



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 13-14

July 8, 2013

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

**SUBJECT: Timing Standards for the Completion of Safety-and-Soundness Examination
and Inspection Reports for Community Banking Organizations**

Applicability to Community Banking Organizations: This guidance applies to institutions supervised by the Federal Reserve with total consolidated assets of \$10 billion or less, with the exception of holding companies with less than \$1 billion in total consolidated assets.

This letter sets forth standards for the timely completion of safety-and-soundness examination and inspection reports for community banking organizations.¹ These standards apply to formal examination and inspection reports for institutions supervised by the Federal Reserve with \$10 billion or less in total consolidated assets including state member banks, bank holding companies, savings and loan holding companies, Edge Act and agreement corporations, U.S. branches and agencies of foreign banks, and foreign subsidiaries and branches of U.S. banks.² Effective immediately, safety and soundness examination and inspection reports issued by the Federal Reserve should be completed and sent to the supervised institution within a maximum of 60 calendar days following the “close date” of the examination. Furthermore, for institutions rated composite “3,” “4,” or “5,” Reserve Banks are encouraged to adopt an internal target of 45 calendar days from the close date for sending the reports.

¹ Given the continuous monitoring and roll-up supervisory process for larger organizations, SR letter 93-4, “Adoption of Minimum Timing Standards for the Completion of Examination and Inspection Reports,” and SR letter 93-7, “Adoption of Minimum Timing Standards for the Completion of International Examination Reports” are no longer applicable to those institutions. With the issuance of this letter, SR 93-4 and SR 93-7 are therefore superseded.

² Bank and savings and loan holding companies with total consolidated assets of \$1 billion or less are subject to a separate program that has different requirements for the issuance of reports of inspection.

The “close date” of an on-site examination and inspection is defined as the last date that the examination team is physically onsite at the institution. For examinations and inspections for which all or a portion of the work is performed off-site, the “close date” is defined as the earlier of the following dates: (1) the date when the analysis (including loan file review) is completed and ready for the examiner-in-charge review; or (2) the date when the preliminary exit meeting is held with management which can be conducted either on-site or off-site by conference call.

Further, to ensure that findings are communicated to a supervised institution in a timely manner, Reserve Banks should ensure that the duration between the start³ of an examination/inspection to the completion and delivery of an examination/inspection report does not exceed 90 days. In cases when reports are subject to statutory requirements for other state or federal agency review, such as by the Consumer Financial Protection Bureau (CFPB),⁴ Reserve Banks may exceed the guidelines included in this letter at the discretion of senior management. However, deviations from these guidelines are expected to be rare. At the discretion of senior Reserve Bank management, additional exemptions from this 90-day guideline may be considered for examinations that are conducted simultaneously on multiple affiliated banks or examinations of larger complex community banking organizations, such as those that have total assets in excess of \$2 billion that require additional time on-site to review specialized or complex business lines.

In addition, effective immediately, findings and conclusions delivered to a supervised institution at the close date and exit meetings for examinations and inspections must be consistently documented in workpapers.⁵ At a minimum, documentation should include:

- 1) a list of attendees at the meetings;
- 2) a description of significant examination and inspection findings discussed, including preliminary ratings; and
- 3) a summary of the bank management’s views on the findings and, if applicable, the views of the board of directors.

To the extent conclusions in the final report differ from those discussed at the close date and exit meetings, Reserve Bank examiners and supervisory staff should communicate the

³ The start date is the date that Reserve Bank examiners and supervisory staff commence the examination and inspection work, excluding pre-exam visitations and preparation.

⁴ See sections 1022, 1024, and 1025 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. For more information on the coordination of supervisory activities with the CFPB, see also the “Memorandum of Understanding on Supervisory Coordination” and the June 4, 2012 joint press release at: <http://www.federalreserve.gov/newsevents/press/bcreg/20120604a.htm>.

⁵ In some cases, Reserve Bank examiners or supervisory staff may conduct a pre-exit meeting with the institution’s management at the close date of the examination or inspection. Representatives from the on-site examination or inspection team may also hold a final exit meeting with the institution after vetting examination or inspection findings with the responsible Reserve Bank officer(s). An “exit meeting” is defined as an examiner’s meeting with the institution’s management or management and board of directors to communicate preliminary supervisory findings and conclusions.

reasons for the differences to the supervised institution and document these discussions in their workpapers.

Reserve Banks are asked to distribute this letter to institutions supervised by the Federal Reserve with total consolidated assets of \$10 billion or less and to appropriate safety-and-soundness examiners, and other supervisory staff. Questions regarding this letter may be directed to:

- Richard Watkins, Assistant Director, Regional and Community Banking Organizations, at (202) 452-3421;
- Vitus Ukwuoma, Manager, Community Banking Organizations, at (202) 452-3163;
- Karen Caplan, Manager, Savings and Loan Holding Companies, at (202)452-2710; and
- Kwayne Jennings, Manager, at (202) 452-3088, and Celeste Molleur, Manager, at (202) 452-2783, for Large and Foreign Banking Organizations.

In addition, questions may be sent via the Board's public website.⁶

Michael S. Gibson
Director

Supersedes:

- SR letter 93-4, "Adoption of Minimum Timing Standards for the Completion of Examination and Inspection Reports"
- SR letter 93-7, "Adoption of Minimum Timing Standards for the Completion of International Examination Reports"

⁶ See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.