Continuous Monitoring (ECM)

ECM activities are planned events that require a "deeper dive" than Routine Continuous Monitoring (RCM), or a focused review to learn more about a particular area, business strategy, risk level, and/or targeted set of risk management practices and controls. ECM is recommended where there is a focused area(s) that requires more analysis than RCM, and where some level of transaction testing may be performed. ECM may also contribute to a horizontal view across peer institutions, provide a perspective on the adequacy and/or progress of remediation work, and can be used to fill knowledge gaps.

ECM should NOT be used to avoid more stringent RB workpaper documentation expectations, nor should it be used for joint or participation events with other regulators (see LFI ExamSpace Workpaper Standards and Guidelines).

For LFBO, a supervisory letter is required only if MRAs or MRIAs are closed, or if a supervisory finding (MRIA, MRA) is proposed and approved through the vetting process. ECM documents are stored in LFI ExamSpace and posted in BOND in a similar manner to examinations, and as detailed in Table 3 below.

See LISCC Exam Tools and Templates (LFI Events) and the links in Table 3 below for links to all LFI ECM templates. ECM phases and procedures for ECM activities are outlined in the table below and should be followed in conjunction with the LFI IDR ECM_QC Checklist, which provides timing for each of the supervisory work product deliverables.

LISCC In-Depth Reviews (IDRs)

IDRs are a LISCC Program form of monitoring (in addition to baseline monitoring and heightened monitoring) that can be proposed during the annual supervisory planning process. The proposing portfolio program is expected to ensure that the IDR criteria is met. IDRs refer to discrete investigations of narrowly defined topics that may constitute an emerging risk/issue. It is a form of monitoring that involves looking at a narrow issue, concept, product, or process that leads to a better understanding of risks that are new, changing, misunderstood, or underappreciated. While an IDR can prompt the need for an exam (or rule out an exam) and help with exam scoping, an IDR is not intended to address areas more appropriately covered in an exam (i.e., transaction testing, rating assessment of governance and controls, issuance of supervisory findings, and/or decisions to object/not-object to a capital plan). The key objective for all IDRs is risk identification.

An IDR will be considered for events or topics that require more explicit dedicated resources and can be researched through routine or non-routine MIS requests.

Outcomes of IDRs do not lead to supervisory messages but, rather, may:

- Lead to a better understanding of a trend, outlier or concentration;
- Prompt the need for an exam (or rule out an exam);
- Facilitate more effective exam scoping; and/or
- Inform policy or guidance development.

Approved IDRs will require the following documentation:

- **C-SCAPE:** Approved IDRs will be entered into C-SCAPE as a RCM-IDR. LFI Supervision operations, via the LISCC Exam Support Team (LEST) will enter the IDRs into C-SCAPE; however, it is the responsibility of the IDR Horizontal EIC to ensure that her/his team receives the necessary

information to create the entry. This includes: Event Name, Description, Event Owner, Event Dates,[13] Areas of Supervisory Focus, and Resources.

- **ExamSpace:** C-SCAPE entry will automatically initiate an LFI ExamSpace database. All IDR materials listed in Table 3 below should be stored in ExamSpace (see LFI ExamSpace Workpaper Standards and Guidelines).

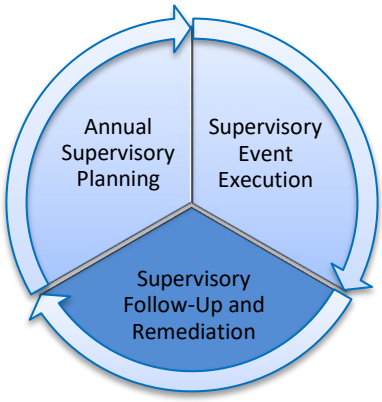
[13] Since there is no on-site portion of an IDR, the Start Date and Commencement Date are the same and, similarly, the Close Date and Planned Completion Date are the same.

Table 3: LFI Program Event ECM Activities and Deliverables

ECM or IDR Activity/ Deliverable	Overview
Objective Setting **LFI IDR ECM_Objective Memo Template**	The LFI Horizontal EICs/EICs will use key input information initially defined by management during the supervisory planning process for developing objectives for planned IDRs/ECMs. Unplanned or ad hoc IDR/ECM activities that are not part of the supervisory plan are usually driven by unforeseen events and may emerge during the course of the supervisory cycle. Horizontal EICs/EICs will develop a limited scope memo outlining the rationale, objective, and planning results for the review using the Objective Memo Template (see template instructions); accumulate and generate an information request, if needed; and schedule any required meetings with the firm. A formal entry letter will not be sent to the firm. If an information request is required, it should be limited, developed in line with the objective memo, and may be sent to the firm via e-mail. Any informal request for supervisory data is required to conform to Supervision and Regulation's Policy Regarding Informal Requests for Supervisory Data (AD 18-11). Information requests (e.g., emails), if any, as well as the objective memo, will be posted to ExamSpace. The final approved objective memo should also be posted to BOND and linked in C-SCAPE (as a scope memo). The vetting process for the objective memo, timing, and related approvals by the LFBO and LISCC DST/HET leads and the LFI SG (or designated vetting body) are described in the LFI IDR ECM_QC Checklist.
MIS, Information Gathering, and Analysis; **Firm Meetings** **LFI Other_Meeting Minutes Template**	Firm EICs will review information available from RCM and, as necessary, develop and issue a specific information request to the firm in order to obtain the critical data necessary for the EIC/Examiner to assess and, ultimately, draw conclusions based on the objectives for an IDR/ECM activity. The result of this phase will include the initial review of the firm's material and responses to the information request and a determination of whether the information provided is comprehensive enough to draw conclusions in line with the objectives of the ECM. Further analysis or information may be required (including meeting with firm management) in order to reach conclusions. Any MIS or other information from the firm not received through IntraLinks should be uploaded to ExamSpace, as well as all meeting minutes. See template instructions.
Draw Conclusions and Take Action **LFI IDR ECM_Summary Memo Template** **LFI IDR ECM_Readout Template**	See template instructions. The summary memo is intended to ensure key takeaways, examiner insights, next steps, and summary conclusions are consistently documented for each ECM/IDR. The EIC/Examiner should further develop and support conclusions from the analysis phase of the event, in line with the planned scope and objectives. Documentation should include key analytical findings, level of risk and control adequacy, and proposed supervisory messages as applicable. The readout template is used to present the key takeaways of the IDR/ECM to the LFI SG (or designated vetting body) that approved the work, as well as other relevant LISCC and LFBO supervisory stakeholders. The readout should leverage the summary memo and address each of the objective questions, as well as discuss suggestions for further work, if applicable. A vetting outcome or meeting minutes should be completed, including LFI SG responses to any recommendations for next steps. ***For any LFBO firm, if there are new MRIAs/MRAs or recommendations to close outstanding MRIAs/MRAs, they must be appropriately vetted and a supervisory letter must be set to the firm.*** The vetting process for the summary memo and readout, the timing, and the related approvals by the LFBO and LISCC DST/HET leads and the LFI SG (or designated vetting body) are described in the LFI IDR ECM_QC Checklist. ECM/IDR summary memos, readouts, and supporting workpapers are to be stored in ExamSpace.

LFI IDR ECM_QC Checklist	Following the completion of an IDR or ECM, the firm EICs are responsible for ensuring the LFI IDR ECM_QC Checklist is completed no later than 60 days following the review close date, and always prior to sending a supervisory letter, in the unlikely scenario one is required. The completed QC Checklist should be saved in ExamSpace.

Supervisory Follow-Up and Remediation



Please refer to LISCC Issues Management Framework (IMF), LFBO Portfolio - MRIA MRA Program Expectations, the LFI Writing Bundle (particularly the LFI Writing Expectations and Application), the minimum expectations and standards for managing supervisory issues as set forth in SR Letter 13-13, "Supervisory Considerations for the Communication of Supervisory Findings," and other related Board guidance. Together, this guidance sets forth roles, responsibilities, and minimum expectations for the management of LFI Program or LFI Capital Program generated supervisory issues, from issue origination and entry into the System's official issues tracking repository, C-SCAPE, to issue monitoring and, ultimately, to issue closure. Some of this information is also described earlier in Table 1 (Phase 4).

Coordination For Open Supervisory Issue Vetting (LFI Capital Program vs. LFI Program Events)

The need to vet an open issue for potential closure may arise (a) from the body of work conducted for a verification event in accordance with the related scope memo; or (b) because a DST has provided written justification for why an issue should be closed, escalated, or transformed/reframed without having conducted a supervisory event (e.g., through the course of ECM or Baseline Monitoring). In those latter instances, the DST will be responsible for ensuring the written justification memo is maintained in LFI ExamSpace (in a TeamSite folder) and will provide a link to the memo in a cover email to the LFI SG (or designated vetting body), LFI Capital SG coordinator, Board LFBO CPA, or LISCC portfolio program, as may be required.

The LFI Capital SG, as the standing supervisory governance body for the LFI Capital Program, will vet (or designate for vetting) all open issues for potential closure regardless of how those instances described in the previous paragraph arise. For LFI Capital open issues, DSTs should contact the LFI Capital SG coordinator to organize a SG vetting and provide the aforementioned cover email or vetting materials to the LFI Capital SG.

However, verification for potential closure of LFI Program open supervisory issues follows a different path because there currently is no standing supervisory governance body to vet those issues. As described in the Governance section earlier in this document, the non-LFI Capital SGs are also referred

to as LFI Squads or LFI Pop-Ups. This is because they are not standing governance bodies but, rather, SGs established for the sole purpose of overseeing the day-to-day execution of each LFI Program event and collaborating with key stakeholders in other LFI supervisory areas, as well as DSTs in LISCC and in LFBO. As such, a LFI SG may be dissolved by the the time any findings issued to firms from those initial LFI events are ready to be verified for potential closure and vetted.

If a vetting is required for potential closure of a LFI Program open supervisory issue, DSTs for a LFBO firms should contact Board LFBO CPA to organize a SG discussion while, for a LISCC firm, the DST should contact the respective LISCC portfolio program to organize a SG discussion. Whether for a LFBO or LISCC firm, the aforementioned cover email or vetting materials would be provided. If the original LFI SG is not available, or cannot be reconstituted when needed, LISCC and LFBO exam teams should generally adhere to their own portfolio procedures, respectively, following a LFI Program verification event. For LISCC firms, this means the DSTs and portfolio programs should follow the IMF, while, for LFBO firms, DSTs should follow LFBO Portfolio - MRIA MRA Program Expectations (each, as amended).

Vetting Outcomes – Closure/Full Compliance, Partial Compliance, Non-Compliance

If the open issue is approved for closure, the primary issue owner (LISCC) or relevant DST (LFBO or LISCC) will then be responsible for ensuring the issue closure is communicated to the firm and is documented and closed in accordance with the LISCC Issues Management Framework (IMF), LFBO Portfolio - MRIA MRA Program Expectations, LFI ExamSpace Workpaper Standards and Guidelines, and LFI Supervision Operating Manual guidance, respectively, each as amended. Additionally, the primary issue owner and relevant DST will be responsible for ensuring the issue is closed in C-SCAPE and communications with the firm are posted to BOND in accordance with those same guidance documents.

Please also refer to C-SCAPE User Guide for step-by-step instructions on closing issues.

If it is determined to keep an issue open because it is either non-compliant or only partially compliant, it will continue to remain open in C-SCAPE. As described in the guidance documents for each portfolio in the prior paragraph, the primary issue owner or relevant DST will:

- Provide a summary comment in C-SCAPE explaining the deficiency, with links to relevant reference materials;
- Change the ‘Pending Verification’ status in C-SCAPE by selecting “No” in the ‘Pending Verification’ field;
- Update the timeframe for completion and link to the management’s response upon receipt of the updated action plan;
- Post all correspondence with the firm to BOND within seven (7) calendar days of the letter mail (or receipt) date; and
- Ensure the issue is appropriately updated in C-SCAPE within ten (10) calendar days of the non-closure supervisory letter mail date as noted above, including a link to the supervisory letter in BOND.

The primary issue owner or relevant DST is expected to continue to monitor the outstanding issue and update C-SCAPE and ExamSpace (in TeamSite folder) until the issue is ready once again for verification for potential closure.

APPENDIX A: Additional LFI Supervision Policy Links

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

Universal LFI Program Policies

Access Controls
BOND Posting Minimum Requirements
Divergent Views
Security Incident Management Procedure
LISCC Issues Management Framework
LFBO Portfolio - MRIA MRA Program Expectations
Enforcement Actions
LFI ExamSpace Workpaper Standards and Guidelines
Examination WorkpaperWorkpapers Requirements for Participation on Other Agencies' Exams
Meeting and Calendar Management
Reserve Bank SR Recordkeeping Manual
Supervisory Planning

APPENDIX B: Internal Examination Infrastructure Preparation

The LFI Horizontal EICs or EICs, as the case may be (refering to the individual responsible for leading an overall examination) are responsible for working with LFI Supervision operations staff (i.e., LISCC Program and/or LFBO portfolio operations team members) to ensure internal infrastructure platforms and systems as described in the table below are set up and documentation templates are prepared for an examination or monitoring activity.

LFI Supervision Examination and Monitoring Infrastructure Table

Platform	Purpose	Responsible Parties
BOND	The automation platform for sharing supervisory information among RBs and with other federal/state banking regulatory agencies. 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, and, if applicable, any scope addendum or extension requests (and related approval letters). Please refer to LISCC BOND expectations, LFBO BOND expectations, and/or information on the BOND application as needed.	EIC and DSTs (for supervisory communications with the firm) are responsible for, but may work with or rely on exam support, to ensure 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.
C-SCAPE	Internal event management tool used to populate DST supervisory plans, resources, and supervisory findings. Feeds into BOND, LFI ExamSpace, and ROAM-T. All staff assigned to the LFI Program are expected to have C-SCAPE access for all SR Letter 15-18 firms. Once an event is approved, the EIC (horizontal or firm-specific) is to contact the LISCC Exam Support Team or LFBO SPDA team, as appropriate, to verify	LFI Supervision operations is responsible for maintaining event entries in C-SCAPE and on-going maintenance. This may be executed by the LISCC Exam Support Team (LEST) or the LFBO SPDA team, depending on which portfolio is leading the activity.

	information that should be entered in C-SCAPE. After resources are entered into C-SCAPE, their time commitment automatically feeds through to ROAM-T, the primary tool for tracking staff's time sheets across the Federal Reserve. The EIC will define the ROAM-T category that event staff should use. In addition, the name of an event should be consistent throughout the event (C-SCAPE, workpapers, MIS, etc.). If exam staffing changes, the EIC is responsible for communicating those updates to the LISCC Exam Support Team or LFBO SPDA team, as appropriate C-SCAPE also serves as a central location for managing supervisory issues including MRIAs, MRAs, or provisions of enforcement actions. Details on issues management can be found later in this document. Additional C-SCAPE information, including how to request access, can be found here.	The EIC is responsible for reviewing the information in C-SCAPE to ensure it is up-to-date and correct. The EIC should communicate any updates to the LFI Supervision operations team promptly (i.e., LEST or LFBO SPDA). Issues: The Primary Issue owner is responsible for reviewing the initial entry of the issue to ensure it is current.
LFI ExamSpace	Per AD Letter 17-6, "Implementation of LFI ExamSpace Application for ECM and FRB-Staffed Exam Events," LFI 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, as well as Enhanced Continuous Monitoring and In-Depth Reviews. All examiners should follow the LFI Exam QC Checklist and LFI ECM IDR QC Checklist, available on the Exam Tools and Templates page on the LISCC SharePoint site under LFI Events, for examination workpaper expectations and approval requirements (also see LFI ExamSpace Workpaper Standards and Guidelines). 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. LFI ExamSpace provides for the ongoing maintenance of workpapers and is designed to facilitate the sharing of information for firm-specific and horizontal (with the exception of some horizontals such as CCAR, CLAR, etc.) supervisory activities in a consistent manner across all portfolios. Management groups, RB 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: • A direct connection to IntraLinks; • 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.	The LFI Horizontal EICs, EIC, exam team, and managers should use LFI ExamSpace as the repository for all final exam materials, as well as for "significant drafts" of any document that covers findings, proposed findings, and/or ratings (e.g., when a document is passed to a manager for review and input). Firm EIC is responsible for including instructions in the entry letter to explain to firms how to submit documents to LFI ExamSpace via IntraLinks. Firm EIC is responsible for reviewing the workpapers stored in the ExamSpace Event to ensure that findings and assessment are fully supported and that scope objectives and any changes have been addressed. HTL/Deputies are responsible for ensuring workpaper documentation fully supports the supervisory findings and conclusions included in the final supervisory letter.

	All analysis, assessments, and supporting workpapers 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 Letter 13-21, etc.) *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 LFI ExamSpace overview, including its IntraLinks connection, user guides, FAQs, training presentations, and RB contacts, please see the LFI ExamSpace Information Center. For specific questions with regards to LFI ExamSpace, examiners should contact the individuals listed in the above link for their specific district.	
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 Federal Reserve and financial institution. If the examination requires that firm(s) submit documentation, examiners must use IntraLinks and LFI ExamSpace. IntraLinks is a secure cloud-based service that the Federal Reserve uses to securely upload documents from an external organization. IntraLinks connects directly with LFI ExamSpace; files uploaded to IntraLinks automatically transfer to LFI ExamSpace, including the associated metadata tags. The files are available on LFI ExamSpace within a couple hours of the institution uploading the file to IntraLinks. Firms are responsible for uploading the materials in response to the entry letter to IntraLinks. If issues arise in the flow of materials from IntraLinks to LFI ExamSpace, the EIC is to contact the STSSO for assistance. Ultimately, the EIC is responsible for ensuring documents received align with Entry Letter expectations. Once an exam is published in C-SCAPE, a corresponding LFI ExamSpace event is created. Examiners then can use the LFI ExamSpace event to manage the IntraLinks connection and receive documentation from the firm(s). 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 information on IntraLinks and its connection to LFI ExamSpace, as well as the set up structure, see the IntraLinks Talking Points and IntraLinks: Uploading Files Reference. For specific questions, please contact the local RB contact listed on the LFI ExamSpace Information Center.	Firms are responsible for uploading the materials in response to the entry letter to IntraLinks. The EIC is responsible for ensuring documents received align with Entry Letter expectations.
ROAM-S	In addition to C-SCAPE, ROAM-S exists as a resource scheduling tool. Events and resources booked in C-SCAPE will flow to ROAM-S, which then flows to ROAM-T. ROAM-S is also a conflict of interest (COI) flagging tool.	The relevant RB 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 (COI) flags. Upon discovery of a COI, exam support staff notifies the EIC and her/his reporting manager.

ROAM-T	ROAM-T is the primary time tracking tool for all Federal Reserve staff. All time spent on 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.	Exam team is responsible for verifying their actual hours worked in ROAM-T at the end of every week.

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