
Joint Statement

Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation
Federal Reserve Board
Office of Thrift Supervision

**Interagency Policy Statement on
Examination Coordination and Implementation Guidelines**

June 10, 1993

This statement outlines a program for coordinating examinations of insured depository institutions and inspections of their holding companies by the federal financial regulatory agencies. This program expands on existing interagency agreements, and responds to the industry's concern over the increased burden on organizations supervised by multiple regulatory agencies.

The objective of the program is to minimize disruption and avoid duplicative examination efforts and information requests, whenever possible. The significant elements of the program include:

- Coordinating the planning, timing and scope of examinations and inspections of federally insured depository institutions and their holding companies;
- Conducting joint interagency examinations or inspections, when necessary;
- Coordinating and conducting joint meetings between bank or bank holding company management and the regulators;
- Coordinating information requests; and
- Coordinating enforcement actions, when appropriate.

The program emphasizes full cooperation and coordination by the agencies in supervising large banking organizations and organizations that are in a less than satisfactory condition. Additional effort will also be made to reduce the regulatory burden on the remaining population of depository institutions.

Guidelines for implementation of the program are attached.

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IMPLEMENTATION GUIDELINES

1. PURPOSE

These guidelines were developed to strengthen coordination and cooperation among the federal banking agencies in examining and supervising banking organizations and to carry out the provisions of the March 10 Interagency Policy Statement intended to minimize the disruptions and burdens associated with the examination process. The provisions are:

- Eliminate duplication in examinations by multiple agencies, unless clearly required by law;
- Increase coordination of examinations among agencies when duplication is required; and
- Establish procedures to centralize and streamline examinations in multibank organizations.

These guidelines address the coordination of the examinations by federal agencies of depository institutions and the inspections of their holding companies. To achieve the desired strengthening in the coordination of the federal agencies' examination/inspection activities, the guidelines focus on the planning, staffing, timing and conduct of examinations and inspections; the conduct of joint management meetings to discuss inspection and examination findings; and other areas of mutual concern.

2. PRIMARY SUPERVISORY AND COORDINATION RESPONSIBILITY

Examinations/inspections of a particular legal entity will be conducted by the federal regulatory agency that has primary supervisory authority for that entity. In carrying out its supervisory responsibilities for a particular entity within a banking organization, each regulatory agency will rely on examinations/inspections conducted by the primary regulator of the affiliate to the extent possible, thereby avoiding unnecessary duplication and disruption to the banking organization. In certain situations, however, it may be necessary for a regulatory agency other than the entity's primary supervisory authority to participate in the examination or inspection of the entity in order to fulfill its regulatory responsibilities. These guidelines provide procedures for handling such situations.

Primary supervisory authority and coordination responsibilities are organized as follows:

OCC	national banks;
FDIC	state nonmember banks;
OTS	thrift holding companies and savings associations; and

FRB parent bank holding companies, nonbank subsidiaries of bank holding companies, the consolidated bank holding company and state member banks.

The primary federal regulator is responsible for scheduling, staffing and setting the scope of supervisory activities, including coordinating formal and informal administrative actions, as necessary. In fulfilling these responsibilities, the primary regulatory agency should consult closely with the other appropriate agencies when there is need for coordination.

3. OVERVIEW

The agencies will make every effort to coordinate the examinations and the inspections of banking organizations. Coordinated examinations and inspections may not be practical in all cases because of resource constraints, serious scheduling conflicts, or geographic considerations; however, particular emphasis for implementing this program will be placed on banking organizations with over \$10 billion in consolidated assets and those banking organizations (generally, with assets in excess of \$1 billion) that exhibit financial weaknesses.

4. PRE-EXAMINATION COORDINATION

Where multiple regulators have authority over a legal entity, representatives from the appropriate supervisory offices should meet quarterly as necessary to discuss supervisory strategies for specific banking organizations, and at least annually to review and establish examination and inspection schedules, to plan for the next year, and to consider the need for coordination in the following areas:

- Sharing the strategy and scope of each examination/inspection;
- Determining if agencies other than the primary regulator of a particular entity should participate in the examination/inspection of that entity;
- Determining whether a consolidated request letter should be prepared to avoid duplicative information requests;
- Sharing examination/inspection work papers and resulting findings and conclusions from prior examination/inspection efforts; or
- Other areas as necessary.

5. INTERAGENCY REVIEW OF BANK, NONBANK AND PARENT COMPANY ACTIVITIES

Certain areas or functions transcend legal entity distinctions, such as internal audit, credit review and the methodology for determining the allowance for loan and lease losses. Such functions may be located at the bank or holding company level. The primary regulator of the depository institution and the holding company may both have supervisory responsibility to assess such functions. In these cases, examinations or inspections of such areas should be conducted on a coordinated and concurrent basis to avoid duplicative reviews and unnecessary disruption.

The primary regulator of the entity being examined/inspected should take the lead on such a coordinated examination or inspection, unless there is mutual agreement that another agency will serve as the lead agency. The responsibilities of the lead agency, in consultation with other appropriate agencies, include developing the scope of the examination or inspection and determining the staff requirements. The lead agency will also coordinate examination/inspection scheduling and the presentation of examination/inspection findings to the appropriate management.

6. COORDINATION OF MANAGEMENT MEETINGS

At the conclusion of examinations and inspections conducted under these guidelines, the agencies should coordinate and plan joint meetings with the board of directors to discuss the findings and conclusions. Agencies will be guided by the coordination responsibility definitions outlined in Provision 2 of this program, unless otherwise agreed upon.

7. PROCESS FOR HANDLING SIGNIFICANT DIFFERENCES BETWEEN THE AGENCIES IN FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Prior to forwarding examination and inspection results to management or boards of directors, every effort should be made to resolve any significant differences concerning major findings, conclusions and recommendations.

Such differences should be resolved by examiners, or officials at the regional level, within 10 business days of identification. If resolution cannot be achieved following full review and communication between the regional offices, the matter should be referred to the national level, where it will be resolved within a reasonable time frame.

8. INSPECTION AND EXAMINATION REPORTS

The primary regulator will prepare the formal report of examination or inspection covering the entity for which it is the primary federal regulator and in those cases for which it serves as the lead agency. The report should be addressed and transmitted to the directors of the entity for which the regulator is the primary federal supervisory authority and, as necessary, it may be sent to the directors of other entities that have a need for the information. The agencies may mutually agree, if necessary and appropriate, to prepare a joint report.

9. INFORMATION REQUESTS

Any request for information to be obtained from an entity for supervisory purposes should normally be made through the entity's primary regulator. The primary regulator should also share relevant supervisory information with the other appropriate regulatory agencies.

10. COORDINATING ENFORCEMENT ACTIONS

When enforcement action is contemplated by one or more regulatory agencies, consideration should be given to initiating a joint enforcement action to address and correct deficiencies within a banking organization. At a minimum, each agency considering enforcement action should inform other regulatory agencies. This provision reaffirms the existing interagency enforcement agreement.

11. OTHER MATTERS

The agencies will establish arrangements to monitor coordination efforts and to resolve any differences that arise under this program.

The agencies will also endeavor to coordinate with state banking departments, where appropriate and feasible.

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