



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
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DIVISION OF SUPERVISION
AND REGULATION

SR 26-8

October 14, 2026

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

**SUBJECT: Updates to the Expanded Examination Cycle for Certain State Member Banks
and U.S. Branches and Agencies of Foreign Banking Organizations**

Applicability: This guidance applies to the examination of state member banks and U.S. branches and agencies of foreign banks.

Introduction

The Federal Reserve is issuing this letter to provide an update on changes to the criteria for state member banks (SMB) and U.S. branches and agencies of foreign banks to be eligible for an expanded examination cycle of 18 months (as opposed to 12 months).

Examination Frequency for Insured Depository Institutions

Section 10(d) of the Federal Deposit Insurance Act (FDI Act) generally requires the appropriate federal banking agency for an insured depository institution (IDI) to conduct a full-scope, on-site examination at least once every 12 months but permits a longer cycle—at least once every 18 months—for IDIs that meet certain criteria, including the requirement that the IDI must have total assets below a specified size limit.¹ Section 903 of the 21st Century ROAD to Housing Act amends section 10(d) of the FDI Act to increase from \$3 billion to \$6 billion the total asset threshold for an IDI to qualify for the 18-month examination cycle.

On September 14, 2026, the Board published in the *Federal Register* an interim final rule that amended Regulation H to raise the asset threshold for an SMB to be eligible for the 18-month examination cycle from less than \$3 billion in total assets to less than \$6 billion in total assets.² The interim final rule also made parallel changes to Regulation K, which governs the on-site examination cycle for Board-supervised U.S. branches and agencies of foreign banks, consistent with section 7(c)(1)(C) of the International Banking Act of 1978.³ The interim final

¹ 12 U.S.C. 1820(d).

² See 91 *Fed. Reg.* 58009 (Sept. 14, 2026).

³ 12 U.S.C. 3105(c)(1)(C).

rule was made effective September 14, 2026, and was published jointly with the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), both of which adopted similar changes to their regulations.

Accordingly, a SMB may be eligible for an 18-month examination cycle if it satisfies the following criteria:

- 1) The SMB has total assets of less than \$6 billion;
- 2) The SMB is well capitalized;⁴
- 3) At the most recent Federal Reserve or applicable state banking agency examination the SMB was assigned,⁵
 - A management component rating of “1” or “2” under the Uniform Financial Institutions Rating System (commonly referred to as CAMELS) and
 - A CAMELS composite rating of “1” or “2”;
- 4) The SMB is currently not subject to a formal enforcement proceeding or order by the Federal Reserve or the FDIC; and
- 5) No person acquired control of the bank during the preceding 12-month period in which a full-scope, on-site examination would have been required but for the 18-month examination cycle eligibility provision.⁶

A U.S. branch or agency of a foreign bank with less than \$6 billion in total assets may be eligible for an 18-month on-site examination cycle if it received, at its most recent examination, a ROCA⁷ composite condition rating of “1” or “2” and it satisfies the following criteria:

- 1) Either: (a) the foreign bank’s most recently reported capital adequacy position consists of, or is equivalent to, tier 1 and total risk-based capital ratios of at least 6 percent and 10 percent, respectively, on a consolidated basis; or (b) the branch or agency has maintained on a daily basis, over the past three quarters, eligible assets in an amount not less than 108 percent of the preceding quarter’s average third-party liabilities (determined consistent with applicable federal and state law) and sufficient liquidity is currently available to meet its obligations to third parties;
- 2) The branch or agency is not subject to a formal enforcement action or order by the Board, FDIC, or OCC; and

⁴ The term “well capitalized” has the meaning given that term in the prompt corrective action framework in section 38(b) of the FDI Act and subpart D of the Board’s Regulation H. 12 U.S.C. 1831o(b)(1)(A); 12 CFR 208.43(b)(1).

⁵ The Board is permitted to conduct on-site examinations of SMBs on alternating 12-month or 18-month periods with the institution’s State supervisor if the Board determines that the alternating examination conducted by the State carries out the purposes of section 10(d) of the FDI Act. 12 U.S.C. 1820(d)(3).

⁶ 12 CFR 208.64(b).

⁷ “ROCA” refers to the rating system for U.S. branches, agencies and commercial lending companies of foreign banking organizations. See Attachment to SR Letter 00-14 (SUP), “Enhancements to the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations” (October 23, 2000).

- 3) The branch or agency has not experienced a change in control during the preceding 12-month period in which a full-scope, on-site examination would have been required but for the 18-month examination cycle eligibility provision.⁸

The Federal Reserve may consider additional factors when determining the eligibility of a U.S. branch or agency of a foreign bank for an 18-month on-site examination cycle, including whether (1) any of the individual components of the ROCA supervisory ratings for a branch or agency of a foreign bank is rated “3” or worse;⁹ (2) the results of any off-site surveillance indicate a deterioration in the condition of the branch or agency; (3) the size, relative importance, and role of a particular branch or agency in the context of the foreign bank’s entire U.S. operations otherwise necessitate an annual examination; and (4) the condition of the foreign bank gives rise to such a need.¹⁰

The Federal Reserve maintains the authority to examine SMBs and the U.S. branches and agencies of foreign banks more frequently as it deems necessary,¹¹ and Reserve Banks should exercise this authority as appropriate.

Implementation

The expanded 18-month examination cycle eligibility for SMBs and the U.S. branches and agencies of foreign banks that have total assets of less than \$6 billion and that meet the other criteria of 12 CFR 208.64 or 211.26(c), as applicable, was made effective September 14, 2026, the date of publication in the *Federal Register*.

The Federal Reserve is required to complete a Bank Secrecy Act (BSA)/anti-money laundering (AML) compliance program review at each safety and soundness examination conducted at a SMB or U.S. branch or agency of a foreign bank.¹² Reserve Banks should conduct a BSA/AML compliance program review every 18 months at each SMB or U.S. branch or agency of a foreign bank that is eligible for and is examined on the extended 18-month examination cycle.

As noted above, the Board is permitted to conduct on-site examinations of SMBs on alternating 12-month or 18-month periods with the institution’s State supervisor, if the Board determines that the alternating examination conducted by the State carries out the purposes of section 10(d) of the FDI Act. Accordingly, Reserve Banks should review and modify, as appropriate, existing alternate examination program (AEP) agreements with the relevant state banking agencies. For example, existing AEP agreements should appropriately clarify which supervised institutions will receive extended examination cycles.

Reserve Banks are asked to distribute this letter to SMBs and Board-supervised U.S. branches and agencies of foreign banks that are within the scope of this guidance, as well as to

⁸ 12 CFR 211.26(c)(2).

⁹ The individual components of the ROCA rating system are risk management, operational controls, compliance, and asset quality. See Attachment to SR Letter 00-14, “Enhancements to the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations” (October 23, 2000).

¹⁰ 12 CFR 211.26(c)(2)(ii).

¹¹ 12 CFR 208.64(c); 12 CFR 211.26(c)(3).

¹² 12 U.S.C. 1818(s)(2) and 12 U.S.C. 1818(b)(4).

appropriate supervisory and examination staff. Questions regarding this letter may be sent via the Board's public website.¹³

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Supersedes:

- SR letter 18-7, "Updates to the Expanded Examination Cycle for Certain State Member Banks and U.S. Branches and Agencies of Foreign Banking Organizations"

Cross references

- SR Letter 00-14, "Enhancements to the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations"

¹³ See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.