



Safety and Soundness

FIL-79-96
October 4, 1996

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Interagency Guidelines Establishing Standards for Safety and Soundness to Include Final Asset Quality and Earning Standards*

The four federal regulators of banks and savings associations have jointly amended the Interagency Guidelines Establishing Standards for Safety and Soundness to include standards for asset quality and earnings. The guidelines are issued pursuant to Section 39 of the Federal Deposit Insurance Act (FDI Act).

The guidelines from the FDIC, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Office of Thrift Supervision represent the agencies' longstanding expectations regarding an institution's management of asset quality and earnings. The standards are designed to prompt a depository institution to take steps that will help identify emerging problems in the institution. Moreover, by adopting the standards as guidelines instead of as regulations, these qualitative standards provide an institution with sufficient flexibility to adopt practices that are consistent with safe and sound banking and that are appropriate to the institution's size and the nature and scope of its operations.

Institutions that fail to satisfy the guidelines may be required to submit safety and soundness compliance plans. Institutions that do not submit or implement an accepted compliance plan will be subject to enforcement orders. However, since the standards do not represent a change in the agencies' policies, well-managed institutions--which are the majority of institutions--generally should find it unnecessary to modify their operations to satisfy the guidelines.

The new guidelines for asset quality and earnings are attached. The guidelines take effect on October 1, 1996. If you have any questions, please contact your Division of Supervision regional office on the attached list.

Nicholas J. Ketcha Jr.
Director

Attachments

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