



GUIDANCE & SUPERVISION

LISCC Program Operating Manual

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Redacted Public Version

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

For questions, please contact: LISCC Office of the Operating Committee (OOC): ***[Redacted: appropriate email]***

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I. Statement of Purpose

This Operating Manual (the Manual) formally communicates the expectations and standards for Large Institution Supervision Coordinating Committee (LISCC) Program supervisory examination activities. The guidance in this Manual is intended to ensure that processes are consistently applied across the Program to enable individuals to work across programs. The expectation is that programs will avoid customizing processes or adding program specific administrative requirements.

Within this Manual are guidelines regarding LISCC Program Governance (including committee structure and roles and responsibilities), Supervisory Life Cycle (including Supervisory Planning Process, Supervisory Event Execution, and Supervisory Rating Assessment Process), and Oversight and Controls (including Reporting, Quality Control, Quality Assurance, Divergent View Processes, and Information Security Requirements).

This Manual will also ensure that key supervisory products/deliverables that support the LISCC supervisory program, including both Examinations (one firm) and Horizontals (more than one firm) activities, are appropriately maintained and documented in accordance with Federal Reserve System (Federal Reserve, System, or FR) guidance. Examples of key supervisory products/deliverables include Supervisory Letters, workpapers supporting Examination and Horizontal activities, and supporting documentation for validation of supervisory issues.

The Manual will be periodically reviewed, at least annually, to ensure that the expectations and standards continue to be relevant and are reflective of any newly issued System and internal guidance. The Chief Operating Officer (COO) will approve any substantive changes or updates to this manual and formally present the manual to the Operating Committee (OC) for approval confirmation.

To supplement this Manual, additional instructional and procedural information can be found in various templates, training materials, job aids, and other documentation, such as the Office of the OC Operating Manual, that can be found in the LISCC Program Guidance section of the LISCC Program Home Page and Exam Tools and Templates and, when warranted, are referenced throughout this document. Pre-identified events that are not covered by the processes identified in this Manual include: Comprehensive Capital Analysis Review (CCAR), Recovery & Resolution Plan (RRP) Title 1 Review, Comprehensive Liquidity Analysis and Review (CLAR), LFI Events, Enforcement Actions, and Monitoring and Analysis Program (MAP) activities.¹ These events have their own process manuals.²

¹ For specific guidance related to the annual CCAR exercise, please see that year's CCAR Scope and Program Plan on the Capital Program SharePoint site (access is limited). The RRP Title I Processes and Protocols guide provides the detailed execution steps of that unique review. CLAR is structured as a far longer duration than the standard examination process and, as the review is conducted across firms, CLAR is an outlier compared to the standard Horizontal process outlined in this manual. Specific guidance related to the execution of monitoring and analytics work can be found in the MAP Operating Manual. Enforcement Actions information can be found in the Enforcement Actions Operating Manual. LFI Event information can be found in the LFI Supervision Operating Manual.

² The manuals, guidance and other materials referred to in this paragraph are currently being reviewed to identify and redact any confidential supervisory information and other information that should be kept confidential and will be posted on the Board's external website when that review is complete.

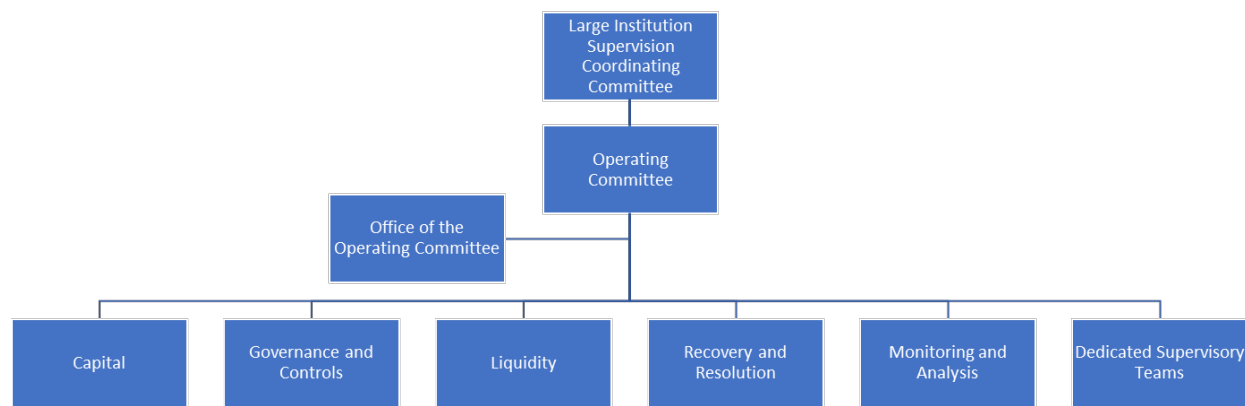
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II. Program Governance

LISCC Program Committee Structure

The LISCC Program consists of the LISCC, the LISCC OC, five portfolio programs (Capital, Governance and Controls, Liquidity, Recovery and Resolution, and Monitoring and Analysis), a program consisting of the Dedicated Supervisory Teams (DSTs) for each supervised firm, and the Office of the OC (OOC). The LISCC Program structure is depicted in figure 1.

Figure 1. LISCC Program Structure



The LISCC Program is a Federal Reserve Systemwide program, staffed by individuals from multiple Federal Reserve Banks and the Board. Day-to-day supervision of LISCC firms is carried out by the DSTs and the LISCC portfolio programs. Each of the five portfolio programs and the DSTs are led by Co-Chairs. Collaboration among teams within and across the entire LISCC Program is critical. Within each program³ there are multiple teams that are required to work closely with one another to share insights on key issues.

Large Institution Supervision Coordinating Committee

The LISCC is a collaborative body providing System-wide and cross-disciplinary views on the supervision of LISCC Program firms. It is composed of senior officers from across the Federal Reserve System, including several Reserve Bank heads of supervision, and a number of division directors at the Board. The S&R Director serves as LISCC Chair. The LISCC provides the S&R Director with guidance, advice, and recommendations on matters before the committee, though not as a decision-making body. The S&R Director is accountable to the Board for the effective supervision of LISCC firms and works closely with the Vice Chair for Supervision in this capacity.

LISCC Operating Committee

The LISCC OC, in consultation with the LISCC, is responsible for setting priorities for and overseeing the execution of the LISCC supervisory program. These responsibilities include but are not limited to: (1) setting the strategic direction of the LISCC Program; (2) recommending ratings and enforcement

³ For additional information on the LISCC portfolio programs and DSTs, see the LISCC Program Manual.

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actions (EAs); (3) overseeing the effectiveness of the DSTs and LISCC portfolio programs; (4) ensuring that the LISCC Program has sufficient and well-allocated resources, and efficient and controlled processes; and (5) promoting a culture that enables the LISCC Program to be effective.

The OC is multi-disciplinary and composed of senior officers from several Reserve Banks and the Board, which helps ensure that a diverse set of perspectives are factored into decision making for LISCC firms. The OC Chair is appointed by the S&R Director and is a senior officer in the Division of Supervision and Regulation at the Board. The OC Chair is accountable for decisions made by the OC and oversees execution of the five OC responsibilities listed above.

Steering Committee (SC)

Each portfolio program has a Steering Committee made up of representatives from varying specialties and geographies from across the Board and Federal Reserve System. SC members are nominated by program or DST Co-Chairs. The SC members are appointed by the OC Chair in consultation with the Office of the Operating Committee Advisory Council (OOCAC). While program Co-Chairs have discretion in assigning roles and responsibilities of their respective SC members to meet a specific program's need, most SC members are responsible for: (1) making recommendations to the OC regarding ratings, supervisory planning, EAs, and emerging risks; (2) directing and overseeing supervision; and (3) overseeing quality control over processes, products, and outcomes. SCs are multi-disciplinary and composed of officers from across the System based on the steering committee principles set forth in Appendix F. SC members are advisors to the program Co-Chairs and are expected to be engaged and add value by sharing their perspectives given their subject matter expertise to ensure that a diverse set of perspectives are factored into decision-making for LISCC firms. If program Co-Chairs determine a SC member is not fulfilling these expectations, they are empowered to counsel or remove the member. 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 or OC Chair. The DST program has no SC; however, collectively, the four DST Co-Chairs function in a similar role as the horizontal program Co-Chairs in leading the DST Program. Additionally, each SC has one or more DST Co-Chairs or DST Leads as members.

LISCC Roles and Responsibilities

LISCC Co-Chairs

The five portfolio programs are each led by a set of Co-Chairs and the DSTs are led by four Co-Chairs representing each Reserve Bank where a LISCC firm resides (Boston, New York, Richmond, and San Francisco). Co-Chair responsibilities include, but are not limited to:

- Overseeing program supervision across their program, including Examination and Horizontal events
- Developing a forward-looking multi-year strategic plan for their program
- Developing the annual supervisory plan body of work to be conducted by the horizontal team and DSTs for approval by the OC
- Reviewing and approving supervisory events proposed outside of the supervisory planning process
- Vetting supervisory messages based on Examination and Horizontal supervisory events when self-requested or escalated by the exam team

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- Reviewing escalated supervisory issue closure recommendations for approval as noted in the Accountability Matrix on p.21
- Vetting proposed annual assessment ratings and messages and providing a recommendation to the OC through the DST
- Ensuring divergent views related to examinations findings are heard and escalated to the OC when needed
- Collaborating closely with other programs on related issues and areas of assessment
- Overseeing Program Leadership Group members' and DST Leads' performance and providing feedback and development opportunities as needed

Program Leadership Group (PLG)

Each program has a PLG (consisting of individual PLG members, often referred to as a relevant PLG member) that is responsible for the day-to-day execution and administration of all supervisory work conducted by the respective program, and the management and operational duties stemming therefrom. Some programs may have a PLG Lead role sitting above the other PLG members. All horizontal teams conducting program work are overseen by the PLG for that respective program. The PLG normally works closely with the DSTs on examination outcomes for program sponsored work at each DST's respective supervised firm. Each program's PLG is responsible for ensuring the consistent application of assessment criteria across its program. If a program has a PLG Lead, all PLG members would report to the PLG Lead who then reports to the program Co-Chairs of that program. If a program does not have a PLG Lead role, then the PLG members would report directly to the Co-Chairs of the program.

PLG responsibilities include, but are not limited to:

- Providing input to the strategic direction and annual program supervisory plan
- Working with the DSTs and horizontal teams to develop proposals for the annual supervisory plan
- Ensuring collaboration within the PLG's membership for elements of the program that are assessed across multiple areas of a program
- Collaborating with DSTs and other LISCC programs to facilitate planned examination activities and address any issues arising from those activities, where applicable
- Ensuring messaging for assessments that occur across multiple areas of a program are aligned, where appropriate
- Clarifying relevant supervisory expectations for both internal and external purposes
- Vetting and providing final scope and other approvals, where appropriate, for supervisory messages
- Ensuring, if deemed necessary, that key messages to firms regarding supervisory issues are escalated to the SC or program Co-Chairs
- Providing periodic updates to the program Co-Chairs and/or SC regarding the status of the supervisory program and any issues that arise
- Providing regular program updates to all program participants
- Managing the day-to-day execution of the program as defined by the SC and supervisory plan
- Establishing a process to ensure performance feedback is provided to all staff working in the program
- Monitoring supervisory issue remediation, in collaboration with DSTs

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- Ensuring any major divergent views are documented, discussed, and elevated to the SC or program Co-Chairs, as needed
- Undertaking any responsibilities delegated by the Co-Chairs
- Ensuring all supervisory activities are consistent with established standards and executed in a timely manner

Program Operations Teams

Each program, including the DSTs, has an Operations Team that supports the respective program. The Operations Team is responsible for supporting the SC, its Co-Chairs, and the PLG (or the Co-Chairs and DST Leads/Deputies, as the case may be) in ensuring that the program is executed in an efficient and effective manner. The program Operations Team works to promote consistency, completeness, and establish effective process flow to ensure efficient day-to-day operations. Both Resolution and Recovery Plan (RRP) and the Liquidity program have a Program Manager role on the Operations Team that works closely with the program Operations Lead and is responsible for the day-to-day project management and logistical support of the program.

Operations Teams responsibilities include, but are not limited to:

- Developing and presenting key program information to program participants
- Suggesting updates to the LISCC Operating Manual for improved execution of overall Program supervisory activities
- Conducting selected assurance activities to ensure respective program quality assurance standards are met in compliance with LISCC standards and System guidance
- Ensuring effective communication within and outside of the program to other LISCC and internal network stakeholders and monitor progress on a number of simultaneous efforts across High Priority Initiatives (HPI) of the LISCC program which will impact the programs
- Supporting certain initiatives, such as efforts aimed at improving information flow and storage, or assisting with training and outreach to other parts of the LISCC Program
- Planning and day-to-day execution of the primary program-wide initiatives, such as supervisory planning, administration of vetting, and SC meeting planning, among other program responsibilities
- Ensuring all major program developments and decisions are clearly documented, preserved, and communicated to relevant stakeholders⁴
- Developing and providing orientation materials for new SC Members
- Collaborating closely with the OOC and staff in other programs with similar responsibilities
- Supporting Examiners-in-Charge (EICs) and program staff to ensure compliance with LISCC standards
- Maintaining SharePoint sites
- Coordinating meetings and logistics
- Working with PLG members to track progress on supervisory issue remediation across the program and briefing the PLG, Co-Chairs, and SC on status

⁴ For additional information on LISCC Program expectations and guidance for capturing exam and non-exam leadership meetings, see Appendix G.

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- Preparing correspondence, meeting agendas/summaries, presentations, and necessary project management documentation

Horizontal Team Leads

The horizontal team lead (HTL) is responsible for leading one of the many program specific horizontal teams. The HTL is expected to work with her/his/their PLG member, other parts of the program, and its many stakeholders to develop and execute the supervisory plan to assess the specific areas of program based supervisory coverage. Based on varying program structures, it is possible a program does not have any HTL roles under any of the PLG members.

Responsibilities include:

- Serving as the overall thought leader on the horizontal team for a particular coverage area
- Leading a group comprised of multiple deputies and staff, dispersed across the System, by managing multiple simultaneous projects, implementing team management strategies, and providing direction, timely feedback, and career development planning for team members
- Ensuring proposals conform to LISCC standards and System guidance and meet the requirements for assigning a rating
- Collaborating with each DST and other LISCC portfolio programs to ensure planned examination activities are reflected in supervisory plans for the year
- Ensuring that the supervisory work undertaken by their teams results in timely, credible, well-supported communications within the team's area of responsibility
- Supervising the development and execution of examination scope memorandums, assessment work programs, conclusion memorandums, and supervisory feedback letters
- Ensuring that any major divergent views among team members are documented, discussed, and elevated to the PLG, as needed
- Ensuring timely written performance feedback is provided to local Reserve Bank managers for inclusion in employees' performance evaluation

The G&C program has a unique type of HTL known as the Cross Team Lead (CTL) who works with multiple G&C horizontal teams and the DSTs to execute on supervisory work.

Deputy Horizontal Team Leads

Some programs may also identify a deputy horizontal team lead (DTL) role. The DTL, is often the direct manager of staff and examiners, and assists the HTL in the meeting of their objectives and responsibilities in the respective risk area. DTLs are responsible for executing on the strategic initiatives as directed by the HTL, and in collaboration with other DTLs. DTLs are also responsible for day-to-day oversight of team members and conducting performance evaluations with each team member's local manager.

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Horizontal Team Members

Each program has dedicated resources to conduct supervisory work within its own program (though always in coordination with the DSTs), but also relies on resources from other programs and the DSTs. Even if DST resources are not needed, the program should coordinate with the DST when conducting supervisory work, given the DST is the ultimate owner of the relationship with the supervised firm. Horizontal team members are assigned a designated area(s) of focus, be it a specific portfolio of firms, products, risks, or a combination. Assignments should be made in line with team members' individual skill sets and communicated with local managers, as appropriate.

Horizontal team member responsibilities include, but are not limited to:

- Actively participating in meetings, planning, and execution
- Working with their PLG member, DSTs, and team leaders in the development of supervisory plans, meeting the one-year and multi-year needs to support the relative rating/assessment area, considering MAP risk identification, and reconciling with other parts of the LISCC Program
- Overseeing and participating in the execution of exam processes with their areas in line with System expectations and internal LISCC Program standards, including examination products and communications
- Working with the PLG in developing and executing supervisory activities and processes that culminate in the respective rating recommendations for the LISCC firms

Firm Liquidity Risk Specialists

Liquidity Risk Specialists (LRS), while part of the Liquidity program, are assigned to cover each LISCC firm. Each LRS is primarily responsible for firm-specific monitoring, assessing her/his/their firm's outstanding issue remediation, serving as EIC, or participating on Liquidity exams at her/his/their firm, maintaining an updated view on the firm's Liquidity Rating, and serving as the primary individual to formulate the proposed Liquidity Rating during annual assessment cycle. LRS are overseen by the management structure established in their respective districts (i.e., their Legal Entity Reserve Bank Manager).

Dedicated Supervisory Team Lead

Each DST serves as the primary Federal Reserve supervisory contact for the firm and communicates supervisory messages to the firm, including supervisory ratings and annual assessments. The DST is involved in all aspects of the examination process due to the close relationship with the supervised firms. DST colleagues maintain deep knowledge of each firm's strategy, risk profile, governance, and risk management and control functions. Effective partnering between the core assessment programs, the core monitoring program, and DSTs at each point in the supervisory cycle is paramount to the success and effectiveness of the LISCC Program.

The DST Lead manages the DST by contributing to supervisory planning, executing supervision/examinations, monitoring firms' overall safety and soundness and risk tolerances, annual assessments, and managing/developing DST staff members. Each DST Lead reports to the DST Co-Chair in the Reserve Bank where each LISCC firm resides.

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Dedicated Supervisory Team Deputy Lead

There are typically two DST Deputies for each DST that work with the DST Lead to cover all activities across the DST, similarly, contributing to the supervisory activities described above, with a focus on developing DST members and managing their day-to-day activities.

Dedicated Supervisory Team Members

DST members maintain deep knowledge of each firm's strategy, risk profile, governance, and risk management and control functions, executing the examination, monitoring, and assessment activities described above. DST members work closely with the LISCC portfolio programs and are responsible for developing and bringing an integral integrated firm-specific perspective to all supervisory activities. The DST helps the programs bring supervisory findings into relative context and make connections when issues are identified across various supervisory activities and core assessment programs.

Examiner In Charge (EIC)

The EIC is the examiner that leads the overall examination. EIC responsibilities include, but are not limited to:

- Developing and executing on the approved examination scope
- Developing well supported supervisory assessments, building consensus among exam team members where appropriate
- Directing the work of other examiners/examination teams dispersed across the System
- Keeping stakeholders informed throughout the examination process
- Prepare written reports and other correspondence to communicate analytical findings and recommended follow-up
- Drafting Supervisory Letters
- Presenting examination results to internal stakeholders and supervised firms
- Confirming that all examination infrastructure tool entries have been completed (ExamSpace, CSPACE, BOND)

Co-EIC Model: At times, the program horizontal teams and the DST may collaborate to share EIC responsibilities for conducting and overseeing an examination. The main purpose of a Co-EIC led exam is the advantage of the combined horizontal and vertical (DST) perspectives during the event. Two individuals from the same program can also act as CO-EICs as a development opportunity for new EICs. Technically, any two examiners can engage in the Co-EIC model.

Unless stated otherwise, the EIC refers to the individual responsible for leading the overall Examination or Horizontal. The EIC may also designate an examination team member to assist in meeting/completing expectations described in this document. EICs will complete the EIC checklist/Exam Calculator throughout the examination cycle as evidence of their review and compliance with all examination processes. Examiners should ask their requisite program Operations team to refer them to the proper /Exam Calculator to use, as this may vary by program.

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Letter Oversight Group (LOG)

Each program LOG is responsible for review, and sign-off (but not the drafting) of Supervisory Letters issued in connection with all examinations of firms.

Each LOG typically has a Chair appointed by the respective portfolio program Co-Chairs and is comprised of portfolio program Operations staff and at least one PLG member from the related portfolio program, as well as at least one participant from the DST leadership (i.e., in this context and as used elsewhere, the DST Lead or DST Deputy) that is the subject of the Supervisory Letter.⁵

Membership may be expanded to include the EIC, additional PLG members, SC members, and/or DST representatives, as needed, as well as staff with responsibility for oversight of broader supervisory communications across the LISCC portfolio.⁶

Each LISCC portfolio program LOG must ensure:

- Supervisory conclusions within the Supervisory Letters are communicated accurately (e.g., in accordance with the outcome of the vetting) and in a clear and concise manner
- All Matters Requiring Attention (MRAs) and Matters Requiring Immediate Attention (MRIAs) are fully supported and actionable
- Supervisory letters are developed using the requisite template and are written with the expectations set forth in SR letter 13-13, "Supervisory Considerations for the Communication of Supervisory Findings"
- External communications are consistent with applicable rules and regulations
- Introductory and common language components of the letters, as well as thematic issues in the letters, are reviewed and adjusted as necessary
- A process is in place to receive and incorporate stakeholder feedback prior to final letter issuance and the rationale for changes made during the LOG process is documented and maintained within the system of record (it is expected that any substantive changes will be to conform the Supervisory Letter language to the final vetted outcomes)
- Key LOG documentation is saved in the appropriate ExamSpace location. While SharePoint may be used for LOG collaboration purposes, substantive/significant versions of LOG review of draft Supervisory Letters are to be included in ExamSpace as part of the workpapers.

Entry Letters, Acknowledgment Letters, and letters related to EAs are excluded from the LOG requirement. Enforcement actions follow their own Enforcement Actions Operating Manual. The EIC works with her/his/their manager to write the Entry Letter and the Acknowledgement Letter. In each case, DST leadership reviews letters prior to delivery even if the EIC was a program EIC. This is because the DST is responsible for signing and sending the letters to the supervised firm.

⁵ LOG members are to not have any conflict of interest.

⁶ Broader participation through an expanded LOG should consider the value being provided and whether limited participation may result in efficiencies to meeting the close + 60-day requirement for letter transmittal.

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LISCC Program Member Responsibilities

All LISCC Program members are to comply with all System and internal LISCC Program guidance when conducting their work as further described or referenced in this Manual and the OOC Operating Manual, including guidance pertaining to providing adequate support for supervisory decisions, maintaining effective quality standards as described in AD 19-5, *Framework for Assessing Oversight of the LISCC Supervisory Program*, records management, information security, and conflicts of interest.

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III. Supervisory Program Cycle and Execution

On an annual cycle, the LISCC Program engages in supervisory prioritization and planning, executes planned supervisory events to support evaluations of each firm's practices and capabilities, and synthesizes that information into an annual assessment and rating of each firm.⁷

This section of the Manual describes responsibilities and record-keeping requirements for the various aspects of the supervisory cycle, including execution of approved program supervisory events.

LISCC Program Annual Supervisory Planning⁸

The LISCC Program's supervisory work for a given year is determined through the annual supervisory planning process, which is led by the LISCC OC. The LISCC Program Co-Chairs, with SC input, present all proposed events for the coming annual supervisory cycle to the OC for approval. This allows the OC to consider the entire proposed body of work by program and by firm to ensure that, in totality, supervisory work for a given year is aligned with OC priorities and supervisory requirements. After the OC communicates the approved supervisory plan for the next supervisory cycle, the portfolio programs and DSTs conduct both mandatory and discretionary activities. The mandated events as prescribed either through regulatory rule, guidance, or by the individual portfolio programs and DSTs are listed in Appendix D. In determining what discretionary work to conduct in a given year, the portfolio programs and DSTs are guided by the following principles:



- The topic has been highlighted by one of the portfolio programs or the DSTs as an area of heightened concern
- The topic has been highlighted as a result of enforcement actions, a particular risk event at the firm or a peer firm, or problems identified by other primary federal regulators
- There is an opportunity to assess a topic that has not been assessed recently

The final supervisory plan can be adjusted during the year, if necessary, to account for shifting priorities, resources, and emerging risks. Supervisory plan changes are those that add or delete an event, change resource needs, change in examination type or change event timing to another supervisory period after the plan has been approved. Modifications to the plan require approval by the Co-Chairs of the respective program and DST Co-Chairs. When a team becomes aware of a proposed change to the supervisory plan, it will send an e-mail to the respective program Operations Team and DST leadership. The e-mail will include a description of the impact of the change, including any resource impact. If approved, the program Operations Team will provide guidance to the LISCC Exam Support Team (LEST) on how to reflect updates in C-SCAPE. All modifications to the plan must be documented, and based on

⁷ These activities are conducted pursuant the Board's authority to examine holding companies. See 12 U.S.C. § 1844(c)(2); 1467a(b)(4).

⁸ For an overview of Supervisory Planning, please see the LISCC Program Manual.

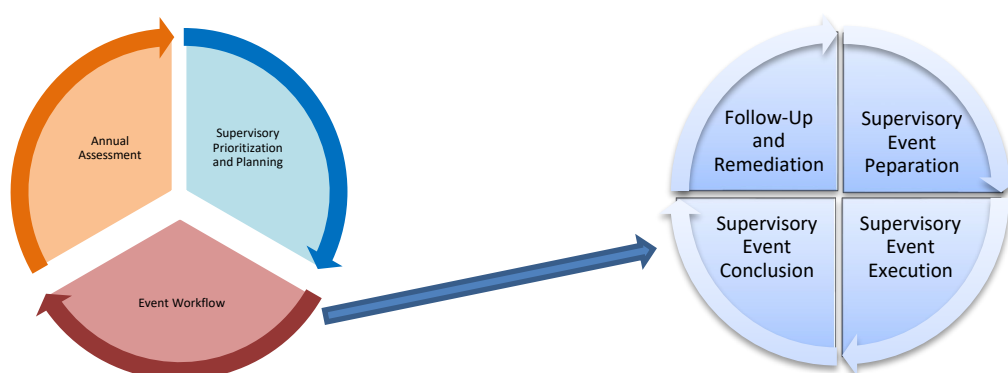
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timing and significance of change, may be presented to the OC during the second half of the year supervisory refresh process.

After the execution of the supervisory work throughout the year, the annual supervisory cycle culminates in the assignment of annual supervisory ratings for each firm.

For all aspects of supervisory planning, the LISCC programs follow the uniform supervisory planning process and guidance issued by the OOC, which can be found in the Supervisory Planning Process document.

Supervisory Event Workflow



After the OC communicates the approved supervisory events for the next supervisory cycle, LISCC Program members can shift focus to event execution. Both Examinations and Horizontals consist of four phases:

- Examination preparation
- Examination execution
- Examination conclusion
- Follow-up and remediation

Deliverables and expectations are generally consistent for Examinations and Horizontals. However, the activities may be governed differently. Unless stated otherwise, expectations in this section apply to all LISCC supervisory events. All LISCC program events require collaboration between horizontal team members and the DST. Supervisory documents should receive input and agreement from both parties prior to final approval.

LISCC Program-wide standards have been established for production of examination and monitoring documentation, related approvals, and posting requirements. All members of the LISCC Program are responsible for understanding and following these important requirements, which can be found at the following links:

Additional information on the Universe of Program Exam Activities and Deliverables for both Examinations and Horizontals can be found in Table C-1 located in the Appendix C, and elsewhere in this Manual.

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Supervisory Events

Six supervisory event types are described in this section that align with the forthcoming OASiS event taxonomy. They are: (1) Examination; (2) Horizontal; (3) Monitoring; (4) Risk Assessment; (5) Rating Assessment (refer to the Annual Assessment section of this manual); and (6) Topical Study/Research Project. Of special note, the “Examination” event type will be used in place of the term “firm-specific examination” to align with OASiS taxonomy. Where “examination” is used rather than “Examination”, the lower case is intended to be broadly applicable to both single firm and multiple firm events.

Examination

A supervisory Examination is a regulatory event or activity during which aspects of one specific firm’s operations and/or products are reviewed for safety and soundness or consumer protection. Each event has a specified start and completion date and may be used to understand and assess firm-wide risk management, control functions, business lines, strategies, and/or products. An Examination may be used to follow up on remediation and the eventual closure of open issues, including provisions of EAs. Outcomes of an Examination could drive a change in a rating and are often used to meet mandates.

As noted above, Examinations are single firm events with a focus on a discrete area and may be conducted jointly with another regulatory agency. They are generally conducted when (1) supervisory expectations and industry range are well understood; (2) inquiries require in-depth knowledge of the firm’s structure or management; or (3) the issue is time sensitive, making a horizontal impractical.

The EIC is responsible for executing the event and may be from the DST or from a horizontal team, depending on what is agreed upon. The Co-EIC construct described earlier may also be used for an Examination if the DST and relevant program agree the Examination would benefit from using the Co-EIC model.

At times, an Examination may need to be expedited. An example is when a concern is noted during monitoring and an expedited assessment is needed to inform an upcoming annual assessment. The event may be proposed at any point in the supervisory cycle, but will require approval by the Co-Chairs if outside of the supervisory planning process, and this approval could include modifications to the process steps. For example, the Co-Chairs may approve the use of reduced administrative requirements. Some key points that distinguish an expedited Examination from a typical Examination include the following:

- The Scope Memo will be narrower and more focused, with fewer objectives
- The Entry Letter may be simplified in the form of an email rather than a formal correspondence
- Transaction testing can be limited or eliminated
- Staffing will likely be limited to 3-5 examiners

When the scope of an Examination is limited to verifying remediation of open supervisory issues (MRIAs and MRAs) or specific areas of an EA, the required documentation, amount of time, and number of examiners can be even more limited than what is described above for an expedited exam. For example, a key aspect of a remediation verification Examination is that no pre-planning documentation is required (i.e., Scope Memo or Entry Letter). This type of Examination is commonly referred to as a Remediation Verification Event (RVE). See Phase 4 Follow-Up and Remediation section below for additional details.

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Horizontal

A Horizontal is a supervisory event or activity sponsored by one of the LISCC portfolio programs during which aspects of multiple LISCC firms' operations and/or products are reviewed for safety and soundness or consumer protection (and as described below, a Horizontal may also be expanded to include the largest firms in the LFBO portfolio). A Horizontal event consists of an umbrella event with multiple firms included in the scope of review and is used to understand and assess risk management, control functions, business lines, strategies, and/or products across multiple firms. Results may be used to describe range of practice in order to calibrate assessments and/or key messaging. If a Horizontal has a specified start and completion date or "fixed" timeframe, the scope of work is completed at the same time for all firms included. If a Horizontal has a "variable" timeframe, the scope of work for all firms included is completed at some point within a specified date range. On rare occasions, a Horizontal may be used to verify remediation across several firms, leading to the potential closure of open issues, including provisions of EAs. Outcomes of a Horizontal could drive a change in a rating.

Horizontals can be conducted through common team or common scope exams. In a common team approach, the same team of examiners conducts the exam at all of the firms subject to the Horizontal using the same scope. A common scope approach has a different team of examiners participating on the exam at each firm using the same scope objectives. Regardless of the team makeup, the goal is to execute the approved Horizontal scope at the firms included in the Horizontal. Common team Horizontals may be pursued for exams seeking to establish a range of practice such as when activities are new or supervisory knowledge gaps are large when it is deemed more efficient to have the examination work conducted by the same team. While using a common scope across all firms, the scope can be tailored for the Examination at each firm to meet idiosyncratic differences or firm-specific risks. The tailored common scope should be used where a one-size-fits-all approach in scope objectives does not make sense based on outstanding supervisory findings or past supervisory work.

Regardless of common scope or common team approach, a best practice is to include staff from both the program horizontal team and the DST. The DST brings the unique firm/vertical perspective that is integral to incorporate in a tailored common Horizontal scope. A Horizontal may be joint across multiple agencies, including the FDIC and OCC. All Horizontals are required to have an EIC for each firm who is responsible for leading the overall execution of the exam throughout all phases.

Large Financial Institution (LFI) Events: 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. LISCC and LFBO portfolios coordinate supervisory planning exercises to identify cross-portfolio Horizontals and monitoring events ("LFI" designated supervisory activities). These events and any resulting supervisory findings are considered in each program's supervisory assessment and ratings processes. Supervisory activities can include recurring Horizontals 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).

The expectations outlined in the LFI Supervision Operating Manual are applicable for all LFI events and activities designated in consultation with the Board LISCC Senior Associate Director

A LFI Supervision Operating Manual has been developed that is intended to describe the governance and roles and responsibilities of the LISCC and LFBO participants as well as the manner in which LFI supervisory events are executed.

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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 expectations.

Monitoring

Monitoring is a non-examination activity used to develop and maintain an understanding of a regulated entity’s risk profile, policies, and practices. Activities can include meeting with management, analyzing data in Management Information System (MIS) reports, reviewing internal and external audit findings, and using work performed by other regulatory agencies. Monitoring is a useful supervisory tool that allows supervisory staff to remain nimble and to provide broader coverage of a firm’s activities. It also helps supervisory staff remain apprised of recent developments such as strategy changes, new product initiatives, internal audit results, and instances of a firm exceeding its risk appetite. Monitoring may be used to follow up on remediation and the eventual closure of open issues, including provisions of EAs. Outcomes of monitoring are considered as part of rating assessments and could drive a change in a rating. However, for clarity, the LISCC Program does not use monitoring for this purpose – only Examinations and Horizontals are used as part of rating assessments. The results of monitoring may be used to inform scoping for another activity, such as an Examination or Horizontal. Over a supervisory cycle, supervisory staff are expected to allocate a portion of their time to monitoring, which may be concurrent with other supervisory work. The MAP Operating Manual can be found **[Redacted: hyperlink]**.

Risk Assessment

A Risk Assessment is an activity during which aspects of a particular type of risk are reviewed in a structured manner to develop a full understanding of a firm’s emerging, changing, or misunderstood risks. Risk Assessments have a start and completion date and are often conducted concurrent with other activity. As such, team members may allocate a portion of their time to the event. The objective of a Risk Assessment is to gather and analyze information needed to develop and maintain a current understanding of the organization, its risk profile, and inform or adjust supervisory plans. A Risk Assessment may also be used to plan or scope another event or activity. Currently, LISCC does not conduct a discrete Risk Assessments as its own supervisory event but, rather, incorporates such work into its regular Examinations and Horizontals.

Topical Study

A Topical Study is an activity during which a team investigates a specific practice, or topic related to or impacting multiple firms. The scope of a Topical Study is focused on gathering information from various portfolios or a firm(s) to develop policy, establish baselines, describe range of practice, and/or inform supervisory plans, ratings, and/or assessments. Outcomes of a Topical Study may be distributed widely internally, or with other agencies, but are not to be shared with firm management unless approved by the OC Chair.

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One example of a Topical Study is a series of meetings at a particular firm that can be used to learn more about, for example, a particular area or business strategy, particularly where there is a knowledge gap or changes underway. The knowledge gained from a Topical Study may satisfy the knowledge gap or, alternatively, provide the DST and/or portfolio program with information to propose an Examination. Topical Studies will be sponsored and approved through the DST and/or portfolio program Co-Chairs, as applicable. Outcomes of Topical Studies do not lead to supervisory messages. In rare instances, there may be information learned that requires immediate communication. In those instances, DSTs or portfolio programs must reach out to the OOC (via the OperatingCommitteeCOO mailbox) for further discussion of next steps. Outcomes of Topical Studies 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.

While not considered an Examination, Topical Studies will follow similar but tailored documentation and approval guidance. It is expected that any requests for supervisory information from the firm, including responses provided by the firm formally in writing, not be considered overly burdensome for the firm to provide in a timely manner.

A request for information that uses identical questions posed to two or more firm respondents within a 12-month period that is not subject to the Paperwork Reduction Act and the Board's information clearance process⁹ is considered an Informal Data Request as per AD 18-11 / CA Admin 18-10, *Policy Regarding Informal Requests for Supervisory D (Revised August 10, 2022)* if it does not meet any of the stated exclusions, specifically requests for firm management information systems data (data or work products created by a financial institution for its own business purposes independent of supervision by the Federal Reserve). Informal data requests are subject to the requirements stated in AD 18-11 including approval during Supervisory Planning by the LISCC OC Chair and registration on the online S&R Registry of Informal Data Requests. If there are questions whether an information request as part of a Topical Study is subject to the requirements of AD 18-11, please consult with the OOC.

Key Supervisory Event Documents

For a list of Key Document Timing Requirements, see table p.20. Records management and information security are discussed in later sections.

Scope Memo

Scope memos detail the body of work necessary to complete the examination and must be approved by the respective PLG well before the exam commencement date.¹⁰ Using the Scope Memo Template, a scope memo is required for all examinations except for RVEs, as described on p.14. Scope memos are vetted and should include, at a minimum:

⁹ Additional information on the Board's information collection clearance process is available at S&R Data Central.

¹⁰ The exam commencement date 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).

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- Rationale and objectives of the examination and lists the included firms, examiner assignments, specific deliverables, and associated deadlines
- Specific area(s) to be examined and gives an overview of the activities and risks to be evaluated
- Related open supervisory issue(s), including the extent to which overlap is expected between the scope and the open supervisory issue(s)
- Internal Audit-related reports and issues outstanding
- Examination procedures to be performed, including any sampling process (judgmental/statistical) to be used and the level of transaction testing. The Scope Memo also specifies a set of questions that are to be answered (given that the work program is optional) with specific examiner assignments to those questions
- Examination logistics including review period, location, and contact information

Scope Addendum (Addenda): If there is a significant change in scope, such as the addition or elimination of a scope objective, the EIC will notify and work with the relevant PLG member (and, at the discretion of the relevant PLG member, the full PLG) for approval of the proposed change. Changes to scope and the supporting rationale for the change are to be documented in an Addendum to Scope Memo. If approved by the relevant PLG member, this information will be communicated to the examination team and documented in LFI ExamSpace by the EIC. The final Scope Memo, and any Addendum, is posted to BOND.

Work Program (Optional)

The EIC may create a work program to guide examiners and document the review. There is no specific work program template and the EIC may choose the format or platform that works best for the specific examination. If used, work programs must be consistent with the Scope Memo objectives and shared with relevant DSTs/PLGs prior to the examination kick-off. Work programs include more detailed procedures to follow during the event, such as:

- Granular action items and/or questions to answer and assignment of questions to examiners
- Deliverables for the examination team to create
- Approaches to analyze materials received from firms

Entry Letter

The Entry Letter notifies the firm(s) of the nature of the examination, including its goals and scope, start and end dates, meeting logistics, documentation and meeting requests, instructions on how to submit the documents, and the name of the EIC and examination team members. Additionally, the letter requests information examiners will need to accomplish the examination's scope objectives and the date it should be provided to the EIC. At the beginning of the examination, the EIC coordinates with the firm to ensure that examination team members have access to the facilities and databases, if needed, and to work with the firm to arrange for meetings according to the expectations included in the Entry Letter. The executed PDF of this document is to be posted to BOND. The Entry Letter Template is used to create the letter.

Meeting Minutes

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During the examination, the examination team meets periodically both internally with the exam team and externally with the firm(s). External meetings with the firm are to document the attendees, the purpose of the meeting, a discussion summary, any key take-aways, and next steps. The Meeting Minutes Template is used to document these discussions.

Examiner Conclusion Memo

The examiner Conclusion Memo documents their individual work and conclusions for each assigned scope objective, including an overall objective assessment (see assessment language p.28). If there is a work program, it is a key source of information for examiners to use in completing the examiner Conclusion Memo. The EIC relies on these memos when writing the EIC Conclusion Memo, which is essentially an aggregation of all examiner Conclusion Memos. The Examiner Conclusion Memo Template is used to document each examiner's conclusions.

EIC Conclusion Memo

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 and synthesis of the individual examiner Conclusion Memos and summarizes the overall conclusions of the examination, including proposed Examination and Horizontal findings, and an overall exam assessment. When preparing the memo, the EIC performs a comprehensive review of the individual examiner memos to ensure that the scope was followed, all potential findings were appropriately identified and are fully supported, and there are no open items, unanswered questions, or missing conclusions. The EIC Conclusion Memo is used for the vetting.

Disposition of Findings/Vetting Outcome Template (DOF/VOT)

The combined DOF/VOT 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 through the ultimate vetting. It also tracks the disposition of any divergent views. It is completed in two (or more) phases. The draft DOF portion of the combined DOF/VOT is due prior to the vetting, and any subsequent changes or updates to proposed findings will be documented in the vetting outcome portion of the combined DOF/VOT following the vetting. Use the DOF/VOT Template for all of these elements

Supervisory Letter

To close an examination, supervisory assessments and/or findings are sent to the firm(s) in a Supervisory Letter. The Supervisory Letter is intended to communicate the results of the examination, including an overall assessment (see assessment language p.28), conclusions, concerns, and recommendations, to the board of directors and senior management. The letter completion is a collective effort of exam team staff, DST members, and program leadership. The Supervisory Letter will follow the LISCC Supervisory Letter Template. The executed PDF of this document is to be posted to BOND.

Examination Process Key Document Timing Requirements

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Document	Due Date
Scope Memo	Vetted at least 50 days before commencement date (beginning of the onsite/virtual core assessment phase)
Entry Letter	Firm must be provided at least 30 days to respond before commencement date
Meeting Minutes	External Meetings - Due no later than the close date (end of the onsite/virtual core assessment phase) Internal Meetings - Due no later than the ExamSpace workpaper approval date Best practice for each is within one week after meeting.
Work Program (if necessary)	First draft due no later than 7 days after the close date; must be final before vetting
Examiner Conclusion Memo	First draft due no later than 7 days after the close date; must be final before vetting
EIC Conclusion Memo	First draft due no later than 21 days after close date; must be final before vetting
DOF/VOT	DOF portion - Due at least 2 days before vetting; VOT portion - Due no later than 5 days after vetting
Supervisory Letter	Mailed no later than 60 days after close date
<ul style="list-style-type: none"> Any items that need to be aligned with System guidance or internal LISCC Program expectations must be communicated and/or addressed by the document due date. Individual key deliverable/document approvals using the document-level approval functionality within ExamSpace are not required for the items above as per this LISCC Program internal guidance. During the transition phase prior to OASIS implementation, all key documents should indicate the name of the approver within the document template, evidencing that individual's review and approval. 	

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Accountability Matrix

The Accountability Matrix below describes an individual at the program management level specified in the chart below that is accountable for review and approval of each respective deliverable or supervisory determination from a program governance standpoint. It refers to individuals rather than governance bodies to promote clearer accountability for the production and delivery of high-quality supervisory work products across the LISCC Program (i.e., “PLG” refers to a single PLG member rather than the group, while “OC” refers to the OC Chair rather than the committee). This matrix reflects the program perspective, which would include DST led exams as all exams must be sponsored by one or more programs. The DST will work with the program as applicable and should be part of each step given the DST has the ultimate ownership of the relationship with the supervised firm and is an integral part of the exam process.

The column with the “A” indicates the lowest level of management where an individual can have accountability for each respective deliverable or supervisory determination. A more senior management level individual would also have the authority to approve each respective deliverable or supervisory determination. Please also note that all aspects of the Accountability Matrix may not be applicable to the more limited set of elements required for an expedited exam (e.g., if a scope memo is not required).

Accountability Matrix	OC Chair	Co-Chairs**	Relevant PLG Member	HTL	DTL	DST [^]
Phase: Exam Preparation						
Examiner workprograms (template)				A		✓
Scope Memo* (Examinations)			A			✓
Scope Memo (Horizontal)			A			✓
Scope Memo modifications			A			✓
Entry letter					A	✓
Phase: Exam Conclusion						
EIC Conclusion Memo***					A	✓
Disposition of Findings/Vetting Outcome Template				A		✓
Overall Workpaper Signoff					A	✓
Supervisory Letter (Examinations)			A			✓
Supervisory Letter (Horizontal)			A			✓
Phase: Exam Issues Management & Management Response						
Acknowledgement Letter					A	✓
MRA closure			A			✓
MRIA closure			A			✓
MRIA or MRA related to EA		A				✓
Provision closure		A				✓
Consent Order / EA Closure	A					✓
CO/EA extensions and interim communications			A			✓
Other Supervisory Items						
Event changes outside of the normal supervisory plan cycle		A				✓
Annual Assessment Letter	A					✓
Annual Ratings	A					✓
Supervisory Plan	A					✓

[^] DSTs are involved in all Exam Phases. DST Lead or Deputy Lead has accountability for each step for any exam involving the DST.

* For MBL Exams only, scope memos are Co-Chair responsibility

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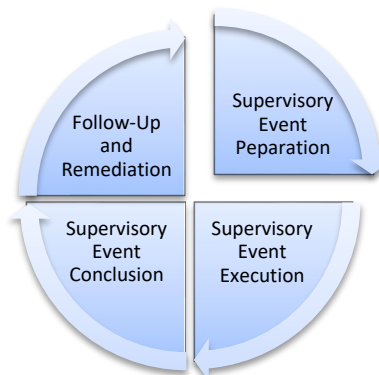
*** The program SCs are not included as they are advisory bodies that are used to provide input to the Co-Chairs who ultimately have decision authority.*

****EICs review and approve Examiner Conclusion Memos.*

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Phase I – Supervisory Event Preparation

Expectations for the preparation for exams are largely similar for Examinations and Horizontals, with some exceptions as described earlier in the Supervisory Events section. The pre-examination period generally begins eight to twelve weeks before the exam commencement date. The EIC is responsible for drafting the Scope Memo, leveraging the Examination or Horizontal Scope Memo Template, in collaboration with examination team members and/or their management. The Scope Memo must be vetted by the PLG, or may be escalated, if appropriate, depending on the complexity or coverage. The program Co-Chairs reserve the right to request an SC vetting for any examination scope.



The EIC may choose to create a work program that is consistent with the Scope Memo objectives to guide the exam work. Once the Scope Memo is approved, the EIC, collaborating with exam team members, prepares the Entry Letter to the firm. In the final week before the examination commencement date, the examination team is expected to review firm-provided documentation received in response to the Entry Letter (see p.23).

For additional information, refer to Table C-3 in Appendix C, which provides an overview of the deliverables and timelines associated with Phase 1 of an examination. The requisite program Operations team can refer examiners to the proper EIC checklist/Exam Calculator to use as this will vary by program.

It is paramount that all deadlines associated with an examination are clearly communicated by the EIC to the entire examination team. If a situation arises that impedes, or may impede, the ability to meet the required deadlines, the EIC will inform her/his/their manager and respective program Operations Team of the circumstances and the corresponding need to extend the examination.

Scope Memo

Responsible Parties: The EIC is responsible for drafting the initial scope document regardless of examination type.

Documentation Requirements: The Scope Memo documentation requirements are the same for Examinations and Horizontals, and are summarized below:

- Once prepared, the draft Scope Memo will be posted to LFI ExamSpace to facilitate the review and approval process. The draft and final Scope Memos are stored in the examination library in LFI ExamSpace
- The final Scope Memo is converted to a .pdf file and uploaded to the BOND Document Profile for the examination for each firm
- While the EIC is responsible for verifying that the final Scope Memo is uploaded to BOND, the EIC may rely on Reserve Bank Exam Support to post the final Scope Memo to BOND and associate it with the appropriate event C-SCAPE ID for their respective firm(s)

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- 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 section of the combined DOF/VOT for all Examinations and Horizontals and stored in LFI ExamSpace

Vetting Requirement: The EIC works with the relevant PLG member to ensure the Scope Memo is vetted by the PLG at least 50 calendar days¹¹ prior to the examination commencement date. The EIC incorporates feedback from the vetting into the final Scope Memo.

Horizontals follow the same process. If the EIC is from the program rather than the DST, the EIC should reach out to each DST prior to the scope vetting to ensure that the firm has no examination date conflicts and that the scope does not require refinement. If conflicts or requests for tailoring emerge, the EIC remediates to the best of the EIC's ability and, if unable, escalates the situation to the relevant PLG member overseeing the Horizontal.

During the scope vetting, in reaching consensus on the scope of work, the PLG, with input from the DST Lead/Deputy, will make the decisions. Any dissenting viewpoints brought forth in the vetting are documented in the vetting outcome portion of the combined Disposition of Findings/Vetting Outcome Memo. If divergent views are raised, the disagreement will be escalated to the PLG Lead or Co-Chairs.¹²

Work Program Requirements (Optional)

The EIC may create a work program to guide examiners in completing and documenting the review. If a work program is utilized, it must be posted in ExamSpace. There is no vetting required.

Entry Letter

Responsible Parties: After the Scope Memo is approved, the EIC will draft the Entry Letter using the LISCC Entry Letter Template. The EIC is expected to collaborate with the examination team, DST, and the program horizontal team as appropriate. The EIC is responsible for ensuring adequate time for review and approval prior to the due date to the firm.

Documentation Requirements: The Entry Letter documentation requirements are the same for all examinations and reviews and are summarized below:

- The draft Entry Letter will be posted to LFI ExamSpace to facilitate the review process
- The associated DST will send the final Entry Letter to the firm(s) via secure Outlook email at least 37 calendar days before the examination commencement date.
- Final version, prior to signature, is stored in the LFI ExamSpace
- Working with its LEST, the DST will ensure the final signed Entry Letter is posted to BOND and linked to the appropriate C-SCAPE event at least 30 days prior to examination commencement date

¹¹ Examination timing references are expressed in calendar days throughout this document, unless stated otherwise.

¹² In absence of PLG Lead, a co-chair will approve.

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- The EIC is responsible for ensuring all appropriate documentation is posted to the appropriate database. For more details regarding BOND requirements, refer to the BOND Posting Minimum Requirements *[Redacted: Hyperlink BOND requirements]*

Vetting Requirement: None

Internal Kick-off Meeting and Documentation

Before the examination commencement date, it is recommended (i.e., best practice) that the EIC holds an internal kick-off meeting with her/his/their examination team. This is generally a level-setting meeting or conference call in which all staff participating on the exam are expected to attend. This meeting's purpose is to:

- Discuss the Scope Memo including exam objectives, roles, and responsibilities (e.g., who attends which meetings, who takes notes, and work product expectations including templates and timelines), and logistics including physical access and technology access
- Highlight Entry Letter materials received, emphasizing the expectation that examiners review assigned materials in advance and be prepared for meetings
 - Determine initial questions regarding materials or logistics, if any. Should there be questions for the firm, the EIC will review them with the DST to ensure the examination team is not asking for information the DST already has access to or is otherwise inappropriate
- Invitees:
 - All examination team participants
 - A DST member
 - Relevant DTL (or an equivalent program representative if a program does not have the DTL role)

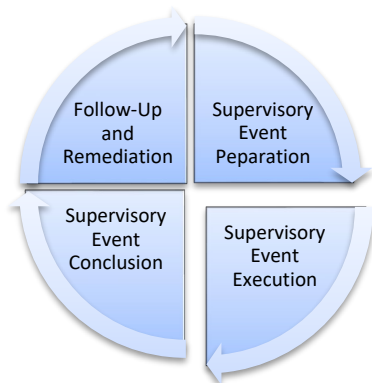
Responsible Parties: Although meeting notes are not required, it is a best practice for the EIC to prepare a slide deck or summary of the information communicated so that all examination participants receive the same information.

Documentation Requirements: Meeting notes, if completed, are stored in the respective LFI Exam Space.

Vetting Requirement: None

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Phase II – Supervisory Event Execution



This section covers LISCC Program expectations regarding communication, information sharing, meetings, and internal deliverables, in order to ensure consistent, high-quality exam execution.

It is paramount that all deadlines associated with an exam are clearly communicated by the EIC to the entire examination team. After preparatory work is completed, the kick-off meeting with the firm(s) typically marks the official examination commencement date. Examiners are expected to follow the standards outlined in this section in executing the onsite portion of the examination.

For additional information, refer to Table C-4 in the Appendix C which gives a high-level overview of the associated activities and deliverables required during the exam execution phase.

Internal deliverables during the examination execution phase include work program (optional), meeting minutes, examiner Conclusion Memos, EIC Conclusion Memo, and the combined DOF/VOT (which will be discussed in the Examination Conclusion section).

Examination Communication and Information Sharing

Communication is critical to the success of an examination. All key internal and external communications that are conducted throughout the examination process need to be documented to ensure consistent and transparent dialogue between stakeholders in the examination and wider LISCC Program.

Internal Communication: Examination teams are expected to regularly communicate internally across team members and constituents. For records management purposes, it is imperative that email and team chat correspondences that contain supervisory matters/decisions are retained in .pdf format and stored in LFI ExamSpace. The EIC discusses expectations with, and gives regular progress updates to, the examination team, with examination team members responsible for sharing supervisory finding updates and administrative questions or concerns with the EIC. In addition, the EIC is responsible for keeping relevant stakeholders updated throughout the exam, including at a minimum the DST, PLG, and HTL at the midpoint of the exam and at the end of fieldwork. More frequent updates are expected if material supervisory concerns develop. For records management purposes, it is imperative that email and team chat

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correspondences that contain supervisory matters and/or decisions are retained in .pdf format and stored in LFI ExamSpace.

External Communication: Examination teams are expected to communicate externally with firms and, in certain circumstances, other regulators throughout the examination.¹³ For records management purposes, it is imperative that mail correspondences that contain supervisory matters/decisions are retained in .pdf format and stored in LFI ExamSpace. Communications between the examination 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.

Examination Meetings

The EIC holds meetings throughout the examination internally with the examination team and externally with the firm(s). The standards below describe meeting types and govern meeting protocol. Leading practice for meeting minutes is completion and posting within one week after the meeting.

Internal Meetings: During an examination, the EIC holds regular (e.g., weekly) exam team meetings (may be referred to as examiner roundtables). These meetings allow examiners to share information, ask questions, and discuss emerging supervisory concerns. The EIC or designee captures notes in the Meeting Minutes Template. The EIC or designee posts the completed Meeting Minutes Template to LFI ExamSpace in a timely manner, and no later than the close date of the examination.

External Meetings: During the examination, the examination team meets periodically with the firm(s). A kick-off meeting at the beginning and a soft close¹⁴ at the end of the onsite/virtual core assessment period are to be scheduled. In rare circumstances, these meetings may be eliminated at the request of the firm. Other meetings with the firm(s) are held at the EIC's discretion. The Entry Letter lists the initially proposed meetings and agenda topics. If the examination team determines additional meetings are necessary, such as status updates, the EIC is responsible for working with the DST to schedule them. The EIC is responsible for ensuring that a designated note taker uses the Meeting Minutes Template to document the meeting. All documentation related to meetings with firms, including minutes, agendas, and shared materials, is stored on the LFI ExamSpace.

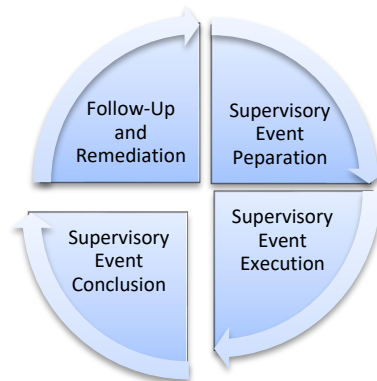
¹³ For videoconference calls, please review Board Supervision and Regulation's guidance on the use of virtual meeting tools such as Zoom [**Redacted: hyperlink to description of Zoom app**] and WebEx [**Redacted: hyperlink to description of WebEx app**].

¹⁴ EIC is required to conduct a soft close out meeting with the firm at the end of the onsite/virtual core assessment period to communicate that the onsite/virtual core assessment work has concluded and to seek clarifying information to support preliminary conclusions and supervisory findings, and to identify any potential areas of concern.

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Phase III – Supervisory Event Conclusion

The examination conclusion phase begins after the last day onsite. Examiners finalize their examiner Conclusion Memos, allowing the EIC to put together her/his/their EIC Conclusion Memo and begin the combined DOF/VOT. These documents assist the EIC in preparing for the vetting and serve as point-in-time evidence of examiner and EIC's evaluations and assessments.



Once vettings are completed, divergent views are recorded, and the evolution and outcome of findings are documented and captured in the combined DOF/ VOT, the EIC will work with the PLG member and DST to complete the Supervisory Letter. After LOG review and approval, the DST will send the Supervisory Letter 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 in ExamSpace. After the Supervisory Letter is sent to the firm, it is posted to BOND and supervisory findings entered into C-SCAPE.

For additional information, refer to Table C-5 in the Appendix C which provides an overview of the deliverables and timelines associated with the Examination Conclusion Phase of an exam. The requisite program Operations team can refer examiners to the proper EIC checklist/Exam Calculator to use as this will vary by program.

Development of Supervisory Findings

The EIC and examiners communicate with each other throughout the examination so the EIC can understand and appropriately consider examiner viewpoints. Examiners also write an examiner Conclusion Memo at the end of the onsite period documenting the overall conclusions for their specific scope objective or firm, using a work program as appropriate. 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 combined DOF/VOT, vettings, and Supervisory Letter development.

EIC and examiners are to ensure that each scope objective and the overall exam are evaluated using the conclusion language below:

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- **Satisfactory:** Issues are minor and correctable in the normal course of business without undue management effort (an assessment of “Satisfactory” does not require there be no identified issues).
- **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.

Additionally, the EIC completes the vetting outcome portion of the combined DOF/VOT during the post-exam phase. The combined DOF/VOT tracks supervisory issues identified during the examination and those that arise from, are eliminated, or changed as a result of the vetting process. Additionally, the combined DOF/VOT captures any divergent views raised during the vetting and, ultimately, the resolution of those divergent views.

Examiner Conclusion Memo

Responsible Parties: Each examiner is responsible for completing an examiner Conclusion Memo that covers the assigned scope objectives. If more than one examiner is assigned to a scope objective, the examiners are to work together and communicate frequently to conclude on the overall objective as well as each component. In circumstances with a shared objective, the EIC will specify in the Scope Memo one of the following two options:

- One examiner Conclusion Memo per scope objective – when examiners are sharing a scope objective, they will complete their own sub-objective and insert it into a combined examiner Conclusion Memo. The objective lead will be responsible for the summary section of the memo, but each examiner will clearly indicate which section of the memo each one completed, which allows for accountability and divergent views
- One examiner Conclusion Memo per examiner – examiners with a shared objective will prepare separate examiner Conclusion Memos for each assigned sub-objective. The objective lead will provide a summary of the objective conclusions in her/his/their own examiner Conclusion Memo

Documentation Requirements: The examiner is responsible for finalizing and posting the examiner Conclusion Memo within 7 days after the exam close date. The examiner Conclusion Memo should contain an assessment of each assigned scope objective using the above conclusion language. The examiner posts the memo to LFI ExamSpace to facilitate the review and approval process.

The EIC is responsible for reviewing each examiner Conclusion Memo and providing feedback through written comments inserted into the memo. Under no circumstances will anyone edit the examiner Conclusion Memo except for the author. If appropriate, the EIC may add comments in the margin to the examiner Conclusion Memo. Grammar edits are acceptable, but the primary concern is the EIC does not change the examiner’s assessment or views on a scope

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objective or overall conclusions. When the final examiner Conclusion Memo is reviewed, if the EIC has a difference of opinion, it will be captured in the EIC Conclusion Memo and DOF memo.

Vetting Requirement: Examiner conclusion memos are not individually vetted. Individual examiner conclusions/findings are incorporated in the overall exam vetting.

Disposition of Findings/Vetting Outcome Template (DOF/VOT)

Responsible Parties: The EIC completes the DOF portion of the combined DOF/VOT, copying findings/assessments from the examiner Conclusion Memos and documenting any significant changes made by the EIC. The rationale for suggested changes at each stage of review is required.

Documentation Requirements: The EIC is responsible for ensuring that all proposed exam issues are included in the combined DOF/VOT as evidence each was adequately considered. All divergent views expressed prior to vetting are to be in the combined DOF/VOT and in EIC Conclusion Memo, if applicable. The combined DOF/VOT includes a comment from each reviewer on each finding indicating whether the reviewer agrees that it is a MRA, MRIA, or neither. If a reviewer disagrees with a prior reviewer, the subsequent reviewer will provide an explanation for the different view. The DOF portion of the combined DOF/VOT is posted to LFI ExamSpace prior to the vetting. The EIC posts the combined DOF/VOT to LFI ExamSpace.

Vetting Requirement: The DOF/VOT is the primary document used to drive the discussion in the examination conclusion vetting.

EIC Conclusion Memo

Responsible Parties: For Examinations the EIC creates a single EIC Conclusion Memo.

For Horizontals, each Examination EIC creates a single EIC Conclusion Memo for each firm within the Horizontal exam. The Horizontal EIC/Lead is then responsible for an aggregate EIC Conclusion Memo summarizing the overall examination from a cross-firm perspective.

Documentation Requirements: As the EIC Conclusion Memo is a key input for the vetting(s), 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 and the approved scope addendum
- The EIC Conclusion Memo is completed fully and accurately using the required template and all proposed findings are clearly supported in accordance with Federal Reserve standards outlined in SR Letter 13-13/CA 13-10, "Supervisory Considerations for the Communication of Supervisory Findings"
- All workpapers supporting the EIC Conclusion Memo are uploaded to LFI ExamSpace
- All workpapers are properly classified (e.g., Restricted FR)

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Once completed, the EIC posts the draft EIC Conclusion Memo to LFI ExamSpace to facilitate the review and approval process.

Vetting Requirement: The EIC Conclusion Memo serves as a key input into the vetting and must be posted to LFI ExamSpace. To facilitate a robust vetting discussion, the EIC Conclusion Memo should be:

- Written in a logical, clear, and concise manner
- Fully supported by appropriate facts, statistical data, and analysis
- Written such that the focus, tone, and conclusions are consistent with facts

Vettings

A vetting is a formal venue/forum for participants to make a careful and critical evaluation of proposed supervisory conclusions and foster an exchange of perspectives. Staff are strongly encouraged to share perspectives as robust discussions strengthen the quality and consistency of supervisory findings, ratings, and key messages respectfully and professionally across the supervised firms. Vettings 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).

For all exams, a single vetting is required where supervisory decisions/determinations are made. This initial PLG vetting should include, at a minimum, the EIC, at least a quorum of PLG Members, DST Lead, DST Deputy Lead, and, optionally, at least one of the respective program Co-Chairs, and any additional subject matter experts or relevant participants needed. The EIC and respective program Operations Team may invite others (risk specialists, DST team members, members of other LISCC programs, etc.), if appropriate.

A second vetting may occur at an escalated level, to the SC, based on the following criteria:

- A divergent view(s) is raised
- The recommended finding and/or determination is significant in nature and may impact the LFI ratings (downgrade/upgrade) and/or an EA is contemplated
- At the discretion of the Program(s)/DST Co-Chair(s) where extenuating circumstances may benefit from broader participation for soliciting and considering a diverse multi-disciplinary set of perspectives to be factored into decision-making and other supervisory determinations, such as Horizontals or Enforcement Actions

On an exception basis, based on the significance of the review, as determined by the portfolio program Co-Chairs, a vetting may go directly to the SC.

To hold the vetting meeting, Required Attendees (or their designated replacement) must (a) accept the meeting invitation or (b) have given feedback in advance to the EIC. If a Required Attendee accepts but does not attend the meeting, the meeting may proceed and feedback from Required Attendees will be obtained to ensure all perspectives are included. The program Operations Team provides the EIC with the documented feedback from the absent Required Attendee. The SC (or program Co-Chairs) for the program sponsoring an exam reserves the right, at its (their) discretion, to request a SC vetting for any examination.

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Discussions between the exam team, DST members, and Program Leadership is encouraged in advance of the primary decision-making vetting. For any such discussions, examiners should leverage existing documentation and are encouraged not to create any new material for the sole purpose of any such discussion. Discussions regarding Examination or Horizontal work that will be used as a basis for determining ratings and assessments or will result in an issuance of a supervisory finding, must be documented. To document, complete meeting minutes and/or update the combined DOF/VOT.

Disposition of Findings/Vetting Outcome Template (DOF/VOT)

All vetting results are documented via the vetting outcome portion of the combined DOF/VOT.

Responsible Parties: The EIC drafts the combined DOF/VOT. The relevant PLG member, in coordination with the DST Lead/Deputy, will make the decisions on findings (MRAs/MRIAs), messages, and overall assessments during the vetting. Any dissenting viewpoints are documented in the vetting outcome portion of the combined DOF/VOT; however, any disagreement will be escalated to the PLG Lead or Co-Chairs. Following the vetting, the EIC incorporates all feedback into the combined DOF/VOT.

To the extent a vetting results in the need for additional examination work or review, the EIC will document the work and any changes in proposed findings. Changes are not to be made to previously approved examiner or EIC Conclusion Memos.

Documentation Requirements: The EIC uploads all vetting documents to LFI ExamSpace. In addition, the EIC is responsible for completing the vetting outcome portion of the combined DOF/VOT to record:

- 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 decisions made, feedback given, questions and answers, divergent views raised, and proposed changes to document and, to the extent possible, who made the comments

Vetting Requirement:

- Pre-vetting: Complete the DOF section of the DOF/VOT template and share with the vetting participants two business days prior to the scheduled vetting meeting with the vetting participants
- Post-vetting: Complete the VOT section of the DOF/VOT template and share it with the DST leadership, the HTL, and other vetting participants after the scheduled vetting meeting so they can review the documented meeting outcome to ensure accuracy.

Supervisory Letter

An important part of an exam is the communication of supervisory assessments and/or findings to the directors and senior management of the firm(s). To be effective, communications must be: (a) written in clear and concise language; and (b) prioritized to focus on the most significant matters that require

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attention. Supervisory findings are communicated to the firm in a Supervisory Letter that is drafted in accordance with SR Letter 13-13/CA 13-10, “Supervisory Considerations for the Communication of Supervisory Findings” and as outlined in this Manual.

Prior to transmittal of the Supervisory Letter(s), the overall Examination and Horizontal (if applicable) workshop database will be approved (see Section IV, Program Oversight and Controls).

Similar to the Conclusion Memos, the Supervisory Letter should include an overall assessment using the same language as noted on p.28 in this Manual.

In addition, advisory comments are not to be used in written communications with supervised firms (i.e., supervisory letters or exit meeting presentations). If a firm needs to take action to address practices in a particular area or business function, the LISCC staff must issue an MRA or MRIA. If the issue does not rise to the level of an MRA/MRIA, LISCC staff may offer a suggestion that could improve the efficiency or effectiveness of the firm’s operations. Such suggestions may only be communicated verbally for management’s consideration at the exit meeting by the exam event’s leadership, and not included in the exit meeting presentation or agenda. Management should be informed that the LISCC Program will NOT be following up on the suggestion or expect the firm to track the suggestion.

Example of Verbal Suggestion: “While not a requirement, we have observed that many similarly sized firms we supervise have codified the requirement to hold “postmortem” discussions after activating contingency funding plan protocols to ensure plans are working as expected.”

Other types of written communication that are acceptable for LISCC include:

- If LISCC staff is communicating emerging or potential concerns in a particular area where additional supervisory efforts are necessary to determine if an MRA/MRIA is warranted, in most cases, it must be done in the body of the supervisory letter, noting that additional supervisory work is being planned.

Example of Emerging/Potential Concern Language in Executive Summary: During this year’s CCAR exercise, the Federal Reserve identified that LISCC firms were not...The Federal Reserve expects LISCC firms to manage ...risk in a safe and sound manner. The Federal Reserve observed that several of these...exhibit risks and behaviors... The LISCC Program will further evaluate this potential area of concern in upcoming supervisory cycles, and LISCC firms should pro-actively identify and address such deficiencies if they exist at their firm.

- A range of practice (ROP) summary observed across firms may be included as an appendix to a supervisory letter. A ROP appendix is subject to many considerations and reviews by different parties at the Board.

Example of ROP Language in Appendix: The purpose of this appendix is to share a range of certain...planning practices at LISCC firms and to re-emphasize supervisory guidance detailed in SR Letter...The range of practice is informed by monitoring meetings with several LISCC firms’ leadership responsible for...

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- Like emerging concerns and range of practice letters, a program may send a letter communicating practices that are a concern at some firms, and that may be present at other firms, in stand-alone letters (e.g., Liquidity Pillar II monitoring letters and “Dear CEO” letters).

Example of Liquidity Monitoring/Dear CEO Letter: The Federal Reserve (“FR”) recently completed its 2022 assessment of firm specific liquidity positions of banking organizations overseen by the Large Institution Supervision Coordinating Committee (“LISCC”). Within that review, the FR Liquidity Program conducted an independent assessment of...liquidity position and profile utilizing FR 2052a data, as well as other supervisory data sources...Across the industry, the FR observed deposits, notably those from wholesale and wealth management customers, have exhibited significant price sensitivity and mobility in 2022... For example, the FR expects firms to evaluate the impact of customers’ sensitivity to rate changes on the ability of these deposit balances to satisfy the requirements that the primary purpose of the deposits is to obtain operational services. Additionally, the FR expects firms to ensure that operational accounts are not designed to create an economic incentive for customers to hold excess balances....

Responsible Parties: The responsibility for drafting the Supervisory Letter is as follows:

- **Examinations:** The EIC takes the lead on drafting the Supervisory Letter using the LISCC Supervisory Letter Template, working closely and extensively with the DST and portfolio program exam staff, as appropriate, to ensure that the right message is sent to the firm
- **Horizontals:** Each EIC takes the lead on drafting the Supervisory Letter using the LISCC Supervisory Letter Template. If there is one lead EIC for the entire Horizontal, that EIC may delegate the initial drafting to members of the exam team, but is responsible for ensuring high-quality drafts for each firm
- After the vetting(s), the EIC is responsible for sending the draft letter(s) to the relevant program LOG (discussed in Roles and Responsibilities section above) for additional editing and review
- The PLG and Co-Chairs may review and edit the letters, as appropriate, or if requested by the LOG

Letter writing is expected to be a collaborative process between the EIC and relevant portfolio program and the DST counterparts. Steps are to be taken to ensure all parties are comfortable with the letter language, consistent with final vetted decisions. The DST is responsible for adding the DST Lead’s signature and ensuring the letter is mailed to the appropriate firm contact(s).

Documentation Requirements: The Supervisory Letter documentation requirements are the same for Examinations and Horizontals. Requirements are:

- The draft and final Supervisory Letter(s) are to be stored in LFI ExamSpace, as well as the LOG-reviewed versions of the letter (both the LOG-edited and final versions) are to be posted to LFI ExamSpace
- Working with LEST, the DST will ensure a copy of all final, signed Supervisory Letters are converted to a .pdf file and uploaded to the BOND Document Profile for the examination for each firm (the signed Supervisory Letter should not be posted to LFI ExamSpace)

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Vetting Requirement: Given the LOG review, there is no vetting of the Supervisory Letter unless LOG agrees that, based on substantive changes, a follow up vetting is required.

Supervisory Letter Transmittal: The final Supervisory Letters are expected to be delivered to the firm(s) by the DST via Outlook secure e-mail no later than 60 days after the exam close date. In all instances, Supervisory Letters must be submitted to DSTs with sufficient time (e.g., at least 2 business days) for the DST to review the letter prior to signing and sending it to the firm.

Workpaper Review and Approval

Approval of examination workpapers is a two-step review process. All key documents should be reviewed and approved within each document template (See Key Supervisory Event Documents section). In addition, for all examinations, the EIC is required to review the workpapers stored in the LFI ExamSpace Event to ensure that findings and assessments are fully supported and that scope objectives and any changes have been addressed by the examination team. The LFI ExamSpace Event is to be closed only after the EIC has completed a comprehensive review and sign-off 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
- Provided reasonable conclusions based on well-supported findings

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

- Is final and complete, and can independently stand on its own
- Fully supports the findings and conclusions (any open items, unanswered questions, or missing conclusions are to be explained and documented in the workpapers)

This review is to occur prior to the letter being delivered to the firm.

To guide the EIC through the review process, the respective program EIC checklist/Exam Calculator is to be used to ensure that all workpapers and products have been uploaded, completed, and approved as required. The completed EIC checklist/Exam Calculator must be uploaded to LFI ExamSpace, prior to primary approval, to serve as evidence of the EIC's review.

A secondary level of review is to be performed for all examinations by the EIC's manager to ensure the workpaper documentation fully supports the supervisory findings and conclusions included in the final Supervisory Letter or Report (refer to the Quality Control section of this Manual for further details on the workpaper review and approval requirements). Contact the respective program Operations Team for the appropriate EIC checklist.

After the Supervisory Letter is formally sent to the firm, the exam is considered "closed." The EIC should work with LEST to ensure all appropriate documents have been posted to BOND within 7 days of communication of the letter, as well as all MRIs/MRAs associated with the examination are entered into C-SCAPE within 10 days of delivery of the letter. In addition, the EIC works with LEST to close out the exam in C-SCAPE, where LEST will ensure that each Examination event in C-SCAPE is marked closed prior

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to closing out the overall Horizontal event, if applicable, and the completion date should align with the letter transmittal date.

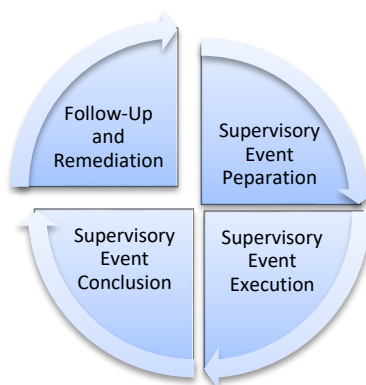
Note: Each LFI ExamSpace Event will be archived (read only) automatically 60 days following the Actual Completion Date of the supervisory event in C-SCAPE. The Actual Completion Date is the date on the letter to the firm, if one is prepared, or when all on-site and off-site supervisory work is complete.

For additional information, please reference LFI ExamSpace User Guide, LFI ExamSpace Information User Guide – Document Properties, Quick Reference, and Reserve Bank S&R Recordkeeping Manual.

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Phase IV - Supervisory Follow-Up and Remediation

After the conclusion of an examination and the issuance of supervisory feedback to firm(s), examiners are required to ensure all supervisory issues are followed up on and, ultimately, remediated. This section describes: (a) key terms and definitions; (b) key stakeholders, setting forth their roles and responsibilities in promoting accountability, transparency, and consistency across the LISCC Program;



and (c) LISCC Program policies and procedures for handling the lifecycle of supervisory issues (MRIAs and MRAs), and Provisions¹⁵ of EAs (Provisions)). They are tracked from issue origination and entry into the System's official issues tracking repository (C-SCAPE), to issue monitoring, verification, and closure. This section complements the supervisory issues management guidance on minimum expectations and standards for managing supervisory issues set forth in SR Letter 13-13 and other related Board and LISCC guidance such as the LISCC EA Operating Manual. Should you have questions concerning the interpretation or implementation of this section, please reach out to your program Operations Team or the OOC for assistance.

Key Terms

The following terms are used throughout this section:

Table 1: Key Terms and Important Links

Term/Link	Description
MRAs	Matters Requiring Attention (MRAs) constitute matters that are important and that the Federal Reserve is expecting a banking organization to address over a reasonable period of time, but when the timing need not be "immediate." While issues giving rise to MRAs must be addressed to ensure the banking organization operates in a safe-and-sound and compliant manner, the threat to safety and soundness is less immediate than with issues giving rise to MRIAs. Likewise, consumer compliance concerns that require less immediate resolution should be communicated as an MRA. An MRA typically will remain an open issue until resolution and confirmation by examiners that the banking organization has taken corrective action. If a banking organization does not adequately address an MRA in a timely manner, examiners may elevate an MRA to an MRIA. Similarly, a change in circumstances, environment, or strategy can also lead to an MRA becoming an MRIA. The key distinction between MRIAs and MRAs is the nature and severity of matters requiring corrective action, as well as the immediacy with which the banking organization must begin and complete corrective actions.
MRIAs	Matters Requiring Immediate Attention (MRIAs) arising from an examination, inspection, or any other supervisory activity are matters of significant importance and

¹⁵ Each Provision of an EA may contain one or more sub-provisions, very narrow and specific areas within a Provision that are not discretely tracked in C-SCAPE because there is no corresponding unique C-SCAPE ID.

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Term/Link	Description
	urgency that the Federal Reserve requires banking organizations to address immediately and include: (1) matters that have the potential to pose significant risk to the safety and soundness of the banking organization; (2) matters that represent significant noncompliance with applicable laws or regulations; (3) repeat criticisms that have escalated in importance due to insufficient attention or inaction by the banking organization; and (4) in the case of consumer compliance examinations, matters that have the potential to cause significant consumer harm. An MRIA will remain an open issue until resolution and examiners confirm the banking organization's corrective actions.
Remediation	A task or set of tasks performed by the firm's business line intended to remediate an open supervisory issue. An open issue (MRA/MRIA/ Provision) is considered remediated when the firm's business line informs the firm's IA and the LISCC Program (i.e., the Primary Issue Owner and/or DST Lead) it has addressed all elements of a supervisory finding issued to the firm.
Partial/Non-compliant Remediation	In accordance with the vetting procedures described herein, if examiners determine the firm's corrective action to address an open issue (MRA/MRIA/Provision) has not been satisfactory, the issue will be partially compliant or non-compliant. In that circumstance, the issue will continue to remain open, and the Primary Issue Owner will remove the Pending Verification (PV) status in C-SCAPE and update the C-SCAPE record accordingly (e.g., reflecting the conversation with the firm, including an agreed revised Timeframe for Completion, etc.).
Validated / IA Validated / Remediation Validated	Indicates an open issue (MRA/MRIA/Provision) has been validated by the firm's IA function (or other appropriate control process acceptable to the LISCC Program). While it is expected all issues be Remediation Validated by the firm's IA function before the LISCC Program conducts a Verification event for potential closure, there can be instances where this is not the case as described later in this section.
Verification	A supervisory activity whereby LISCC Program examiners, typically led by the Primary Issue Owner (in the role of EIC), will assess whether an open issue has been satisfactorily remediated by the firm. An open issue can be verified and recommended for closure, or it can be verified and determined to be partially compliant or non-compliant.
C-SCAPE User Guide	The C-SCAPE application is a data input and reporting tool used to support the supervisory program. C-SCAPE is intended to support the supervisory processes for the LISCC, LBO, FBO > \$50B, SLHC Large, FBO < \$50B and FMU portfolios. This document is a user guide that outlines how to use this system to perform supervisory activities.
C-SCAPE Issues Management Guide	This guide is issued by the OOC and covers LISCC protocol for issues/EA (provision) data entry and requirements, issues/EA update/closure expectations, and tips and best practices.
Issues Management Dashboard	This Tableau dashboard is available to all LISCC Program members to visualize the entirety of open supervisory issues across the LISCC Program and can be filtered in a number of ways to suit the needs of various portfolio program and DST users and stakeholders. The Issues Management Dashboard is updated twice weekly and includes instructions on how Owners can subscribe to the reports to help ensure timely updates and to assist in issues monitoring.

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Term/Link	Description
Enforcement Actions Operating Manual	This manual is issued by the Board and describes supervisory activities throughout an EA lifecycle under the LISCC program, from issuance through monitoring to termination. The requirements of this Supervisory Follow Up and Remediation section and the EA Operating Manual are aligned where there is overlapping content.

Roles and Responsibilities

Issues management involves the collective efforts of the different LISCC Program stakeholders. The general roles and responsibilities of the key stakeholders are as follows:

Table 2: Roles and Responsibilities

Stakeholder	Role and Responsibility
DST Lead	The DST Lead may serve as a Secondary Issue Owner and may delegate responsibility as a Secondary Issue Owner to the DST Deputy Lead or a DST manager, but would remain accountable for any supervisory issue determinations made on her/his/their behalf. All official correspondence with the firm regarding issues management will be signed by the DST Lead or DST Deputy Lead.
EIC	In the context of newly issued supervisory findings, the EIC is the individual responsible for leading the Examination or Horizontal event that gave rise to the newly issued supervisory findings. Among the many other responsibilities described in the relevant program operating manuals, the EIC is responsible for reviewing the C-SCAPE entries made by the LEST for accuracy and completeness (although some programs allow for the delegation of that responsibility to the Primary Issue Owner). An EIC will also lead the Verification event, but may be different from the initial EIC. The EIC for the Verification event may also be the Primary Issue Owner.
LEST	The LEST is responsible for entering new supervisory finding information into C-SCAPE based on the Supervisory Letter and information received from the EIC (this includes entering Provisions individually, as well as issues that have been transformed). The LEST is also responsible for cancelling and closing supervisory events. The EIC is responsible for reviewing and verifying the accuracy and completion of the information after it is entered into C-SCAPE, as well as closing the issue in C-SCAPE following the verification phase. LEST is also responsible for posting Supervisory Letters to BOND.
OOCT Technology and Reporting Team (OOCTR)	OOCTR generates a quarterly Tableau issues management report (using C-SCAPE as the source data), a portion of which is added to the quarterly Executive Management Report provided to LISCC Program senior leadership including summaries or snapshots of: (a) outstanding open issues; (b) open issue aging; and (c) EAs and Provisions. This information will be furnished by portfolio program and by DST.
Primary Issue Owner	<p>The Primary Issue Owner is a LISCC Program member with subject matter expertise responsible for actively monitoring the supervisory issue <u>after</u> it is entered into C-SCAPE, and throughout its lifecycle. Responsibilities include:</p> <ul style="list-style-type: none"> Ensuring periodic C-SCAPE commentary (at least every 90 days) reflects the current status of the issue: an assessment of the firm's progress towards business line remediation and IA validation, and a description of and timing for the next remediation or validation milestone;

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Stakeholder	Role and Responsibility
	<ul style="list-style-type: none"> • Maintaining the accuracy and completeness of the C-SCAPE record and compliance with system and LISCC standards throughout the lifecycle of the issue; including quality and accuracy of comments and providing links to supporting documentation. • Coordinating with any relevant stakeholders (DSTs, portfolio programs, LEST) when monitoring, changing the status of, transforming, and/or closing an issue; • Collaborating with relevant LISCC Program stakeholders (portfolio program or DST) throughout the lifecycle of an issue, including collaborating on the best course of action once it is determined an issue is ready to be verified for potential closure; and • Adhering to the LISCC Onboarding and Off-boarding Policy (i.e., if either Owner transitions away from coverage).
Portfolio Program SC	The multi-member SC is the most senior governing body in each of the portfolio programs. The SC, or its designee (e.g., the PLG in most circumstances), is responsible for vetting. Approval is detailed in the Accountability Matrix in the Supervisory Program Cycle and Execution section, and depends on whether it is a MRA, MRIA, or Provision.
Secondary Issue Owner (PLG member or DST Lead/designee) ¹⁶	<p>The relevant PLG member (or delegate) or DST Lead (or delegate).¹⁷ The Secondary Issue Owner should be in the same reporting line¹⁸ as the Primary Issue Owner (i.e., portfolio program or DST). The Secondary Issue Owner's responsibilities include:</p> <ul style="list-style-type: none"> • Setting the overall supervisory strategy with respect to open issues remediation in her/his/their respective team/area (for PLG members, this means working with the PLG and SC leadership; for DST Leads, this means working with the DST Co-Chairs); • Coordinating with Primary Issue Owner and soliciting feedback on firm-provided remediation/action plans in order to provide feedback to the firm (to be delivered to the firm by the DST); • Escalating matters that cannot be resolved and/or when divergent views arise; • Monitoring issue remediation progress of all MRAs, MRIAs, and Provisions where she/he/they have been designated as the Secondary Issue Owner; • On a portfolio reporting basis (cross-firm or cross-program), ensuring compliance with this Supervisory Follow Up and Remediation section (e.g., accuracy and completeness of the C-SCAPE record, including periodic C-SCAPE commentary at least every 90 days reflecting the current status of the issue: an assessment of the firm's progress towards business line remediation and IA validation, and a

¹⁶ The PLG member or DST lead may delegate this responsibility to an HET or DST management, respectively. Regardless of delegation, the PLG member or DST lead are responsible for the accurate and timely execution of the duties outlined in the secondary issue owner responsibility section.

¹⁷ The PLG member or DST lead may delegate this responsibility to an HET or DST management, respectively. Regardless of delegation, the PLG member or DST lead are responsible for the accurate and timely execution of the duties outlined in the secondary issue owner responsibility section.

¹⁸ If the Secondary Issue Owner is not in the same reporting line as the Primary Issue Owner, the PLG member (or delegate) or DST Lead (or delegate) should document the delegation of the Secondary Issue Owner responsibility. Non-Supervision and Regulation staff members (e.g., Research and Statistics) are excluded from this requirement.

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Stakeholder	Role and Responsibility
	<p>description of and timing for the next remediation, validation, or verification milestone);</p> <ul style="list-style-type: none"> Supporting the Primary Issue Owner in the scheduling and execution of the jointly determined course of action in order to verify the issue for potential closure; Ensuring all issues in their reporting line are assigned a Primary Issue Owner and ownership transition occurs in accordance with this Supervisory Follow Up and Remediation and the LISCC Onboarding and Off-boarding Policy; and Collaborating with relevant LISCC Program stakeholders (portfolio program or DST) throughout the lifecycle of an issue, including collaborating on the best course of action once the Primary Issue Owner determines an issue is ready to be verified for potential closure. The secondary issue owner is generally the relevant PLG member or DST Lead (or a designee). The Secondary Issue Owner should be in the same reporting line as the Primary Issue Owner (i.e., program or DST).

Issues Management Lifecycle

After the closure of an exam and the issuance of supervisory feedback, as described in the previous section, examiners are required to ensure all supervisory issues (e.g., findings) issued to firm(s) are remediated. This section describes how all supervisory issues are tracked through their lifecycle.

When supervisory issues are severe enough, the relevant DST and portfolio program, in collaboration with the Board of Governors, may initiate a supervisory EA (often made up of several provisions). Information on the types of EAs and provisions of EAs, and details on the initiation, monitoring, and closure phases is available via the LISCC EA Operating Manual.

New Issue Entry (following Supervisory Letter Issuance): After an examination is closed and supervisory feedback is sent to the firm, the EIC will work with the LEST to ensure any newly approved supervisory issue (MRA/MRIA) or Provision is entered into C-SCAPE in an accurate and complete manner within 10 calendar days after the issuance of the Supervisory Letter to the firm. This also applies to all issues that have been transformed.

At this initial stage (i.e., within the first 10 days after the Supervisory Letter is issued), it is possible that a Primary Issue Owner, if different from the EIC, may not have yet been identified. For this reason, the EIC is named as the responsible individual to ensure the findings are entered into C-SCAPE correctly. If a Primary Issue Owner (not the EIC) is identified and that individual is knowledgeable about the findings that were included in the Supervisory Letter, the Primary Issue Owner may become the responsible individual if she/he/they acknowledges the responsibility to the EIC and other stakeholders via reply email (see below) within the initial 10 day timeframe.

Once the new issue is entered into C-SCAPE and reviewed for accuracy and completeness by the EIC, either the EIC (as Primary Issue Owner) or a newly designated Primary Issue Owner will assume all issue management responsibilities going forward, specifically, the maintenance and upkeep of the C-SCAPE record; however, it should be noted the EIC for the Verification event could be a different examiner (see Verification section).

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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.

Management's Response and LISCC Program Acknowledgment Letter: Firms are generally given 45 days from the date that they receive the Supervisory Letter to provide a remediation plan. If examiners believe an extended time is required for the firm to put forward a viable plan/response, the EIC should raise this in the vetting discussion.

The EIC, in conjunction with the requisite program, and in collaboration with DST management, will assess the responsiveness and reasonableness of the firm's management response and communicate back to the firm generally within 30 days of receipt through an Acknowledgement Letter (to be delivered to the firm by the DST Lead or DST Deputy Lead, as with other firm communications). 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 from the Operations Lead via secure email. The Primary Issue Owner will document the assessment in C-SCAPE, and the DST will ensure both the firm's management response and the Acknowledgment Letter are posted to BOND within seven (7) calendar days. In instances where the firm's remediation action plan is deemed insufficient, the firm is required to provide a second submission and a second Acknowledgement Letter will be issued.

Acknowledgement letters are approved by the relevant HTL (or by the DST Deputy/Team Lead if it is an Examination). Unless specifically requested, there is no required involvement from the LOG in the review and approval of the Acknowledgment Letter. DSTs are to distribute the letter in accordance with the transmittal expectations as outlined earlier in this operating manual, where the DST Lead/Deputy signature on the letter and its subsequent posting to BOND will serve to reflect the review is complete and the document is both approved and final. Significant drafts of the Acknowledgment Letter are not expected as the majority are straightforward, so the final version will be posted in BOND. Should a significant draft be created, it can be stored in ExamSpace so long as the ExamSpace record has not been automatically archived 60 days after the initial Supervisory Letter is sent.

If the supervised institution requests an extension for a management response, action plan, or Timeframe for Completion (i.e., the time by which the firm's business line is directed to, or commits to, remediating the supervisory finding(s)), the Owners, in collaboration with relevant LISCC Program stakeholders (portfolio programs and DST), will assess the request's reasonableness and communicate back to the firm in a similar manner. If any updates are required in C-SCAPE, the Primary Issue Owner will make those updates and the DST will ensure that all formal communications are uploaded to BOND. The DST Lead/Deputy signature on the letter and its subsequent posting to BOND will serve to reflect the review is complete and the document is both approved and final.

In addition to updating the status of the issue in C-SCAPE, the Primary Issue Owner is responsible for providing a brief monitoring update to the Secondary Issue Owner and other relevant stakeholders (HTL and/or DST) on their current assessment of the firm's remediation progress, making sure to highlight any areas of concern.

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Table 3: Follow-Up Activities/Deliverables

ACTIVITY/DELIVERABLE	TIMING	FIRM SPECIFIC/HORIZONTAL		DOCUMENT REPOSITORY
		Responsible	Approver	
NOTIFY/SHARE LETTER WITH LEST FOR BOND POSTING - Signature and posting to BOND evidences approval	Letter mail date + 7	EIC/DST/LEST	N/A	BOND
NOTIFY/SHARE ISSUES WITH LEST FOR C-SCAPE ENTRY	Letter mail date + 10	EIC/DST/LEST	N/A	C-SCAPE
RECEIVE MANAGEMENT RESPONSE LETTER	Letter mail date + 45	DST	N/A	N/A
NOTIFY LEST FOR BOND POSTING	Receipt of response letter + 7	DST/LEST	N/A	BOND
REVIEW MANAGEMENT RESPONSE LETTER	---	DST and Primary Issue Owner	DST/HTL	N/A
DRAFT ACKNOWLEDGEMENT LETTER	---	DST and Primary Issue Owner	DST/HTL	N/A
ACKNOWLEDGEMENT LETTER REVIEW/APPROVAL	---	DST/HTL	HTL	N/A
SEND ACKNOWLEDGEMENT LETTER TO FIRM	Receipt of response letter + 30	DST	DST Lead/Deputy	Outlook
NOTIFY LEST FOR BOND POSTING - Signature and posting to BOND evidences approval	Acknowledgement Letter mail date + 7	DST/LEST	N/A	BOND

Remediation by the Firm's Business Line: Primary Issue Owners can use the Tableau Issues Management Dashboard to track the status of their open supervisory issues. Primary Issue Owner follow-up is to occur at least quarterly (90 calendar days or less) to ensure the LISCC Program is effectively monitoring the firm's progress in remediating its open issues in a timely, thorough, and effective manner, reflecting agreed upon Remediation timing. Regular engagement with management, the firm's IA, and review of firm MIS allows the LISCC Program to address any instances of non-compliance or delays in Remediation.

The Primary Issue Owner is responsible for the overall quality, completeness, and accuracy of the C-SCAPE record.¹⁹ On at least a quarterly basis (90 calendar days or less), the Primary Issue Owner must update the issue's status via the comments section in C-SCAPE. This commentary will include:

- Date of follow-up, interaction, or information exchange

¹⁹ Owners (i.e., Primary Issue Owner and Secondary Issue Owner) will set alerts and reminders in C-SCAPE (see p.171 of the C-SCAPE User Guide for more information) and create customized Tableau Reports using the link above. In addition, the OOC Technology and Reporting Team tracks the percentage of open supervisory issues that exceed the 90-calendar day threshold for adding C-SCAPE monitoring updates and makes this information available on a quarterly basis, in aggregate and by portfolio program/DST, to stakeholders across the LISCC Program (e.g., operations teams and portfolio program/DST Co-Chairs).

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- If a meeting with the firm occurred, note the area and/or title of lead individual as part of the comment and/or by linking meeting minutes to the comment
- Discussion outcome (or information assessment), including:
- Current status and a concise assessment of the firm's Remediation progress since the prior update, including any recent or upcoming milestones and next steps, as well as any planned follow up by the LISCC Program, each as appropriate
- Whether there is a change, or anticipated change, in PV status or Timeframe for Completion²⁰ of the MRA/MRIA/Provision, and the rationale for such change
- Links or directions to sources supporting the assessment (if any)

While the Owners (i.e., the Primary and Secondary Owners, together) have responsibility for the majority of ongoing monitoring and administration of specific open issues, all portfolio programs, and DSTs, respectively, have responsibility for maintaining a comprehensive view of all issues impacting the assessment of the firms they supervise.

Remediation Validation by the Firm's Internal Audit (IA Validation): It is generally expected²¹ that an open issue be validated by the firm's IA function (or other acceptable control function) **prior** to the LISCC Program independently verifying the issue for potential closure. However, there are circumstances where the LISCC Program cannot wait, or chooses not to wait, for an open issue to be Remediation Validated by the firm's IA, and a comment is to be added in C-SCAPE to reflect this decision and the rationale. Examples could include: (a) an EA provision or MRJA/MRA that pertains to IA itself; (b) the IA function is ineffective to the degree that its review of the remediation would not be useful to supervisors; (c) waiting for IA validation is impractical or would unduly delay a termination or closure recommendation; (d) verification may be accomplished through monitoring activities, where the remediation in question is simple and does not need examiner testing for verification; or (e) verification is a necessary component of the rating or required for the next rating cycle. In addition, if the related supervisory event was approved outside of the supervisory planning process, the Primary Issue Owner will update C-SCAPE to describe the situation and indicate the approver (e.g., PLG) and the approval date.

Verification

When the firm notifies the LISCC Program (i.e., the Primary Issue Owner) that the firm's IA function has completed the validation of an open supervisory issue remediated by the firm's business line, the Verification phase begins (notwithstanding any documented and approved decisions to proceed without IA validation having occurred as described above). The Primary Issue Owner will change the status of

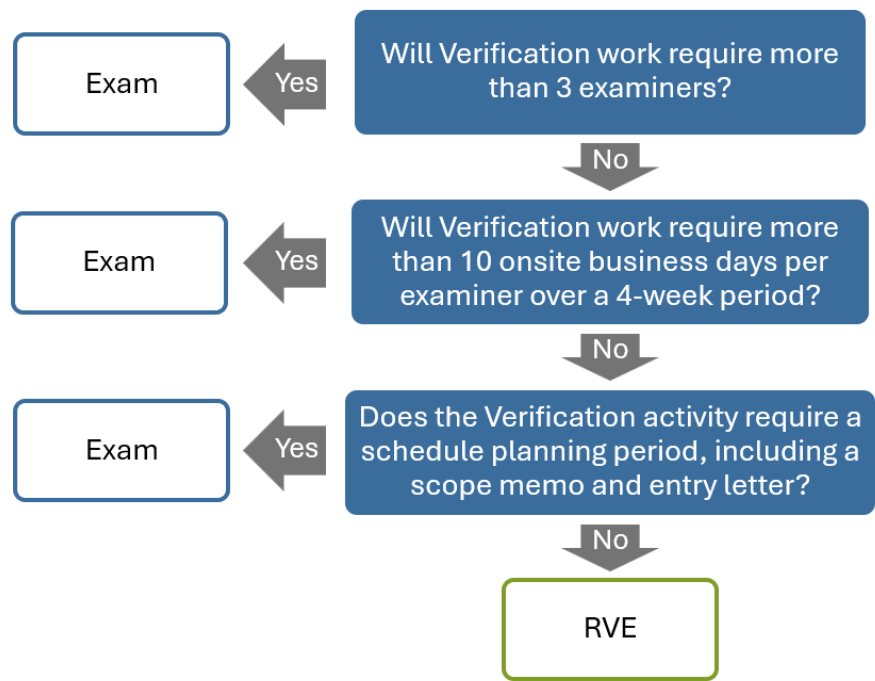
²⁰ The initial **Timeframe for Completion** is included in the Supervisory Letter and is the date by which the LISCC Program requests the firm's business line to remediate an issue and the firm's IA to validate the issue (to the extent that IA validation is expected). In some cases, the initial Timeframe for Completion will be when the firm is required to submit an action plan that must include the Timeframe(s) for Completion. Consequently, the initial Timeframe for Completion will need to be updated once the action plan is received. A revised **Timeframe for Completion** can be entered anytime the team, in consultation with the firm, consents to an updated timeframe (dates are listed in descending order with the most recent Timeframe for Completion listed at the bottom of the list).

²¹ IA validation is strongly preferred, but not required, prior to Verification of Provisions under the LISCC EA Policy. The Supervisory Follow Up and Remediation and EA Operating Manual are aligned on this point and the other items described in this paragraph.

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the open MRA, MRIA, or Provision in C-SCAPE to Pending Verification (PV) by (a) selecting “Yes” in the PV field; and (b) entering the notification date in the Firm Close Date field. Once the firm’s information is received and C-SCAPE is updated, the onus is on the LISCC Program to independently verify the firm has remediated the open issue. The Firm Close Date is used to calculate how long the issue is in PV status (i.e., how long it takes the LISCC Program to complete Verification and determine if the issue can be closed or if remains partially compliant or non-compliant). Therefore, the accuracy of this date is important. Independent Verification of a firm’s Remediation efforts for potential closure will be led by an EIC (i.e., typically the Primary Issue Owner, but not always) and may be conducted using the standard Examination protocol, or through a more narrowly focused Examination process commonly referred to as a Remediation Verification Event (RVE) as shown in Table 4 below.

Table 4: Event Determination Flowchart (Exam vs. RVE)²²



The choice of Verification event (exam or RVE) will be influenced by the severity and complexity of the open issue (i.e., MRA vs. MRIA), as well as the amount of additional independent assessment and/or transaction testing required to independently verify the operational effectiveness of the firm’s updated or newly implemented processes and controls. This determination will be made by the Primary and

²² In making a determination using Table 4, it is intended that the questions in the flowchart be determined by the Owners/stakeholders. So, for example, if the Owners/stakeholders determine the Verification event qualifies as a RVE based on Table 4, but the firm asks for an Entry Letter (or the EIC decides to send one), it does not change the fact the Owners/stakeholders determined the Verification event qualified as a RVE (and can be conducted as such). Another example would be if Owners/stakeholders elect to staff the RVE by allocating one or more on-job training (OJT) opportunities to the event (as reflected in C-SCAPE). These OJT slots would not count against the total number of examiners scheduled for the event.

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Secondary Issue Owners, in collaboration with relevant LISCC Program stakeholders (DST and portfolio program) and will be considered and potentially approved by the portfolio program's SC during the supervisory planning process, particularly for those open issues in PV status, or expected to enter PV status, in the coming supervisory cycle. However, if an issue becomes ready for Verification during the course of the cycle outside of the normal planning process, it can also be added to the supervisory plan on a flow basis with the requisite approval and supporting documentation from the portfolio program's SC (or its designee). In either case, periodic C-SCAPE commentary is to reflect the supervisory strategy and timing for examiner Verification once established.

In order to utilize the firm's IA closure package (workpapers) during a Verification event, the Primary Issue Owner should ensure the firm's IA is deemed "Effective" during the last exam of the IA function. The Primary Issuance Owner can confirm each LISCC firm's most recent IA assessment using the following SharePoint site and document: Internal Audit Assessment (Internal Audit Cross-Firm View).

While the Primary Issue Owner must initially review the firm's IA closure package, the degree to which the LISCC Program can utilize the firm's IA information during a Verification event is a function of both the supervisory assessment of the firm's IA rating and the severity of the open supervisory issue, as shown in Table 5 below.

Table 5: Ability to Utilize the Firm's Internal Audit Closure Package

Issue Type	LISCC Supervisory Assessment of the Firm's Internal Audit ¹	
	Internal Audit "Effective"	Internal Audit "Not Effective"
MRA	May fully rely on IA's work, but must review IA's workpapers to ensure quality of work conducted is sufficient	May not leverage/rely on IA's work and must conduct our own testing
MRIA	May partially leverage/rely on IA's work, but must review IA's workpapers to determine the appropriate level of additional independent assessment/transaction testing required to support closure	May not leverage/rely on IA's work and must conduct our own testing
Provision ²	May not leverage/rely on IA's work and must conduct our own testing	May not leverage/rely on IA's work and must conduct our own testing

¹ If a firm is rated "Less Than Fully Effective", consult with PLG member and DST Lead for how best to proceed (i.e., whether or not to incorporate IA's work) and document the outcome.

² For Provisions, the ability to utilize workpapers from third-party vendors contracted by the firm is to be evaluated as "Not Effective". However, for Sub-Provisions, those very narrow and specific areas of a Provision within an EA (and not discretely tracked or identified in C-SCAPE), discuss with PLG member and DST Lead whether the firm's IA closure package (or workpapers from another supervisor or third-party vendor contracted by LISCC) can be utilized, and document the outcome.

Notwithstanding the guidance in Table 5, examiners should always use their best judgment to determine if additional independent assessment/transaction testing is needed to fully verify a firm's Remediation efforts are sufficient, regardless of IA's effectiveness. Additionally, the firm is to continue to submit an IA closure package in its normal course even if the firm's IA function is deemed "Not Effective", as the LISCC Program's supervisory assessment of the firm's IA does not eliminate this

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responsibility, and IA's Remediation Validation work may serve to support future IA supervisory assessment considerations.

Whatever the approach determined, the LISCC Program will verify the issue for potential closure and may find the firm's remedial action deficient or satisfactory. In either case, the Primary Issue Owner will detail her/his/their findings for RVEs following the guidelines set forth below and, for standard exams, following the exam and vetting guidelines as described in the Supervisory Program Cycle and Execution section.

If the firm's actions are determined to be deficient, depending on the classification of a single issue or multiple related issues: (a) the issue(s) may remain open and additional remedial action may be recommended; or (b) the issue(s) could be transformed either through (1) escalation in classification (e.g., MRA to MRIA or MRIA to EA); or (2) combination into a single issue.

Supervisory Event Issue Verification

Examinations are utilized to perform issue Verification (on rare occasions, a Horizontal may be appropriate in lieu of an Examination). The Examination scope may focus solely on the issue Verification activity; however, issues may also be verified during an Examination that includes objectives that are not tied directly to issue Verification. Regardless, the EIC will follow the exam procedures, vetting guidelines, and LOG review procedures set forth in this Manual and utilize the standard exam templates found on the LISCC SharePoint Site under Exam Tools and Templates. In many instances, however, it may be possible to conduct issue Verification through a RVE Examination (as previously introduced) which is described in greater detail below.

RVE: A narrowly focused Examination used to conduct independent Verification of open supervisory issues (MRIs or MRAs) remediated by the firm. An RVE requires less documentation (i.e., no pre-planning documentation required such as Scope Memos or Entry Letters) and is to be completed in less time and with less resources than a standard Examination. Additionally, RVEs can be used to verify very narrow and specific areas within a Provision of an EA (i.e., a "Sub-Provision"), or the Provision itself. While Verification of more substantive Sub-Provisions or Provisions must be conducted through a standard Examination, considerations for whether an RVE may be appropriate as a Verification activity for Sub-Provisions and Provisions include:

- The nature of the Provision and whether significant transaction testing is needed
- The severity of the issue related to the remediation to be verified
- The complexity of the Provision or Sub-Provision and related remediation to be reviewed
- Interdependencies between the remediation work to be verified and other remediation work for the EA (or related supervisory issues)
- The firm's track record on remediation

If the firm has completed Remediation, the issue is ready for examiner Verification for potential closure, and the issue is in PV status (or it will be by the time the RVE starts), an RVE can be considered. RVEs should generally last no more than 10 business days, but may extend to 4 weeks under certain circumstances (e.g., resource constraints). In addition, RVEs should require no more than 1-3 examiner resources (excluding On-Job Training slots) as RVEs are intended to

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review supervisory issues that are less complex or narrower in scope. Please see Table 4 above for a decision-tree representation of RVE eligibility criteria used to determine if a proposed Verification event can qualify as an RVE.

Step #1 of the RVE Checklist (see description below) must be completed when an RVE approval is sought *outside* the normal supervisory planning process.²³ In this case, a PLG Member or DST Lead, as appropriate, having notified the respective portfolio program Operations Team, must approve the RVE by completing Step #1 to confirm the event qualifies as an RVE. The remainder of the RVE Checklist will be completed by the EIC and stored in ExamSpace upon completion of the RVE.

An approved RVE will be entered in C-SCAPE initially by the LEST as an ECM event. The purpose for this treatment is so that an official ExamSpace record is generated for the event where all workpapers will be stored. All significant drafts and final versions of supervisory products (i.e., RVE Issue Review Template, VOT), meeting minutes, firm MIS, divergent views, and decisions/outcomes outside the formal vetting process are to be included in ExamSpace. Approval and closure of the ExamSpace will follow the same primary and secondary dual approval process described for exams earlier in this operating manual. This will help ensure there is a comprehensive audit trail to support the conclusions of the RVE.

As a Conclusion Memo is **not** required for an RVE, the EIC will instead consolidate and summarize the exam team's findings and conclusions by completing all sections of the RVE Issue Review Template (RIRT) located on the LISCC SharePoint Site under Exam Tools and Templates. The EIC's manager will review the RIRT and all necessary collaboration between the DST and portfolio program will have occurred prior to the vetting. The RIRT will be sent to the vetting participants in advance for their review prior to the vetting.

An RVE Checklist will assist the EIC in ensuring adherence to the RVE requirements, while also serving as a QC tool to promote adherence and consistency in RVE execution across the LISCC Program. Each of the portfolio programs and DSTs will follow their own QC guidelines as described earlier in this operating manual. The RVE Checklist is located on the LISCC SharePoint Site under Exam Tools and Templates and must be completed for each RVE. Table 6 below provides an overview of the deliverables and timelines associated with RVEs.

Table 6: RVE Activities/Deliverables

Remediation Validation Event (RVE):				
A streamlined supervisory activity that can be used to conduct independent verification on open supervisory issues				
ACTIVITY/DELIVERABLE	TIMING	RVE		DOCUMENT REPOSITORY
		Responsible	Approver	
INTERNAL KICK OFF PREP	ECD - 7	EIC	N/A	N/A
INTERNAL PERIODIC CHECKINS	Onsite weeks	EIC	N/A	N/A

²³ The first part of the RVE Checklist is not required when the RVE is approved through the normal annual supervisory planning process as the normal supervisory planning process has its own set of documentation to support RVE eligibility and approval.

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ONSITE MEETING MINUTES	Due 5 days after meeting	EIC	N/A	ES
BEGIN WRITING RVE ISSUE REVIEW MEMO(S)	---	Exam Team	N/A	ES
POST RVE ISSUE REVIEW MEMO(S)	Prior to vetting	Exam Team	N/A	ES
PRIMARY VETTING (EIC/Exam Team, Relevant PLG member, DST Lead/Deputy, Other SMEs as needed)	---	EIC	Relevant PLG	N/A
COMPLETE VOT PORTION OF COMBINED DOF/VOT MEMO TEMPLATE	Within 5 days of meeting	EIC	DST/HTL	ES
SEND SUPERVISORY LETTER TO LOG FOR REVIEW	Letter mail date - 10	EIC	N/A	ES
COMPLETE RVE CHECKLIST AND POST TO EXAMSPACE	Prior to ES certification	EIC	N/A	N/A
PRIMARY APPROVAL - ENSURE COMPLETION OF ALL WORKPAPERS IN EXAMSPACE: EIC SIGN-OFF	Prior to letter mail date	EIC	EIC	ES
SECONDARY APPROVAL - ENSURE COMPLETION OF ALL WORKPAPERS IN EXAMSPACE	Prior to letter mail date	DST/HTL	DST/HTL	ES
SUPERVISORY LETTER SIGNED AND MAILED TO FIRM	Close Date + 60	DST	DST Lead/Deputy	Outlook
POST SUPERVISORY LETTER TO BOND - Signature and posting to BOND evidences approval	Letter mail date + 7	DST/LST	N/A	BOND

Issue Closure

All proposals to close supervisory issues (whether an exam or an RVE) must be vetted by the relevant portfolio program's PLG in collaboration with the DST, and in accordance with the vetting guidelines and the Accountability Matrix described earlier in this operating manual. Either during or following the vetting, the EIC will complete the vetting outcome portion of the combined DOF/VOT located on the LISCC SharePoint Site under Exam Tools and Templates. The approval will depend on whether the issue is an MRA, MRIA, or provision. See the Supervisory Program Cycle and Execution section for details.

For issues approved for closure, the EIC (or Primary Issue Owner, if different) will close the issue in C-SCAPE, as mutually agreed, by providing a closure date, summary comment, and links to supporting documentation in ExamSpace as described above, including a completed RVE Issue Review Template and vetting outcome portion of the combined DOF/VOT. If the organization's corrective action is partially compliant or non-compliant, the EIC (or Primary Issue Owner, if different) will: (a) provide a summary comment explaining the partial compliance or non-compliance with links to reference materials; and (b) remove the issue from PV status (i.e., change the PV selection to "No").

Firms will be notified via Supervisory Letter (or by RVE Issue Closure Template if the event is verified through a RVE) if the LISCC Program considers a supervisory issue closed, partially compliant, or non-compliant within 60 days following the Exam Close Date (end of the onsite period), consistent with the provisions described earlier in this operating manual. The 60-day window also applies to RVEs based on the end of the onsite period. Partial/non-compliant issues will require the firm to provide a revised action plan and a revised Timeframe for Completion, outlining the remediation approach to address outstanding deficiencies. The Primary Issue Owner will be expected to continue to monitor the

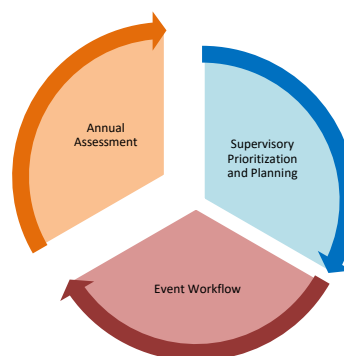
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outstanding issue in accordance with this Supervisory Issues Follow-Up section until the issue is ready for closure.

The EIC will draft the letter for review by both the portfolio program and the DST in accordance with the LOG processes described earlier in this operating manual. The DST Lead/Deputy will conduct a fatal flaw review and is responsible for signing and sending the letter to the supervised firm. The signature on the letter and its subsequent posting to BOND will serve to reflect the review is complete and the letter is both approved and final.

Annual Assessment

The LISCC Program's annual supervisory cycle culminates in the assignment of supervisory ratings for each firm.²⁴ The supervisory ratings assigned to a firm reflect the Federal Reserve's assessment of whether a firm has sufficient financial and operational strength and resilience to maintain safe and sound operations through a range of conditions, including stressful ones. Each firm is assigned three component ratings: capital planning and positions, liquidity risk management and positions, and governance and controls.²⁵ After assigning supervisory ratings, the Federal Reserve sends each LISCC firm an annual assessment letter that brings together supervisory messages issued over the course of the year and identifies common themes (see the "Supervisory Communications" section).²⁶ For state member banks in the LISCC portfolio, CAMELS ratings are also developed for the relevant bank subsidiaries.²⁷



The DST and LISCC portfolio program teams play a critical role in developing supervisory ratings and annual assessment messages for each LISCC firm. The LISCC Program relies on the views of each relevant SC and the DST Co-Chairs throughout the ratings calibration process, culminating in a recommendation to the OC. The OC is responsible for vetting the proposed supervisory ratings and key messages included in the annual assessment. Once approved by the OC Chair, the annual assessment letters are finalized and delivered to each recipient firm, and the firm-specific annual ratings and key messages are communicated by the DST lead examiner during a meeting with that firm's board of directors, with support from the OC Chair or designee(s) as needed.

When assigning a rating and identifying supervisory issues requiring corrective action by a firm, the LISCC Program will also rely, to the fullest extent possible, on information and assessments from other relevant supervisors and regulators. The LISCC Program may also rely on information from a firm's internal audit or internal control functions if those functions perform effectively.

²⁴ See <https://www.federalreserve.gov/supervisionreg/srletters/sr1903.htm>

²⁵ The capital planning and positions rating is assigned in the mid-year, after the annual horizontal exercise (Comprehensive Capital Analysis and Review) and re-evaluated as part of the annual assessment.

²⁶ The Federal Reserve is party to an interagency Memorandum of Understanding with the CFPB. Under the Dodd-Frank Act, the CFPB receives a 30-day comment period to review the governance and controls rating assigned to LISCC firms.

²⁷ For a description of CAMELS ratings, see <https://www.federalreserve.gov/boarddocs/srletters/1996/sr9638.htm>.

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IV. Program Oversight and Controls

Program Metrics and Reporting

To ensure compliance with this the guidance in this Manual, as well as relevant System guidance, in addition to the QC-related activities and checks of core LISCC Program supervisory activities performed (as discussed below), the LISCC Program has metrics and reporting in place to assess adherence. A list of the current supervisory and operational metrics and reporting is listed in the Table C-6 of Appendix C.

Key metrics are reported on a quarterly basis to the OC via the LISCC Quarterly Executive Management Report. Other operational reports are also available within each portfolio program.

The LISCC Program continues to develop, improve, and enhance its measurement, tracking, and reporting capabilities to ensure effective controls and processes are in place to monitor supervisory activity execution and that operations adhere to relevant System and internal guidance.

Program Quality Control (QC)

The LISCC Program Quality Control Framework (QCF) as presented in this section of the LISCC Operating Manual is in effect until the implementation of the OASiS Platform. The platform is expected to include defined quality control (QC) functionality that is embedded within event and issues management workflows. At that time, the LISCC Program QCF will be revisited and revised accordingly.

Structure and Purpose

The LISCC Program Quality Control Framework (QCF) establishes and describes the minimum expectations and structured approach that guide the value-added quality-related checks and reviews that ensure the overall effective and efficient execution of our supervisory activities. Following the QCF should provide confidence that established workflows and processes are being followed and result in both high-quality work products and overall effective issues management that support supervisory outcomes. The QCF is, therefore, explicitly aligned with System expectations discussed in AD 19-5, *Framework for Assessing Oversight of the LISCC Supervisory Program*, and internal LISCC Program standards as outlined in the LISCC Operations Manual.

Consistent with System guidance, this internal LISCC Program guidance defines quality control (QC) as follows:

Quality Control includes all activities designed to ensure that an individual supervisory product, practice, or routine meets established quality standards before continuing to the next phase of the supervisory process. This component focuses on processes and control points embedded within the production chain to ensure the integrity of supervisory products and the consistency of those products across examination teams. Quality Control relates to the entire risk-focused process (e.g., supervisory planning,

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scoping of examinations, pre-examination meetings, workpaper documentation, and supervisory reports/letters) without focusing solely on the final work product.

This is achieved through:

- QC reviews for supervisory events
 - Primarily, all QC reviews are conducted leveraging quality control points within the examination workflow with an EIC review and an independent quality control check by the EIC's manager or other designee
 - For Examinations, specifically, DST-led Examinations, an additional QC review may be conducted by the OOC QC Function utilizing the OOC QC Automated Tool on a sampled basis
- QC reviews of supervisory issues are executed by the OOC QC and utilize the OOC QC Automated Tool²⁸

The QC process is designed to promote the integrity and consistency of LISCC supervisory activities for both events and the management of supervisory issues across all the programs, both horizontal programs and the DSTs. Quality controls are integrated within the end-to-end process workflow, including vetting discussions, Letter Oversight Group (LOG) reviews, various key document approvals and workpaper signoffs, document deliverable trackers, and EIC checklists²⁹, to ensure that the resulting key work products meet LISCC Program expectations for quality and achieve a certain level of consistency that serve as documented support of the execution of our supervisory activities and resultant supervisory outcomes.

Within the LISCC Program, everyone is responsible for quality. We believe that quality supervision is the foundation for ensuring we meet our mission and mandate. LISCC leadership, as described in the Governance section of the Roles and Responsibilities Table below, has oversight responsibility to ensure that the programs, both the horizontal programs and the DSTs, are operating in compliance with this QCF (see Roles and Responsibilities table below).

It is the responsibility of all programs to ensure these control points and quality checks/reviews are effective in maintaining the expected quality of our supervisory products and issues as prescribed in this LISCC Operations Manual. While LISCC Program management are ultimately responsible for ensuring compliance with quality standards, successful QC requires the active commitment, engagement, and participation of all. Therefore, the Horizontal Program and the DSTs are expected to:

- Ensure consistent application of System and LISCC operating standards, primarily through the documented review of supervisory products for supervisory events and issues, leveraging current supervisory event process flows (see QC Approach section below)
- Reinforce quality expectations and hold individuals within the Program accountable for executing supervisory work, both event-driven and supervisory issues management-related activities, that is consistent with LISCC Program expectations and System guidance

²⁸ For additional information, see Supervisory Program Cycle and Execution section, Phase IV – Supervisory Follow-Up and Remediation.

²⁹ Completion of the respective program EIC checklist is mandatory for all examinations except DST-led Examinations (because those may be reviewed using the OOC QC Automated Tool). The EIC checklist includes evaluative content-based questions and is required to include, at a minimum, the questions included in Appendix E, Section E-1 to ensure a review is completed for substantive content quality as well as process compliance for each supervisory document reviewed.

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- Report outcomes of QC reviews to LISCC leadership to ensure the overall adequacy and effectiveness of the QCF, the potential impact of any identified risks, and any proposed actions taken to mitigate those risks. The outcomes of the quality reviews should be leveraged to define any needed corrective and/or preventative actions for remediation or continuous improvement, such as training and issuance of supplemental job aides or procedural instructions, and quality planning.

Roles and Responsibilities

Roles	Responsibilities
GOVERNANCE/OVERSIGHT	
LISCC OC Chair	Establishes a culture within the LISCC Program by demonstrating leadership and a commitment to quality that promotes expectations that are consistent with LISCC Program and System standards.
LISCC OC Chief Operating Officer	Establishes and provides oversight for the QCF: <ul style="list-style-type: none"> • Establishes Program-wide expectations for quality that are consistent with LISCC Program and System standards • Sponsors the development of supervisory event processes and measures that ensure quality at all levels • Sponsors the development and ongoing enhancement of a QCF that supports the delivery of quality supervisory assessments • Leads the discussion with LISCC leadership of adverse trends, as well as ensuring that risk is managed across the LISCC Program
Portfolio Program Co-Chairs and PLGs	<ul style="list-style-type: none"> • Accountable for implementing QC activities that meet the expectations outlined in this QCF • Ensures program resources (1) are available to execute QC reviews and to maintain and improve the elements of the QCF within the program; and (2) are adequate to support Program-wide QC efforts • Responsible for portfolio program quality oversight
DST Co-Chairs	<ul style="list-style-type: none"> • Responsible for oversight of DST-led supervisory events and supervisory issues related work
QC REVIEW EXECUTION	
Exam team member	<ul style="list-style-type: none"> • Responsible for ensuring quality supervisory assessments ex-ante, including documented support for conclusions prior to the delivery to the EIC and/or Manager
Examination/Horizontal Event EICs	<ul style="list-style-type: none"> • Responsible and accountable for ensuring quality supervisory assessments and documented support for conclusions that are aligned with the standards outlined in LISCC Operating Manual • Completes EIC checklist • Addresses any identified gaps in compliance with LISCC operating guidance and identified through EIC Manager QC review and attesting to completed remediation.
EIC Managers – or a designee identified by the respective program (i.e., Operations Lead/Member)	<ul style="list-style-type: none"> • Responsible and accountable for ensuring the EIC fulfills her/his/their responsibilities. Performs QC reviews of supervisory products to ensure they meet established quality standards before continuing to the next phase of the supervisory process.

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Roles	Responsibilities
	<p>Provides feedback when submission falls short of established quality standards</p> <ul style="list-style-type: none"> Provides substantive feedback to ensure the documented work products adequately reflect the supervisory work performed and support the conclusions reached. This is documented via comments within a draft document and saved to ExamSpace Reviews any required re-submission/re-work to ensure feedback was adequately addressed before approval For portfolio programs, EIC Managers or designees have an additional responsibility and must attest within the respective EIC checklist that the required expectations outlined in the LISCC Operating Manual are met, with the added expectation that any instance of non-compliance identified is documented, corrected, and escalated to the respective portfolio program Operations Lead or Team Member for inclusion in LISCC executive reporting when results, in aggregate, exceed stated tolerances as noted below.
Operations Lead/Team Member (for Portfolio Programs, not DST)	<ul style="list-style-type: none"> Complete quality control review if noted as designee for examination-related supervisory products consistent with EIC Manager review Review supervisory open and closed issues, respectfully, in C-SCAPE (MRIAs, MRAs, and provisions) On a quarterly basis, provide a summary overview of completed program-specific quality control reviews noting thematic analysis of results for reporting to Portfolio Co-Chairs and inclusion in LISCC executive reporting Provide program-specific training and assist in the development and rollout of Program-wide guidance or job aids to ensure clarity of requirements to comply with LISCC Program expectations and System guidance Be generally knowledgeable of System and LISCC related operational processes and procedures and have a working knowledge of related platforms such as C-SCAPE and ExamSpace Develop and proactively share lessons learned and best practices from LISCC operational excellence efforts and remedial solutions with OOC and Operations community Based on findings from quality control reviews, recommend and prioritize enhancements to current operating procedures, processes, and systems to promote improved efficiency and effectiveness
OOC QC Specialist	<ul style="list-style-type: none"> Complete quality control reviews of DST supervisory products Review DST-owned supervisory open and closed issues, respectfully, in C-SCAPE (MRIAs, MRAs, and provisions) Provide training and develop and socialize OOC-created job aids with staff to ensure clarity of requirements to comply with LISCC Program expectations and System guidance Be generally knowledgeable of System and LISCC related operational processes and procedures and have a working knowledge of related platforms such as C-SCAPE and ExamSpace

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Roles	Responsibilities
	<ul style="list-style-type: none"> • Develop and proactively share lessons learned and best practices from LISCC operational excellence efforts and remedial solutions with OOC and Operations community • Based on findings from quality control reviews, recommend and prioritize enhancements to current operating procedures, processes, and systems to promote improved efficiency and effectiveness • Leverage MIS reports and associated metrics to identify levels of compliance with LISCC Program requirements
OOO QC Function Manager	<ul style="list-style-type: none"> • Manages execution of the LISCC OOC QC Program, consistent with expectations described in AD 19-5 • Ensures LISCC OOC QC Specialists have well-developed knowledge of supervisory processes, practices, and products • Shares insights with team members to ensure team activities are appropriately integrated and aligned with LISCC Program expectations and System guidance • Works collaboratively with internal and external stakeholders to ensure strong business relationships

QC Examination/Event Approach

Each portfolio, including the DSTs, should follow the following QC guidelines:

Quality Control Approach

Primarily, all QC reviews are conducted within each program, including each DST for DST-led Examinations, leveraging quality control points within the supervisory event workflow, with an EIC review and an independent quality control check by the EIC's manager or other designee.

Although all work products should be reviewed, the depth and breadth of review depends on factors such as the nature of the work and its relative importance to the overall supervisory event objectives. Professional judgment must be exercised. The clarity of the work product should be such that a Federal Reserve examiner or LISCC Program member unfamiliar with the work could readily understand it. The work product should have the necessary qualities of completeness, clarity, conciseness, and thoughtful analysis for a qualified reviewer to determine its relative value in support of conclusions and assessments reached.

All documentation evidencing supervisory event work product review by EIC, manager (or designee), and/or QC Specialist should be saved as a supplemental workpaper within ExamSpace. At a minimum, this includes draft versions reflecting substantial edits and commentary made by designated reviewers.

Portfolio Program QC Approach: In addition, for portfolio programs, EICs and the EIC's manager (or designee) are required to complete the respective EIC checklist for that portfolio program, including all evaluative content-based questions. This is to ensure the review covers both substantive content quality and process compliance for each supervisory work product reviewed. This should also be saved as a supplemental workpaper within ExamSpace.

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The EIC checklist established for each program is completed by EIC to ensure all required supervisory expectations are met and workpapers are complete. Each program's EIC checklist contains, at a minimum, the QC review items to ensure alignment with System expectations as described in AD 19-5, as amended or updated. Refer to Appendix E, Section E-1: Required QC Review Items for required QC review items and Appendix E, Section E-2: Portfolio Program EIC Checklists for portfolio program EIC checklists. The EIC should document and provide feedback to the examiners on any gaps in compliance with LISCC operating guidance that was identified in the QC review.

After the EIC's completion of the EIC checklist, the manager, or stated independent designee, will complete a review of the EIC checklist and related work products. The manager, or stated designee, will provide an approval/sign-off on the EIC checklist to attest the QC review within the supervisory event process workflow is consistent with expectations described in the QCF, and all substantive feedback has been addressed. All QC review activity to ensure completeness, accuracy, and compliance with LISCC Program expectations and System guidance should be completed within the conclusion phase of the examination, before the final approval date as reflected on the supervisory work product, with certain items reviewed prior to vetting and other items reviewed prior to the supervisory letter being provided to the financial institution. Refer to Appendix E, Section E-3: Pre-Vetting QC and Pre-Supervisory Letter Mail Date QC Review Requirements for additional information.

QC Approach for DST Supervisory Events: In addition, an additional review may be performed by the OOC QC Function on a sampled basis for supervisory processes and event documents executed by the DSTs. The supervisory event documents³⁰ submitted to OOC QC are generated by the DSTs for DST-led Examinations.³¹ OOC QC will also review other types of supervisory letters that are generated by the DST outside of the supervisory event process (i.e., MRIA/MRA quarterly status reports). Procedures for which event documents to submit, submission timing, and how to use the QC Automated Tool are provided in Appendix E, Section E-4: OOC QC Automated Tool Procedures.

Exceptions/Escalation/Accountability

The timely QC review of work products and subsequent discussion/communication of feedback about them with the individual who prepared them is important.

A QC exception is an item that was reviewed that fails to reach a satisfactory standard/expectation that also might require additional information or investigation. All identified QC exceptions must be addressed by the EIC/examiner within the supervisory work product prior to the EIC/EIC's manager approving the product (as reflected by the final approval date on the supervisory work product). These substantive draft versions that incorporate EIC or Manager feedback, as well examiner and EIC response/re-work, should be posted along with the final draft to ExamSpace and/or BOND. A final and

³⁰ Examiners should always use the LISCC templates from the LISCC -- Exam Tools and Templates (frb.gov) site when creating a new document.

³¹ Refer to Supervisory Program Cycle and Execution section, Supervisory Events, for more information on event types.

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completed EIC checklist that includes responses to the evaluative content-based questions should also be posted to ExamSpace.

Should a specific work product that is reviewed, or multiple work products for one supervisory event, have a higher-than-expected volume of exceptions, the EIC's manager in her/his/their feedback may require re-work and re-submission of work product(s), and may also consider this feedback as a performance-related area for improvement /development for the individual (EIC and/or examiner).

To ensure feedback is addressed for supervisory event work products, acknowledgment by the examiner or EIC (depending on the work product under review) that the feedback has been addressed should be sent via email to the EIC or EIC's manager, or other designee or for DST-led Examinations (i.e., through the QC Automated Tool to a QC Specialist). Emails will serve as a supplementary workpaper and part of the ExamSpace record.

If there is disagreement between QC Specialist or the individual performing the QC review and the examiner/EIC, and such feedback is not incorporated (i.e., the examiner/EIC disagrees), an acknowledgement email should be sent noting disagreement and rationale for not incorporating the feedback. If the QC Specialist or individual performing the QC review disagrees with the acknowledgment rationale, a follow-up discussion should be scheduled to determine if clarification of additional facts provided addresses feedback or if further re-work/re-submission is needed. If there are questions regarding LISCC Operating Manual-related expectations or other System guidance, please consult with OOC Operations or LISCC QA. The final determination in cases where no agreement can be achieved will be made by OOC Operations and this will be documented using the Divergent View Template and distributed to the parties via email. The EIC will post the determination email and completed template to ExamSpace as a supplementary workpaper and part supervisory event record.

As workflows become more automated through the development of OASIS, the ability to identify, measure, and monitor exceptions should be enhanced and will continue to evolve over time. As such, the ability to ensure accountability of individuals and mechanisms to hold individuals accountable should also evolve and improve.

Tolerance

While we endeavor for all our work products to be of the highest quality, we understand that there are inherent tradeoffs to fully and consistently achieving 100% conformance to quality in all instances without exception. As such, we acknowledge in the QCF there is some risk acceptance on the part of LISCC leadership needed to achieve both timely communication of supervisory assessments to the supervised LISCC firm's senior management and optimal use of limited LISCC resources.

As such, an acceptable tolerance level is set to achieve a level of quality for a considerable proportion of the population by work product and issue, while not systematically compromising the overall quality and efficiency of documenting and delivering supervisory outcomes.

The tolerance rate reflects the rate of exceptions that LISCC leadership would like to show is not exceeded in the population. Any negative performance relative to such a threshold may indicate a pervasive rather than isolated matter that could impact the overall quality of supervision and adequacy of the supervisory process and/or QCF, and trigger further discovery, discussion, and/or action, as needed.

The acceptable tolerance level for reporting compliance exceptions for any additional reviews performed by the OOC QC Function on a sampled basis for supervisory processes and event documents generated by the DSTs (i.e., for DST-led Examinations) is limited to 15%.

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The additional QC tolerances introduced and established below are currently standard and qualitative in nature. However, these tolerances are expected to be enhanced and will evolve over time with the availability of additional quantitative and qualitative data, and as more quality reviews are completed. QC tolerances are always subject to review and revision and may be adjusted, accordingly, to achieve a level of quality expected by LISCC leadership.

Event-Driven Reviews (Sampling and Coverage)

The selection of supervisory work products for review will primarily be event driven (i.e., all key documents³² will be reviewed through-the-workflow, beginning to end, for the supervisory events sampled).

Currently, event review and utilization of sampling for additional review may vary. Expectations for coverage and, if applicable, additional sampling review, are as follows:

- All events will be reviewed by both the EIC and the manager, or stated designee (as discussed earlier)
- The QC review is documented via a completed EIC checklist and should be stored as a supplemental workpaper within ExamSpace. All exceptions should be identified and confirmed as addressed within the EIC checklist.
- There is an additional review of DST-led Examinations by OOC QCS, who will work with the DST deputies to pre-identify a judgmental sample of DST-led events for QC review. OOC QC will strive to review a minimum of 25% of supervisory events per quarter.
- When sampling is utilized, it is judgmental and risk-based, taking into consideration, at a minimum, significant policy changes, current work products and assessments quality, EIC/examiner experience, scope complexity, criticality/risk to the firm of business area to be examined, and any outstanding programmatic findings.
 - Initial sampled events may adjust as supervisory plans may be adjusted throughout the year. Rationale for each quarterly sample derived on a judgmental basis for QC reviews should be documented and stored in the respective portfolio program or OOC QC workspace.
 - The key limitation with judgmental sampling is that the resulting conclusions cannot be extrapolated statistically to the entire population. However, the reviewer can identify specific issues and other weaknesses.
 - In evaluating the sample, the reviewer should consider the nature and severity of previous exceptions and the risk to the LISCC Program. The sample should be established to help identify the root cause of exceptions, including whether exceptions have a common attribute or result from a deficient practice.
 - Judgmental sampling rationale will be documented each year in an OOC QC sample methodology memo that will be kept on the OOC QC page of the LISCC SharePoint site or each portfolio program's respective SharePoint site (as the case may be).

³² Key documents include scope memo, entry letter, examiner and EIC conclusions memos, disposition of findings/vetting outcome template, relevant workpapers (including meeting notes as applicable), supervisory letter

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- Through the course of both QC review approaches, sometimes the QC reviewer may identify potentially significant weaknesses within the supervisory event process or other indicators of potentially systemic deficiencies. When this occurs, the respective program should have an opportunity to review the identified exceptions, respond regarding the factual accuracy of the QC assessment, and determine root cause. If it then confirmed that the exceptions identify a deficient practice, especially if the exceptions are systemic in nature, these identified exceptions should be highlighted within the reporting for discussion with program management.
- The aggregate QC review results (or other external reviewer feedback) may also indicate the need to expand a sample and test more work products. As such, additional and/or expanded reviews may be warranted.

Reporting/Accountability

Each portfolio program and the DSTs should include reporting on the overall quality of supervisory work and compliance with LISCC Program expectations and System guidance based on its periodic quality-related review activities. At a minimum, each portfolio program is required to summarize the results from its QC review process (i.e., key supervisory products reviews), reflecting themes, trends, and gaps, and when possible, to identify root causes for systemic exceptions observed along with actions to remediate any substantive exceptions (such as additional guidance and/or training, product specific reviews, or additional accountability measures). When data is available, report results should be included and benchmarked relative to the stated QC tolerance level(s).

The results of the QC reviews from each program, as applicable, should be provided by the program operations teams to the OOC QC Team each quarter, to be aggregated with the DST QC results, and collectively provided to LISCC leadership in the quarterly LISCC OC Executive Management Report. Co-Chairs, including DST Co-Chairs, will be asked to address exception themes within their respective portfolios.

QC-related data and reporting are expected to be enhanced and will continue to evolve over time with the availability of additional quantitative and qualitative data, and as more quality reviews are completed.

QC Supervisory Issues Management Approach

Approach

QC will be performed on a sample of supervisory issues (MRAs, MRIAs, and Provisions) each quarter to ensure completeness, quality, and timeliness of quarterly issue status updates within C-SCAPE, or any successor application. These reviews will be performed by the OOC and documented for all portfolio programs and DSTs in the OOC QC Automated Tool.

Per the Phase IV – Supervisory Follow-Up and Remediation section of this Manual, the Primary Issue Owner is responsible for the overall quality, completeness, and accuracy of the C-SCAPE record and the Secondary Issue Owner is accountable for ensuring that C-SCAPE record meets the requirements outlined therein.

Exceptions

Like event-driven QC review, all QC exceptions must be addressed in a timely manner within C-SCAPE and the corresponding attestation must be completed via the automated QC Acknowledgement link.

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The QC Specialist or the individual performing the QC review must be notified via email if the Primary Issue Owner disagrees with such feedback and be provided with a rationale for the disagreement. Any portfolio program and/or the OOC reserves the right to review reporting via the QC Automated Tool to identify individuals who did not complete the attestation process and escalate to program managers for timely action and accountability.

If the QC feedback is not incorporated (i.e., the Primary (or Secondary) Issue Owner disagrees), an acknowledgement email should be sent noting disagreement and rationale for not incorporating the feedback. If the QC Specialist or the individual performing the QC review disagrees, a follow-up discussion should be scheduled to determine if clarification of additional facts provided addresses feedback, or further re-work/re-submission is needed. If there are questions regarding LISCC Operating Manual-related expectations or other System guidance, please consult with OOC Operations or OOC QC. The final determination in cases where no agreement can be achieved will be made by OOC Operations with a decision memo included in the OOC QC page of the LISCC SharePoint site or each portfolio program's respective SharePoint site (as the case may be).

Refer to QC Examination/Event Approach Exceptions section for additional information.

Tolerance

The LISCC Program-wide tolerance for quality of comments or operational QC exceptions for open supervisory issues is 20%. LISCC Program exceptions are expected to fall below this established level. This Program-wide acceptable risk tolerance level will be reassessed periodically based on performance trends. Refer to QC Examination/Event Approach Tolerance section for additional information.

Supervisory Issues Reviews (Sampling and Coverage)

Quarterly review will entail the following:

- QC samples will include all issue types (MRAs, MRIAs, and Provisions) in all status categories (Open Issues not PV, Open Issues PV, Closed issues, and Provisions with the Compliance status options (e.g., in-progress, full compliance))
- Each QC program should strive to review **at least 25%** of the respective program's supervisory issues in C-SCAPE each quarter.

Refer to QC Examination/Event Approach Reviews (Sampling and Coverage) for additional information.

Reporting/Accountability

Like event-driven QC review, OOC QC Team provides aggregated results of issues related reviews to LISCC leadership for inclusion in the quarterly LISCC OC Executive Management Report. Reporting includes assessments related to the quality of comments, judgmental determination of root/causes, and significance of any underlying issue(s).

Refer to QC Examination/Event Approach Reporting/MIS section for additional information.

Program Quality Assurance (QA)

The LISCC QA function seeks to promote an environment of quality and independently verify that the LISCC supervisory program is following established standards and processes. QA's mission is in

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alignment with, and helps support, the LISCC Program's overall mission, which is to promote the resiliency of systemically important firms and minimize the impact that their material distress or failure may impose on the broader financial system. By fulfilling its mandate, the LISCC QA program helps ensure the LISCC supervisory program is functioning effectively and efficiently.

LISCC QA reports to the Deputy Director of the Supervision Group. The Deputy Director provides strategic direction and guidance to QA and in doing so relies on input from the Quality Management Advisory Committee, comprised of leadership from the Operating Committee, Portfolio Programs, Dedicated Supervisory Teams, and Reserve Bank Heads of Supervision.

LISCC QA liaises closely with the LISCC Portfolio Programs and DSTs in understanding their business operations, priorities, and constraints; shares perspectives related to quality standards and processes; and establishes open and transparent relationships. Its objectives include the following:

- Establish, maintain, and execute a framework that provides the Deputy Director and LISCC program leadership with an understanding of the performance of the LISCC supervisory program, including its processes to ensure compliance with relevant System guidance.
- Plan and conduct risk-focused QA reviews that independently verify that established quality standards and processes are consistently followed and applied through the LISCC supervisory program.
- Communicate the results of risk-focused QA reviews to the Deputy Director, LISCC program leadership and staff, share insights and best practices on the processes being followed during the execution of the LISCC program, and focus their attention on areas in need of improvement.
- Serve as a liaison for LISCC supervisory programs and external oversight bodies (e.g., LISCC Oversight Section, GAO, OIG).
- Facilitate and engage in a two-way communication with the Quality Management Advisory Committee on a quarterly basis to share information related to oversight activities, reviews, resultant findings and performance metrics; and seek direction, guidance, and feedback as necessary.
- Conduct post-employment reviews on behalf of the LISCC program to ascertain whether an employee compromised examination findings, supervisory proceedings, assessments, or ratings due to his/her pending employment with an institution.
- Maintain a tracker with an up-to-date status on all open internal and external review findings issued to the LISCC program and manage related performance metrics aimed at driving discussion and accountability amongst key stakeholders, including program leadership and staff.

Divergent Views

Supervisory outcomes are strengthened through the sharing of viewpoints and debating ideas, as discussed in AD 17-7, *List of Guiding Principles and Suggested Practice for the Divergent Views Framework*. LISCC expectations surrounding divergent views are available in the LISCC Program Divergent Views policy.

Examiners are expected to share supervisory matters, including views and concerns, throughout the exam in ongoing communication within the exam team and with the EIC, and document them in the examiner Conclusion Memo.

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The EIC is made aware of examiner divergent views through ongoing communications with the exam team, and the review of examiner Conclusion Memos in which each examiner documents her/his/their conclusions and proposed issues. The EIC tracks the evolution of proposed supervisory issues from examiner to EIC in the DOF memo, which documents viewpoints that were considered during the examination and review process.

The EIC ensures 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 the appropriate parties, such as PLG, HTL, and/or DST to resolve matters that can be addressed, wherever possible, in advance of the vetting
- Documenting significant differences of opinion or viewpoints in the Conclusion Memo and the DOF portion of the combined DOF/VOT for consideration during the vetting. Divergent views that occur during the vetting are to be included in the vetting outcome portion of the combined DOF/VOT

If an examiner believes that their views are not considered properly, the examiner:

- Ensures the examiner summary of findings clearly documents her/his/their views
- Expresses the view(s) during the vetting process outlined in this document
- May communicate the views to the PLG at any time
- Complete the Divergent Views Template and share with the program Operations Lead
- May raise the material divergent view to the Independent Channel Point of Contact

Information Security

Information security is critical. Improper data handling could lead to the inappropriate disclosure of confidential supervisory information, a negative impact on supervised firms, and reputational risk for the Federal Reserve. Supervisory staff must adhere to policies and procedures for information security, in particular those associated with Information Classification and Handling, Data Loss Protection, and AD 15-3, *Security Requirements for Microsoft Office Documents*.

Examiners should share information internally by using hyperlinks to the files posted to ExamSpace, as opposed to including documents as attachments. E-mails to firms must be marked using the appropriate information security classification. E-mails to firms on the Transport Layer Security (TLS) Connections list are to be classified using the "Secure External" Delivery option.³³ All email communications to other regulators are marked "Secure External."

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 are never shared with firms.

³³ 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.

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Supervisory Platforms

THE LISCC SUPERVISORY PLATFORMS PRESENTED IN THIS SECTION ARE IN EFFECT UNTIL THE IMPLEMENTATION OF THE OASIS PLATFORM. SUBSEQUENT TO THE IMPLEMENTATION OF OASIS, A NUMBER OF THE PLATFORMS LISTED BELOW WILL BE ARCHIVED. AT THAT TIME, THIS SECTION OF THE LISCC OPERATING MANUAL WILL BE REVISITED AND REVISED ACCORDINGLY.

The EIC, referring to the individual responsible for leading an overall examination, is responsible for ensuring the event is entered correctly into C-SCAPE, as well as ensuring that the examiners assigned to the event are booked in C-SCAPE accurately and have access to ExamSpace.

Below provides information on each supervisory platform and its role specific to the LISCC programs.

For additional information on examination infrastructure for Examinations and Horizontals refer to Table C-2 in Appendix C.

BOND

BOND is the automation platform for sharing supervisory information among Reserve Banks and with other federal/state banking regulatory agencies. For the LISCC program, the following final 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: Scope Addendum, Extension Requests/Approval Letters
- Enforcement Actions:
 - Board staff memos
 - Enforcement action itself
 - Any related correspondence to and from the firm
 - Scope memo and related correspondence for any EA-related exam

*LISCC Program-wide BOND expectations can be found **[Redacted: hyperlink]** and information on the BOND application is available **[Redacted: hyperlink]**.*

C-SCAPE

C-SCAPE is the primary internal event management tool. Once an event is approved, LEST will enter the initial event information in C-SCAPE. After resources are entered into C-SCAPE, which may be at a later time (with the assistance of the EIC and/or the respective program Operations Team), their time commitment automatically prepopulates ROAM-T, the primary tool for tracking staff time sheets across the Federal Reserve.

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The name of an event is to be consistently applied throughout the event (C-SCAPE, workpapers, MIS, etc.). If exam staffing changes, the EIC is responsible for ensuring C-SCAPE is updated and the program Operations Team and LEST are informed, as appropriate, and LEST will execute the C-SCAPE entries.

C-SCAPE also serves as a central location for managing supervisory issues, including MRIAs, MRAs, and provisions of EAs. Details on issues management can be found later in Supervisory Follow-Up and Remediation section.

Additional C-SCAPE information, including how to request access, can be found [Redacted: hyperlink]. LISCC Program C-SCAPE Data Entry Responsibilities Guidelines can be found [Redacted: hyperlink]. C-SCAPE Training and User Help Information can be found [Redacted: hyperlink].

Program-Specific SharePoint Sites

A program-specific SharePoint site may be used for storing and sharing **pre-planning documents only** for examinations and reviews prior to the generation of an LFI ExamSpace event (must be transferred over to LFI ExamSpace once generated). This incorporates all work done as part of supervisory planning including, but not limited to, staffing assignments and any documents created in support of scope development. SharePoint site access is driven by SharePoint rosters that correspond to DST and horizontal teams.

Each of the respective program Operations Teams is responsible for ensuring their respective SharePoint access rights are maintained such that only staff actively participating in a specific examination have edit rights to the associated documentation stored in the related SharePoint library.

A SharePoint site can also be a repository for storing program-related information that is not exam-related and, therefore, cannot be stored in ExamSpace. The program Operations Team is responsible for creating the appropriate storage libraries and maintaining access lists within each SharePoint site.

For questions on SharePoint sites, please contact the relevant program Operations Team.

LFI ExamSpace

Per AD 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 Examination and Horizontal events (umbrella event and sub-events pushed to DSTs), as well as RVEs.

Examiners 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. All analysis, assessments, and supporting work papers related to examinations led by Federal

For an LFI ExamSpace overview, including its IntraLinks connection, user guides, FAQs, training presentations, and Reserve Bank contacts, please see the LFI ExamSpace Information Center.

For specific questions about LFI ExamSpace, examiners can contact the individuals listed in the above link for their specific district.

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Reserve examiners are to be maintained in LFI ExamSpace. Work papers are not to be stored on other applications, databases, or shared drives, unless required by System guidance (e.g., NIC Letter 1601, AD Letter 13-21, etc.)

For the majority of participation events where the Federal Reserve team members do not include any additional scope objectives or do not disagree with the conclusions and/or findings from the other agency, the participating examiner(s) is/are responsible for creating a conclusion/summary document and posting it in LFI ExamSpace. Supervisory staff member(s) are also responsible for maintaining electronic messages, including emails, instant messages, and Teams chats with related LISCC documents and data.

IntraLinks

If the examination requires that firm(s) submit documentation, examiners must use IntraLinks and LFI ExamSpace. IntraLinks is a secure cloud-based service 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 in LFI ExamSpace within a couple hours of the firm 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 Supervision Team Site Support Office (STSSO) **[Redacted: appropriate email]** for assistance.³⁴ Ultimately, the EIC is responsible for ensuring documents received align with Entry Letter expectations.

It is important to set up the Document Properties in ExamSpace before the firm begins submitting files so the files take on the metadata values the exam team needs. For example, if Objective 1 corresponds to Internal Audit (IA) files, set up the Document Properties for Objective 1 in ExamSpace to reflect IA. When the firm uploads the files to Objective 1 in IntraLinks, the information will automatically be marked as IA in ExamSpace. The Document Properties can be changed after the firm submits the files, but it is easier and quicker to set up the metadata tagging before the firm starts submitting the documents.

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 Reserve Bank contact listed on the [LFI ExamSpace Information Center](#).

IntraLinks Exchange Setup

Once an event is recorded 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

³⁴ For urgent issues, call the National Service Desk at (888) 881-8001.

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the firm(s).³⁵ To ensure firms can submit documents to the IntraLinks exchange, the Entry Letter appendix includes instructions to the firm, as described in the Entry Letter template.

ROAM-S

ROAM-S³⁶ is an additional scheduling tool that is integrated with C-SCAPE and ROAM-T.

APPENDIX A: Additional LISCC Program Policy Links

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

Universal LISCC Program Policies

[Access Controls](#)
[BOND Requirements](#)
[Divergent Views](#)
[Enforcement Actions Operating Manual](#)
[Examination Workpapers Requirements for Participation on Other Agencies' Exams](#)
[LFI Supervision Operating Manual](#)
[MAP Operating Manual](#)
[Meeting and Calendar Management](#)
[OOC Operating Manual](#)
[Reserve Bank S&R Recordkeeping Manual](#)
[RRP Title I Processes and Protocols](#)
[Security Incident Management](#)
[Sharing CSI](#)
[Supervisory Planning](#)
[Supervisory Program Lifecycle](#)

APPENDIX B: LISCC Program Acronyms

The following acronyms are used throughout the LISCC Program Operating Manual (and tools/templates):

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
CAMELS	Composite safety and soundness rating based on six components: Capital Adequacy; Asset Quality; Management; Earnings; Liquidity; and Sensitivity to Market Risk
CAMEO	Composite safety and soundness rating specifically for Edge corporations and overseas subsidiaries and branches of U.S. banks. Similar to the CAMELS rating, but

³⁵ A best practice is to set up the document properties in ExamSpace before the firm begins submitting files so that the files can be tagged with the appropriate metadata.

³⁶ See AD 14-7/CA Admin 14-5, *Implementation of Resource Optimization Activity Manager (ROAM)*. This letter transmits the Standards for Entering Information in Resource Optimization Activity Manager – ROAM-Scheduling (ROAM-S) (ROAM-S Standards Guide).

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	Operations and Internal Controls is substituted in place of Liquidity and Sensitivity to Market Risk (a review of liquidity will still be performed, as necessary, in accordance with the “CBEM”).
CBEM	Commercial Bank Examination Manual
CCAR	Comprehensive Capital Analysis and Review
CFP	Contingency Funding Planning
CLAR	Comprehensive Liquidity Analysis and 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
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 Business Lines
MOECA	Composite fiduciary activities rating based on five components: Management Ability; Operations, Internal Controls, and Auditing; Earnings; Compliance; and Asset Management
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
OOC	Office of the Operating Committee
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

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SNC	Shared National Credit
SR	Supervision and 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
UITRS	Uniform Interagency Trust Ratings System (see “MOECA” above)
UFIRS	Uniform Financial Institutions Rating System (see “CAMELS” above)
URSIT	Uniform Rating System for Information Technology

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APPENDIX C: Additional Information/Tables

Table C-1: Universe of Program Exam Activities/Deliverables (Examinations and Horizontals)

Activities/ Deliverable	Overview
Exam Preparation - Phase 1	Generally, the pre-examination period begins 8-12 weeks before the exam commencement date.
Infrastructure Preparation	After a proposal is approved, the EIC notifies the primary contacts/relevant exam support for the designated firm(s) to begin preparing all internal infrastructure platforms (i.e., SharePoint, C-SCAPE, IntraLinks, and the LFI ExamSpace application) and documentation templates in support of the examination.
Scope Memo	Scope memos detail the body of work necessary to complete the examination and must be approved by the appropriate PLG member at least 50 calendar days before the exam commencement date. ³⁷
Work program	EICs may create a work program to help guide and document examiner conclusions. If created, the draft of the completed work program is due no later than 7 days following the close of the onsite/virtual review core assessment, unless otherwise directed by the EIC.
Entry Letter	Entry letters are drafted using the approved Scope Memo as the primary input. Letters must be sent to the firm(s) such that the firm is provided at least 30 calendar days to respond before the exam commencement date, and the final letter must be posted to the Banking Organization National Desktop (BOND) and LFI ExamSpace at least 30 calendar days before the exam commencement date. The letter is to be reviewed by the DST and approved by the DTL prior to sending it to the firm and it is recommended that the letter be provided to the DST in enough time prior to the exam commencement date to give the DST three business days to review, plus whatever preparation time may be needed for the examination team before the commencement date upon receipt of the requested materials from the firm (e.g., if the exam team requires a one-week prep period, the letter should be provided to the DST 42 days prior to the exam commencement date).
Firm Documentation Submissions (Entry Letter responses)	Firms submit supporting examination documents to IntraLinks, as outlined in the Entry Letter, typically one week before the exam commencement date. Files from IntraLinks flow to LFI ExamSpace. The EIC notifies exam staff that materials are available for review and conducts a completeness check.
Internal Kick-Off Meeting	Members of each examination team and the relevant PLG member are invited to an internal kick-off meeting to discuss the scope, logistics, and the firm's documentation submission typically one week before the exam commencement date. This meeting is a recommended best practice, and no documentation is required for this meeting.
Exam Execution – Phase 2	The kick-off meeting with the firm(s) typically marks the official examination commencement date or first day of onsite work. Examiners must follow the procedures outlined in this section in executing the onsite portion of the examination. This section covers program expectations for communications and information sharing, meetings, internal deliverables, and divergent views in order to ensure consistent, high-quality exam execution.
Kick-Off Meeting with Firm(s)	Kick-off meetings are held with each firm, typically on the exam commencement date, to conduct introductions, and discuss exam objectives and logistics. Program-

³⁷ The exam commencement date 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).

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	based EICs are to work with the DSTs to schedule these meetings. Although kick-off meetings are encouraged, the examination team may accomplish the goals of a kick-off meeting in another way.
Meeting Minutes	As a best practice, examiners are to document key external/internal meetings within 5 days of the meeting, but not later than the close date of the onsite/virtual review core assessment for external meeting minutes and the workpaper approval date for internal meeting minutes.
Soft Close Out Meeting with Firms	EIC is required to conduct a soft close out meeting with the firm at the end of the onsite/virtual core assessment period to communicate that the onsite/virtual core assessment work has concluded and to seek clarifying information to support preliminary conclusions and supervisory findings, and to identify any potential areas of concern.
Examiner Conclusion Memo	The examiner Conclusion Memo documents the examiner's overall conclusions for the assigned scope objectives. If there is one, the work program is an input into the examiner Conclusion Memo, which is an input into the EIC Conclusion Memo. The examiner Conclusion Memo draft is due no later than 7 days after the last day of the onsite/virtual core assessment review unless otherwise directed by the EIC. Exceptions are to be documented. All proposed supervisory findings stemming from examiner Conclusion Memos must be input into the DOF template as well as the EIC Conclusion Memo. Each examiner is to complete an examiner Conclusion Memo unless the Scope Memo dictates that two or more examiners working on the same objective will jointly complete one examiner Conclusion Memo. In that case, the examiner is to complete a designated section and identify himself/herself/themselves as the author. This must be finalized before the vetting.
Exam Conclusion - Phase 3	Examination conclusion begins after the last day onsite. Examiners finalize their examiner Conclusion Memos, allowing the EIC to put together her/his/their EIC Conclusion Memo and begin the DOF 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. The HTL will approve the exam Conclusion Memo and the DOF memo. Once vettings are completed, divergent views recorded, and the evolution of findings captured in the VOT and DOF memo, the EIC will work with the relevant approving PLG member 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.
DOF/VOT	The EIC will prepare the DOF portion of the combined DOF/VOT to track proposed MRAs, MRIAs, assessments, ratings, and other supervisory recommendations as they evolve from the examiner Conclusion Memos to the EIC Conclusion Memo. The DOF portion of the combined DOF/VOT must be final and shared 2 days before the vetting.
EIC and Aggregate Conclusion Memo	The EIC Conclusion Memo summarizes examination results and is the basis for vettings and Supervisory Letter development. The memo draft is due no later than 21 calendar days after the onsite/virtual core assessment work completion and is to be approved by the DTL assigned to a Horizontal event for a program-led exam and DST Deputy or DST Lead for Examination events where the EIC is a DST member. The EIC Conclusion Memo should be finalized and shared at least two days prior to the vetting.
RVE Issue Review Template	The RVE Issue Review template documents the examiner's rationale in support of the closure or non-closure of the issue(s) reviewed via an RVE.
Examination Vetting	Examinations require one vetting. Required attendees include the relevant PLG member, DST Lead, DST Deputy, and the EIC. Optional attendees include the exam

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	<p>team, HTL, and DTL. The EIC is to check with the respective program Operations Team to determine if a presentation deck is required for the vetting. The EIC is responsible for completing the vetting outcome portion of the combined DOF/VOT.</p> <p>A Horizontal will require it's own vetting where required attendees include the EIC, SC, DST Lead, DST Deputy, and PLG. Optional attendees include HTL and DTL.</p>
DOF/VOT	The vetting outcome portion of the combined DOF/VOT reflects the outcomes, decisions, and divergent views for each vetting. The EIC completes the vetting outcome portion of the combined DOF/VOT immediately following the vetting (no later than five days), and after management review, posts the final combined DOF/VOT to ExamSpace.
Workpaper Documentation Completed	All final workpapers are to be uploaded to ExamSpace and approved by the EIC and DTL or DST Deputy, depending on if it the Examination EIC is from the portfolio program or the DST (Horizontals will be approved by the DTL), prior to sending out the Supervisory Letter.
Close-Out Meeting with Firm(s)	Formal close-out meetings are held with each firm within 60 calendar days of core examination onsite/virtual work completion. The letter is typically delivered after the close out meeting.

Supervisory Communication, Follow-Up, and Remediation	
Issues Management	After an examination is closed and supervisory feedback is sent to the firm, the EIC is to work with a LEST member to input issued findings (if applicable) into C-SCAPE and conduct any follow-up work as necessary.
Supervisory Letter	Supervisory letters are developed by the EIC and DST lead(s) and are approved by the relevant PLG member. All Supervisory Letters follow the LOG process, described separately. Letters are sent within 60 calendar days of the last day onsite and posted to BOND no later than 7 calendar days after the mailing date. Liquidity Supervisory Letters are sent to Board legal for a final review.
C-SCAPE Update	For information on C-SCAPE data entry please refer to the C-SCAPE Data Entry Responsibilities on the LISCC SharePoint site. [Redacted: appropriate URL]
Firm's Response Letter	Firm(s) are required to provide a remediation plan in response to identified supervisory issues within 45 calendar days upon receipt of the Supervisory Letter. A response may not be necessary if there are no new supervisory issues cited.
Acknowledgement Letter	The exam team is responsible for reviewing the firm(s)-submitted remediation plan and replying via an Acknowledgment Letter within 30 calendar days of receipt. Acknowledgement letters are approved by the HTL in coordination with the DST.
Infrastructure Updates	Final Scope Memo, Entry Letter, Supervisory Letter, firm response letter, and Acknowledgement Letter are uploaded to BOND.
Link to all Examination Templates*	LISCC Program Exam Tools and Templates includes all national templates.

** Templates will only be revised by the OOC on a limited basis as needed. Each Program is expected to use the national templates.*

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Table C-2: Infrastructure for Examinations and Horizontals

Platform	Purpose	Responsible Parties
BOND	The automation platform for sharing supervisory information among Reserve Banks and with other federal/state banking regulatory agencies.	EIC and DSTs (for supervisory communications with the firm) are responsible for, but may work with/rely on exam support, to ensure BOND records are completed and up to date for each event (Examination 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. While not explicitly an examination, an IDR will be entered into C-SCAPE as an RCM-IDR so that an LFI ExamSpace database is automatically initiated, similar to other examination types.	For more information on C-SCAPE data entry please refer to the C-SCAPE Data Entry Responsibilities on the LISCC SharePoint site. [Redacted: Hyperlink to C-SCAPE Data Entry Responsibilities]
Program-specific SharePoint Site	Working site where pre-planning exam materials can be stored prior to LFI ExamSpace event creation or Program-specific VOT documentation. The use of a SharePoint site outside of LFI ExamSpace should be very rare and on an exception basis. ExamSpace should be available for use early in the examination lifecycle.	EIC may use the program-specific SharePoint site to store any pre-planning work if LFI ExamSpace is not ready at the time of pre-planning. Documents are to be transferred to LFI ExamSpace once it is generated.
LFI ExamSpace	Primary working site where all exam work products are stored. Federal Reserve'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. All Examination, Horizontal, and IDR materials are to be stored in ExamSpace (see LFI ExamSpace Work Paper Standards and Guidelines).	<p>The EIC, exam team, and program leaders are to use 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).</p> <p>EIC is responsible for including instructions in the Entry Letter to explain to firms how to submit documents to LFI ExamSpace via IntraLinks. The EIC is responsible for reviewing and approving the work papers stored in the ExamSpace Event to ensure that findings and assessments are fully supported and that scope objectives and any changes have been addressed.</p> <p>DTL or DST leadership is required to approve the workpapers to ensure work paper documentation fully supports the supervisory findings and conclusions included in the final Supervisory Letter.</p>
IntraLinks or Standardized	A temporary repository (only active for the duration of the business	Firms are responsible for uploading the materials in response to the Entry Letter to IntraLinks or

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Document Acquisition (SDA)	need) that facilitates the secure bi-directional exchange of electronic files between the Federal Reserve and firm.	SDA. 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 COI flagging tool.	The relevant Reserve Bank LEST staff member is responsible for ensuring events and resources are entered into C-SCAPE. An overnight process updates the information in ROAM-S. A Reserve Bank LEST staff member reviews COI information for their staff in ROAM-S and distributes the output to their local Reserve Bank Ethics group for its review. Upon discovery of a COI, the local Reserve Bank Ethics group will notify the EIC's manager.
ROAM-T	The primary tool for tracking staff time across the Federal Reserve.	Exam team is responsible for verifying their actual hours worked in ROAM-T at the end of every week.

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Table C-3: Pre-Examination Activities/Deliverables (with assumed 1-week preparation time)

ACTIVITY/DELIVERABLE	TIMING	DOCUMENT REPOSITORY
SCOPE MEMO		
Draft scope memo posted to Examspace for collaboration/review	---	ES
Hold vetting and obtain approval	Commencement date (ECD) - 50	ES
Complete VOT portion of DOF/VOT Memo template and post	Vetting date + 5	ES
DST-led firm-specific events only: share near final scope memo with DST QC	Two business day turnaround	Supervision Quality Control Tool
Final scope memo approved	ECD - 37	ES
Send scope memo to LEST and post to BOND (Post before the Entry Letter is mailed)	ECD - 37	BOND
WORK PROGRAM (OPTIONAL)		
Begin drafting of work program	Prior to ECD	ES
Finalize/align work program with scope memo	Prior to ECD	ES
ENTRY LETTER		
Draft entry letter and post to Examspace for collaboration/review	---	ES
Provide letter to DST	ECD - 42	ES
DST-led firm-specific events only: share near final entry letter with DST QC	ECD - 42 Two business day turnaround	Supervision Quality Control Tool
Date/sign/send final letter to firm	ECD - 37	Outlook
Send Entry Letter to LEST and post to BOND - Signature and posting to BOND evidences approval (Post before the Entry Letter is mailed)	ECD - 30 (Transmittal +7)	BOND
CONFIRM RECEIPT OF ENTRY LETTER MATERIALS FROM FIRM	ECD - 7	Intralinks/ES
INTERNAL KICK OFF PREP	ECD - 7	N/A
SCHEDULE EXAM KICK OFF MEETINGS	Prior to ECD	Outlook

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Table C-4: Onsite/Virtual Core Assessment Activities/Deliverables

ACTIVITY/DELIVERABLE	TIMING	DOCUMENT REPOSITORY
KICK OFF MEETING WITH FIRM(S)	ECD	N/A
BEGIN FILLING OUT WORK PROGRAM (if required by EIC)	Onsite weeks	ES
INTERNAL PERIODIC CHECK-INS	Onsite weeks	N/A
ONSITE MEETING MINUTES	Due 5 days after each meeting	ES
BEGIN WRITING EXAMINER CONCLUSION MEMO(S)	Last day onsite - 7	ES
SOFT CLOSE (FACT FINDING) MEETING WITH FIRM (Not required for desktop reviews)	Last day onsite	N/A

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**Table C-5: Post-Examination Activities/Deliverables
(Required and Recommended Timing)**

Activity/Deliverable	Timing	Document Repository
EXAMINER CONCLUSION MEMO(S)		
Examiner posts initial working draft to ES for EIC review	Close Date + 7	ES
DST-led firm-specific events only: share near final examiner memo with DST QC	Two business day turnaround	Supervision Quality Control Tool
EIC approves final examiner conclusion memo(s)	Close Date + 21 (before drafting EIC conclusion memo)	ES
EIC CONCLUSION MEMO		
EIC posts initial working draft to ES for manager review	Close Date + 21	ES
DST-led firm-specific events only: share near final EIC memo with DST QC	Two business day turnaround	Supervision Quality Control Tool
Review manager approves final EIC conclusion memo	Close Date + 28 (Before 1st vetting)	ES
DISPOSITION OF FINDINGS MEMO (DOF)		
EIC posts draft to ES for manager review (DOF portion of DOF/VOT Memo Template)	Close Date + 21 (Before 1st vetting)	ES
DST-led firm-specific events only: share near final EIC memo with DST QC	Two business day turnaround	Supervision Quality Control Tool
Review manager approves DOF portion of DOF/VOT Memo Template	Close Date + 28 (Before 1st vetting)	ES
PRIMARY VETTING (EIC/EXAM TEAM & PLG/DST STAKEHOLDERS)		
Hold exam team vetting (include other SMEs or relevant participants, as needed)	Close Date + 35	ES
Complete VOT portion of DOF/VOT Memo Template and post to ES	Within 5 days of meeting	ES
SECONDARY SC VETTING (IF ESCALATION CRITERIA MET)		
Hold SC vetting	Close Date + 45	ES
Complete VOT portion of DOF/VOT Memo Template and post to ES	Within 5 days of meeting	ES
SUPERVISORY LETTER		
EIC drafts supervisory letter	Post vettings	ES
Send supervisory letter to LOG for review	Close Date + 45 (1 week turnaround)	ES
DST-led firm-specific events only: share near final supervisory letter with DST QC	Two business day turnaround	Supervision Quality Control Tool
CONDUCT FINAL EXIT WITH FIRM(S)	Prior to letter mail date	N/A
COMPLETE EIC CHECKLIST AND POST TO EXAMSPACE	Prior to ES certification	ES
PRIMARY APPROVAL - ENSURE COMPLETION OF ALL WORKPAPERS IN EXAMSPACE: EIC SIGN-OFF	Prior to letter mail date	ES
SECONDARY APPROVAL - ENSURE COMPLETION OF ALL WORKPAPERS IN EXAMSPACE	Prior to letter mail date	ES
SUPERVISORY LETTER SIGNED AND MAILED TO FIRM	Close Date + 60	Outlook
SUPERVISORY LETTER SENT TO LEST FOR POSTING TO BOND - Signature and posting to BOND evidences approval	Letter mail date + 7	BOND

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Table C-6: Current LISCC Program Operations Metrics and Reporting

Process/Key Work product	Metric	Metric Description	Report
LISCC Program Annual Supervisory Plan	Sup Plan % Complete	On a quarterly basis, tracks absolute # of events completed, in progress, planned and canceled by LISCC Program, by Portfolio Programs, and by Firm	LISCC Quarterly Executive Management Report
Issues Management	# of Supervisory Issues	On a quarterly basis, tracks absolute # of supervisory findings opened and closed by LISCC Program, by Portfolio Programs, and by Firm	LISCC Quarterly Executive Management Report
Issues Management	Open Issue Aging	Quarterly Aging of absolute # of supervisory issues (MRA, MRIA) by status (Open, PV) by Age, Firm, and Portfolio Program	LISCC Quarterly Executive Management Report
Enforcement Actions	Provision Count and Status by Open EA	On a quarterly basis, tracks absolute # and status (in process, partial compliance, full compliance) of EA-related provisions by EA and by Firm and by Portfolio Program	LISCC Quarterly Executive Management Report
Event Execution	% of (#) Supervisory Letters Mailed > 60 days from Exam Close Date by Program/by Firm	On a quarterly basis, YTD % letters mailed outside internal target of (close date+60) relative to absolute total	LISCC Quarterly Executive Management Report
Quality Management (QA)	Status of Completed QA Reviews and Findings	On a quarterly basis, tracks absolute # and status (open, PV, and closed) by Review	LISCC Quarterly Executive Management Report
Quality Management - Supervisory Products (QC)	QC DST Supervisory Products Average Score of # of submissions by supervisory product type/key deliverables and by DST	On a quarterly basis, reports average/mean of QC assessment score of total # of absolute submissions by product and by DST	LISCC Quarterly Executive Management Report
Quality Management - Issues Management (QC)	QC Program wide Supervisory Issues Review Status	On a quarterly basis, reports sampled issues (at least 25% of total open issues per quarter) that are in non-compliance/exceptions not meeting LISCC requirements and acceptable risk tolerance level (20% or < =80% total score)	LISCC Quarterly Executive Management Report
Issues Management	Various metrics to monitor/track supervisory issues review status	Tableau reporting for examiners and managers	Tableau Report: Open Issues and Provisions Tracking
Event Execution	Various metrics to monitor/track supervisory event key deliverables	Tableau reporting for examiners and managers	Tableau Report: Exam Deliverables Tracking

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APPENDIX D: Supervisory Planning – Mandated Events

Program	Mandated Event	Mandated By	Mandated Timeframe
Capital	CCAR	<ul style="list-style-type: none"> • Dodd-Frank Act §165(d), 12 U.S.C. §5365(i) • 12 CFR 217 (Regulation Q) • 12 CFR 225.8(e)(2)(ii) (Regulation Y) • 12 CFR 252 (Regulation YY) • 12 CFR 325 • SR 15-18 	Annual
	Internal Credit Review	<ul style="list-style-type: none"> • Capital Program • SR 20-13 	Annual / 3-Year Cycle
	Limits	<ul style="list-style-type: none"> • Dodd-Frank Act §165(d), 12 U.S.C. §5365(e) • Capital Program 	Annual / 3-Year Cycle
	Underwriting & Origination (Wholesale & Retail Only)	<ul style="list-style-type: none"> • Capital Program 	Annual / 3-Year Cycle
Governance & Controls	Board Effectiveness	<ul style="list-style-type: none"> • SR 21-3 	Annual
	Management of Core Business Lines	<ul style="list-style-type: none"> • SR 08-8 / CA 08-11 • FFIEC IT Handbook • Payment System Risk Policy • SR 12-17 	Annual
	BSA/AML	<ul style="list-style-type: none"> • 12 U.S.C. 1818(s) • FFIEC BSA/AML Examination Manual (SR 21-18) • 12 USC 1829b, 12 USC 1951-19600, 31 USC 5311-5314, 5316-5336, and 31 CFR Chapter X [formerly 31 CFR Part 103]. Regulation H (12 CFR 208.63) • SR 08-8 / CA 08-11 	Annual (SMB) Once every three years (BHC)
	OFAC	<ul style="list-style-type: none"> • 31 CFR Chapter V • SR 08-8 / CA 08-11 	Annual (SMB) Once every three years (BHC)
	Internal Audit	<ul style="list-style-type: none"> • SR 13-1 • AD 13-2 	Annual / 3-Year Cycle
	Consumer Compliance	<ul style="list-style-type: none"> • SR 05-23 / CA 05-10 • CA 13-20 • SR 01-15 	Every 2-Years (SMB)
	Community Reinvestment Act	<ul style="list-style-type: none"> • 12 CFR 228 (Regulation BB) • CA 13-20 	Every 2-Years (SMB) Based on bank size and rating
	Government Securities Settlement (Sole Provider)	<ul style="list-style-type: none"> • 12 CFR 234 (Regulation HH) • SR 12-17 • SR 03-09 	Annual
	Transfer Agent	<ul style="list-style-type: none"> • SR 01-5 • Transfer Agent Examination Manual 	Annual
	Compliance Risk Management	<ul style="list-style-type: none"> • SR 08-8 / CA 08-11 	Annual / 3-Year Cycle
Liquidity	CLAR	<ul style="list-style-type: none"> • 12 CFR 329 • SR 12-17 • SR 10-6 • Reg WW • Reg YY 	Annual
Recovery & Resolution	Title 1	<ul style="list-style-type: none"> • Dodd-Frank Act §165(d), 12 U.S.C. §5365(d) 	Annual

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Program	Mandated Event	Mandated By	Mandated Timeframe
		<ul style="list-style-type: none"> • 12 CFR 243 - Resolution Plans (Regulation QQ) • 12 CFR 381 - Resolution Plans • SR 14-8 • SR 14-1 • SR 12-17 • SR 10-6 • Joint FRS/FDIC resolution guidance 	
DST	State Member Banks - CAMELS	<ul style="list-style-type: none"> • Reg H (§208.64) • SR 13-7 • SR 02-9 • SR 99-17 • SR 96-38 • SR 95-51 • SR 91-17 • Commercial Bank Examination Manual • AD 07-11 	Annual
	Edge Corporations	<ul style="list-style-type: none"> • Reg K (§211.13) 	Annual (Each calendar year)
	Municipal Securities Dealer	<ul style="list-style-type: none"> • MSRB Rule G-16 • Section 15B(c)(7) of the Securities Exchange Act of 1934 • SR 86-40 	Every 2-Years
	URSIT	<ul style="list-style-type: none"> • SR 00-3/AD 06-14 • SR 99-8 • SR 04-20 	Annual
	Government Securities Broker	<ul style="list-style-type: none"> • Section 3(a) (34) (G) • Securities Exchange Act of 1934 • SR 06-08 	Every 2-years
	Trust Agent	<ul style="list-style-type: none"> • SR 00-13 	Every 2-years/ examination cycle
	U Registrant Inspection Regulation U Purpose Credit	<ul style="list-style-type: none"> • 12 CFR 220 • Regulation U and X • SR 84-14 	Every 2-years
	U Registrant Inspection Regulation U all others / ESP plan lenders exempt	<ul style="list-style-type: none"> • 12 CFR 220 • Regulation U and X • SR 84-14 	Every 3-years
	Regulation O	<ul style="list-style-type: none"> • 12 CFR 215 • SR 84-11 	Annual
	Affiliate Transactions	<ul style="list-style-type: none"> • Section 23A of the Federal Reserve Act (12 USC 371c) • SR 03-2 	Annual

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APPENDIX E: Quality Control Framework

Section E-1: Required QC Review Items

(Minimum Expectations for Quality Control (QC) Coverage of Key Supervisory Deliverables)

Supervisory Deliverable	Minimum Expectations of QC Coverage (Completeness & Quality) ¹	Primary Reviewer		Secondary Reviewer (if applicable)		Resubmission required to address identified feedback	
		Y/N/NA	QC Comments (in bullet form)	Y/N/NA	QC Comments (in bullet form)	Resubmit Y/N	Confirmed Y/N
Scope Memo	Are the purposes of the review and scope objectives clear?						
	Do the scope questions align with scope objectives?						
	Are exam procedures clear and aligned with the scope objectives?						
	Have the sample and testing criteria been outlined and provide for rationale of coverage?						
	Were items out of scope or changes to the original scope delineated along with supporting rationale?						
	Is the document appropriately classified (RESTRICTED FR) and pagination correct (x of y or ordinal with LAST PAGE)?						
Entry Letter	Are the information requests aligned with the scope objectives?						
	Are the financials and reports requested within the appropriate timeframe for review or materials generally support the exam scope objective?						
	Is the document appropriately classified, including confidentiality/CSI footnotes, appropriate headers, and pagination (x of y or ordinal with LAST PAGE)?						
Examiner Conclusion Memo	Was (i) each scope objective assessed and (ii) each scope question(s)/topic(s) answered?						
	Are the examiner assessments and responses to each scope question/topic clear and well supported, including respective rationales, even when supervisory concerns are not classified as MRAs/MRAs?						
	Are conclusions well supported by key workpapers/links and the links are operable?						
	Do the supervisory issues align with SR 13-13/CA 13-10 and/or applicable guidance?						
	Is the document appropriately classed as RESTRICTED FR including appropriate headers/footers, approvals, and pagination (x of y or ordinal with LAST PAGE)?						
EIC/Aggregate Conclusion Memo	Are the proposed MRA/MRAs and provision raised in the Examiner Conclusion Memos included in the EIC/Aggregate Conclusion Memo?						
	Is there a clear audit trail of agreements, disagreements, or significant changes with supervisory findings? [Should be reflected as bubble comments, not track changes.]						
	Are all links operable and directed to the appropriate supporting documentation?						
	Is the document appropriately classified (RESTRICTED FR) and pagination correct (x of y or ordinal with LAST PAGE)?						
Disposition of Findings (DoF)/Vetting Outcome Template (VOT)	Are all new, closed, and/or recast issues/ratings/assessments from EIC conclusion memo included in the DoF?						
	Are the required approvals reflected on the DoF?						
	Are all sections of the DoF completed, including respective rationale, divergent views, and follow-up items?						
	Is the vetting outcome template complete and accurate, documenting high level decisions reached, participants, divergent views and resolution, and vetting date?						
	Are all follow up matters/topics addressed in the final version of the vetting template?						
	Is the document appropriately classified (RESTRICTED FR) and pagination correct (x of y or ordinal with LAST PAGE)?						

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Supervisory Deliverable	Minimum Expectations of QC Coverage (Completeness & Quality) ⁵	Primary Reviewer		Secondary Reviewer (if applicable)		Resubmission required to address identified feedback	
		Y/N/NA	QC Comments (in bullet form)	Y/N/NA	QC Comments (in bullet form)	Resubmit Y/N	Confirmed Y/N
Supervisory Letter	Does the reflect the approved MRA, MRIA, and/or provisions (new, closed, recast, and/or partially complete items) from the DoF/VOT?						
	Are the language (tone and messaging) and conclusions consistent from the DoF/VOT?						
	Do the supervisory issues align with SR 13-13/CA 13-10 and/or applicable guidance?						
	Is the latest version of the template used and is the following included: <ul style="list-style-type: none"> - MRIA/MRA definitions footnote? - Appeals language footnote, applicable to exam type with material supervisory determination? - Confidentiality footnote? - Appropriate classification, pagination, headers, and footers? - Appropriate contact information included? 						
Acknowledgement Letter	Does the acknowledgement letter refer to (i) management response received; and (ii) the new MRIs/MRAs/EA communicated to the firm?						
	Does the acknowledgement letter use the template language of "responsive to supervisory feedback" or provide another assessment of the action plan?						
	Is the document appropriately classified, including appropriate pagination, headers, footers, and confidentiality footnote?						
Issues Management (MRIs / MRAs /Provisions)	Is an evaluation made in C-SCAPE regarding business line updates conducted for the quarter? Are the comments clear and do they meet IMF quality standards?						
	Are the links operable?						
Workpaper Review	Are all required "final" examination deliverables in the workpapers, and documents are checked in?						
	Are there any draft documents that need to be finalized prior to attestation in Exam Space?						
	Are key concerns on workpapers and exam deliverables raised by QC reviews addressed in the supervisory products? If not, is there supporting documentation providing respective rationale? Are QC feedback emails and other supplementary workpapers evidencing QC review included in the ExamSpace record?						

Section E-2: Links to Portfolio Program EIC Checklists

The following Portfolio Program checklists can be viewed directly on the LISCC Program SharePoint, Exam Tools and Templates page (under Templates):

Capital Firm Specific Exam EIC Checklist

Capital Horizontal Exam EIC Checklist

G&C Toolbox_Calculator and QC Checklist

Liquidity Program QC Checklist

Liquidity Program EIC Checklist (CLAR Only)

Liquidity Program EIC Checklist (Firm Specific Only)

RRP EIC and QC Checklists

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Section E-3: Pre-Vetting and Pre-Supervisory Letter Mail Date QC Review Requirements

Workpaper - Pre-Vetting	Primary Reviewer	Secondary Reviewer
Scope Memorandum	EIC	EIC Manager
Scope Memorandum with Scope Addendum (if applicable)	EIC	EIC Manager
Completed work programs (if applicable)	EIC	NA
Entry Letter or list of information requested	EIC	EIC Manager
Entry Letter Materials and other documents received by firm*	EIC	NA
Minutes from all internal key examination meetings and briefings before and during the exam	EIC	NA
Minutes from all examination-related meetings with firm	EIC	NA
Examiner Conclusion Memos	EIC	N/A
Minutes from soft-close/wrap-up meeting with firm	EIC	
EIC/Aggregate Conclusion Memo	EIC Manager	N/A
Combined Disposition of Findings (DOF)/Vetting Outcome Template (VOT) - completed portion of DOF only	EIC Manager	N/A
RVE Issue Review (for RVEs only)	Secondary Issue Owner	N/A
RVE Checklist (for RVEs only)	Secondary Issue Owner	N/A
Any other workpaper that supports/documents the exam findings	EIC	N/A

Workpapers - Post-Vetting	Primary Reviewer	Secondary Reviewer
Completed DOF/Vetting Outcome Templates (VOT) from all examination vettings at the DST and horizontal program levels, including any vettings with the program Steeromh Committee	EIC Manager	N/A
Materials provided to vetting participants should be included as well	EIC	N/A
Documentation (i.e., LOG template) of any significant changes to supervisory issues and assessments made by the LOG (if applicable)	EIC	N/A
Supervisory Letter (final signed version should be posted to BOND following local RB BOND posting process)	EIC	N/A
Any significant difference of opinion and/or divergent views throughout any stage of the examination process should be well-documented in the workpapers (this item could be pre- or post vetting)	EIC	EIC Manager
Completed and Final Checklist and any supplemental workpapers related to QC (for programs only)	EIC Manager	N/A

See Workpaper Review and Approval for additional information.

Also see the Accountability Matrix for approval information.

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Section E-4: OOC QC Automated Tool Procedures (FOR DST-LED EXAMINATIONS ONLY)

The following chart provides a list of the supervisory products that are required to be submitted to the OOC QC Team using the QC Automated Tool (QC Tool).³⁸ The QC Tool can be accessed via the LISCC SharePoint site. Click on **“Guidance”** and then **QC Automation Tool**. Once the user accesses the tool, they can also access the *Quality Control Automation Tool User Guide*. In addition to the guide, the user has access to the blank QC Work Programs³⁹ for each supervisory product via the QC Tool.

Supervisory Products Required to be Submitted to QC	Timing Requirement for Submission to QC
<i>Scope Memo</i>	After the scope vetting and manager approval and prior to posting as FINAL in Exam Space or posting to BOND
<i>Entry Letter</i>	After management approval and prior to Entry letter being sent to the firm
<i>Examiner Conclusion Memo/Examiner Assessment and Supporting Analysis</i>	After EIC review and approval ⁴⁰
<i>EIC Conclusion Memo</i>	After management approval and prior to posting as FINAL in Exam Space or posting to BOND
<i>Disposition of Findings and Vetting Outcome</i>	After management approval and prior to posting as FINAL in Exam Space
<i>Supervisory Letter</i>	After management approval and prior to the Supervisory Letter being sent to the Firm
<i>Acknowledgement Letter</i>	After management approval and prior to the Acknowledgement Letter being sent to the firm
<i>Other Letters Signed by DST (e.g., Closure Letter, MRIA/MRA, quarterly letters)</i>	After management approval and prior to Letter being sent to the firm
RVE Documents Required to be Submitted to QC	Timing Requirement for Submission to QC
<i>RVE Issue Review</i>	All documents must be submitted sequentially, prior to finalizing
<i>Vetting Outcome</i>	
<i>RVE Issue Closure Letter</i>	

Supervisory Products

The OOC QC Team strives to review all supervisory products based on the events sampled, that are submitted for review within 48 hours of submission, using one of the three status categories listed below:

Status Categories

- **Complete with no exception(s):** Supervisory product review resulting in a score of 100% is considered “Review complete with no exception(s).”

³⁸ Currently, this applies only to the DSTs that submit exam-related supervisory products within the QC Automated Tool for OOC QC review.

³⁹ QC Work Programs are comprised of questions that have been established to help ensure compliance with LISCC and system standards.

⁴⁰ Submit “near final” document. Near final is a clean copy of the memo with no tracked changes or comments included

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- **Complete with exceptions:** A supervisory product review containing at least one issue that must be addressed before product is finalized. A supervisory product score 85% or greater, but below 100%, is considered “Review with exception(s)”. In some instances, corrective action may be required, regardless of the QC score. If corrective action is required on a review that scores less than 85%, the QCS will discuss the exception with the EIC to ensure understanding, provide written feedback via the QC tool, and require the EIC to respond to any issues via e-mail. The EIC must PDF the QC feedback and associated responses to include in the Exam Space record.
- **Resubmission Required:** OOC QC will generally require a resubmission of a supervisory product if the score is less than 85%, or issues are egregious regardless of the score. If a resubmission is required, the EIC has 48 hours to address the issue(s) by resubmitting an updated supervisory product to QC Specialist. If a resubmission is not completed within 48 hours, a reminder email will be sent to the submitter and his/her manager.

OOO QC also has the option to cancel a review if requested by the submitter, or in cases where a review cannot be performed due to unexpectedly high volume or other legitimate business reasons.

Each user will be notified of the status of her/his submission by a system generated e-mail message. The e-mail notification is sent to the EIC, as well as to the DST Deputy and the OOC QCS. Each message will also include detailed comments from the QCS in the comment box. The EIC is required to PDF the QC e-mail and post it to ExamSpace to evidence the QC review was completed.

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APPENDIX F: Steering Committee Membership Principles

The following principles are to ensure appropriate skill set perspectives and balance LISCC Program membership demands. These principles were initially established in May 2023 as minimum principles and are not mandatory requirements, with an effective date of September 30, 2023. The OOCAC or OC will periodically review the guidelines to ensure SCs are multidisciplinary and diverse in nature as well as support program cross-risk interdisciplinary leadership development. Additional changes may occur over time as the program evolves or as AD 19-5, *Framework for Assessing Oversight of the LISCC Supervisory Program*, is amended or updated. See the change log below for changes made to the guidelines over time.

Steering Committee (SC) Membership Principles	Applicable SCs
Program Leadership Group (PLG) Leads and PLGs can serve on their “home” SCs at the Co-Chair’s discretion	All (Excluding DST)
SCs can only have a maximum of two “non-home” PLG Lead/PLG or Horizontal Team Lead (HTL) representative from a different program.	
<i>Note:</i> For membership term/rotation expectations, exceptions can be discussed with the OOCAC and OC Chair to ensure continuity.	
DST Lead Membership: <ul style="list-style-type: none"> ▪ At least one DST Lead on each program SC. ▪ More than one DST Lead can be on a SC based on Co-chair nomination to the Office of the Operating Committee Advisory Council (OOCAC). <i>Note:</i> Exception is allowed when there are more than three DST Leads in role less than one year.	
DST Co-Chair Membership: <ul style="list-style-type: none"> ▪ At least one DST Co-Chairs should be on each Program SC with other DST Co-Chairs invited to SC meetings at the Program SC Co-Chair discretion. 	
No Co-chairs of one Program SC on another Program SC, except for DST Co-Chairs	
Program Operations Leads are only considered SC members if also designated as a PLG	
One Board Legal officer or manager is required on all SCs	
One Board S&R Policy officer or manager is required on all SCs	
One LFBO portfolio officer or manager representative is required on all SC (preferably an LFBOMG member)	
For non-Board S&R functions certain SCs should have a member from the following divisions at the Co-Chairs nomination to OOCAC:	
Monetary Affairs (MA)	LIQ
Consumer and Community Affairs (DCCA)	G&C
System Stress Testing Program representation is required on the following SCs: Capital.	Capital

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Change Log

Date Updated	Brief Summary of Changes
01/23/2025	<p>As a result of OC discussion on December 5, 2024, the following changes were made:</p> <ul style="list-style-type: none">• PLG non-home pilot from May 2023 through December 2024, migrated from pilot to principle. Increased from one to a maximum of two PLG or HTL members, for a maximum of two years, with staggered membership cadence.• Addition of manager roles from Board S&R Policy and LFBO, and Board Legal.• Removal of Financial Stability representative for the Capital SC and removal of System Stress Testing Program representation for MAP SC. Addition of DCCA member on G&C SC. <p>After OOCAC discussion and review (December 18,2024), and non-OOCAC program Co-chair review period, the OC Chair ([Redacted: Name]) approved via email on January 22, 2025.</p>

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APPENDIX G: Capturing Exam and Non-Exam Leadership Meetings: Expectations and Guidance

PURPOSE:

The purpose is to clarify expectations to evidence program-level exam and supervisory planning decision-making within the LISCC governance structure and to be responsive to LISCC Quality Assurance (QA) and LISCC Oversight Section (LOS) recommendations to support the evolution of decision-making and broader consistency across the overall Program processes. Below are expectations for individual programs on how and where to capture meeting summaries for certain governance meetings to meet the requirements of AD 19-5, *Framework for Assessing Oversight of the LISCC Supervisory Program* and in AD 18-9, *The Management of Supervisory Documents and Data by Reserve Banks*. Areas addressed include recordkeeping requirements such as repository, form, functionality, as well as required content, reviewer expectations, and timeline for completion.

EXPECTATIONS:

LISCC individual program staff are responsible for documenting and properly storing discussions and decisions for exam-event⁴¹ and certain non-exam related meetings for the various LISCC governance structures⁴² in their individual programs, including those related to SCs, DST Co-Chairs, and PLGs. Meeting notes are required for SC, DST, and PLG meetings deciding or recommending:

- exam outcomes, e.g., overall individual exam assessments, matters requiring immediate attention (MRIAs) or matters requiring attention (MRAs) (*referred to as “exam event-related meetings”*)
- supervisory ratings (proposed interim ratings changes or as part of the annual assessment process) (*referred to as “exam event-related meetings”*)
- supervisory planning discussions, including annual (e.g., including supervisory strategy or priority discussions) and mid-year (refresh) process discussions or material interim change supervisory planning discussions.

The OASIS “Meeting Note” functionality must be used to document and store all exam event-related and supervisory rating SC, DST, or PLG discussions/meetings. The templates located on the LISCC SharePoint site must be used to document supervisory planning related discussions and those notes must be stored on respective program/DST workspaces on the LISCC SharePoint Site. Also, in line with the LISCC Program Operating Manual Program Operations Teams responsibilities, Program and DST Operations Leads are responsible and accountable for final review of meeting notes and ensuring that the final record is stored in the appropriate repository within established timelines, as applicable.

Regardless of whether discussions are related to exam events or non-exam events or captured in OASIS or via a template, the Meeting Note record must contain certain required content including

⁴¹ Includes the following OASIS event types: Exams, Horizontal Exams and Topical Studies. The LISCC Enforcement Action Manual addresses expectations regarding enforcement action subcommittees, etc.

⁴² The Office of the Operating Committee (OOC) Corporate Secretariat (CS) team updated expectations in the OOC Operating Manual for meetings within their scope, including the OC meetings, that align with the expectations set forth in the guidance. Refer to the OOC Operating Manual, Appendix C – Meeting Summary Framework.

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attendance⁴³, key takeaways for agenda topics, divergent views, decisions, MS Teams Chat⁴⁴, and action items.

Refer to the Summary of Exam-Related and Supervisory Planning Leadership Meeting Expectations and Guidance chart below for an outline of expectations noted above, including links to program/DST-specific meeting summary templates for supervisory planning meetings, and refer to the appendix for detailed instructions for using the OASIS Meeting Note functionality for exam event-related meetings.

⁴³ Must indicate the presence of a quorum which consists of more than half of total leadership group membership. Note that the use of proxies is not permitted as this would require conflicts of interest and Confidential Supervisory Information (CSI) / Terms of Use (TOU) agreement verification.

⁴⁴ Per AD 18-9, communications in the MS Teams chat as part of meetings must, at a minimum, be summarized in associated meeting summaries. Meeting summaries must include important/relevant themes from the chat within the Key Takeaways section. While not required, meeting organizers or leads may want to request limited use of the MS Teams chat during meetings.

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Summary of Exam-Related and Supervisory Planning Leadership Meeting Expectations and Guidance								
Committee/ Leadership Group	Types of Meetings	Records Repository	Form/ Functionality	Required Content	Quorum	Proxies	Timeline for Completion	Accountability
<ul style="list-style-type: none"> - Program Steering Committee (SC) or DST Co-chairs - Program Leadership Group (PLG) 	Exam-related meetings discussing and deciding exam outcomes (e.g., overall individual exam assessments, MRIAs/MRAs, inclusive of topical studies) or supervisory ratings ⁴⁵ (including proposed interim ratings changes).	OASIS	OASIS Meeting Notes	<ul style="list-style-type: none"> - Attendees - Key Takeaways - Action Items - Divergent Views - MS Teams Chat - Decisions 	Over half of total membership	None permitted	7 days	Operations Lead
<ul style="list-style-type: none"> - Program Steering Committee (SC) or DST Co-chairs - Program Leadership Group (PLG) 	Supervisory planning discussions, including annual (e.g., including supervisory strategy or priority discussions) and mid-year (refresh) process discussions or material interim change supervisory planning discussions.	LISCC SharePoint Site (i.e., respective program or DST workspace)	Meeting Summary Template by Program/Function: Capital G&C Liquidity RRP MAP DST	<ul style="list-style-type: none"> - Attendees - Key Takeaways - Action Items - Divergent Views - MS Teams Chat - Decisions 	Over half of total membership	None permitted	20 days	Operations Lead

⁴⁵ The OOC Operating Manual includes expectations for meetings within the scope of the OOC CS team, including the OC meetings, that align with the expectations set forth in the guidance. Refer to the OOC Operating Manual, Appendix C – Meeting Summary Framework.

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Using OASIS Meeting Note Functionality

As noted in AD 18-9, the OASIS Meeting Note direct entry functionality must be used for all exam event-related SC, PLG, and DST Co-chair meetings/vettings. The Meeting Note function can be found within *[Redacted: storage location]*.

[Redacted: screenshot of internal system for storing meeting notes]



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