

conducted during the intervening period is adequate. Section 349 of the CDRI Act states that the standards issued by the FFIEC are to be used at the discretion of the appropriate Federal banking agency.

EFFECTIVE DATE: These guidelines are effective on June 27, 1995.

FOR FURTHER INFORMATION CONTACT:

Board: Frederick M. Struble, Associate Director, (202/452-3794), Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Dorothea Thompson (202/452-3544), Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

FDIC: Daniel M. Gautsch, Examination Specialist, (202/898-6912), Office of Policy, Division of Supervision, or Ken A. Quincy, Section Chief, (202/942-3083), Consumer Compliance & Analysis Branch, Division of Compliance and Consumer Affairs. For legal issues, Lisa R. Chavarria, Attorney, (202/898-6891), Supervision and Legislation Branch, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

OCC: Bill Morris, National Bank Examiner, (202/874-5190), Office of the Chief National Bank Examiner, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

OTS: Scott M. Albinson, Special Assistant to the Director of Supervision, (202/906-7984), Supervision, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION: The supervisory divisions of the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System and the Office of Thrift Supervision (Federal banking agencies) responsible for the examination of state-chartered, insured depository institutions, and the branches and agencies of foreign banks that have been chartered by the States have a long history of coordinating with the State banking departments¹ in fulfilling a mutual goal of promoting a safe and sound banking system.² It is recognized that this close cooperation between the Federal and State regulators promotes efficiency in the examination process, reduces the regulatory burden on state-

chartered, insured depository institutions, and improves the supervisory process.

The Federal and State banking agencies have worked together, to varying degrees, in the following areas:

- Conducting alternate, joint and concurrent safety and soundness examinations of insured depository institutions and of the branches and agencies of foreign banks that have been chartered by the States.
- Processing safety and soundness examination reports and applications on a timely basis.
- Using common examination report and application forms.
- Developing and issuing informal (e.g., board resolutions, memoranda of understanding or other similar agreements) and formal enforcement actions.
- Exchanging supervisory information.
- Offering Federal agency training programs to State Examiners.
- Providing access to the Federal agency data bases.

The Federal banking agencies intend to continue these cooperative efforts to the maximum extent possible. It is recognized, however, that the adequacy of State budgeting, examiner staffing, and training are important factors to enhancing Federal and State coordination. Currently, the Federal banking agencies, individually, have entered into formal or informal arrangements or working agreements with most State banking departments. These working agreements or informal arrangements generally address the following areas:

- The number of state-chartered, insured institutions to be examined on an alternating basis by the State banking department and by the Federal banking agency.
- The frequency of safety and soundness examinations.
- The type of examinations to be conducted (independent, joint, or concurrent) by each agency.
- The pre-examination procedures to be performed.
- The responsibilities of each agency for processing reports of examination.
- The responsibilities of each agency for conducting specialty examinations (compliance, information systems, trust, etc.).
- The procedures for coordinating informal and formal enforcement actions.
- The procedures for processing joint applications.
- The procedures for sharing supervisory information. These working agreements or informal arrangements

are structured to permit both Federal and State agencies the flexibility to conduct an independent examination subject only to notification to the other party. Generally, only institutions rated "1" or "2" are examined on an alternating basis allowing for a reasonable interval between examinations. The appropriate Federal banking agency and the State banking department periodically meet and coordinate examination schedules.³

A hallmark of the successful program to date has been this flexibility to tailor cooperation to the particulars of each State and to the specifics of individual banks within a State, plus the reality of changing circumstances at both the Federal and the State levels. The FFIEC guidelines strive to maintain that flexibility.

Therefore, the FFIEC issues the following guidelines pursuant to 12 U.S.C. 1820(d)(9):

GUIDELINES FOR RELYING ON STATE EXAMINATIONS:

The Federal banking agencies will accept and rely on State reports of examination in all cases in which it is determined that State examinations enable the Federal banking agencies to effectively carry out their supervisory responsibilities. The following criteria may be considered, in whole or in part, by a Federal banking agency when determining the acceptability of a State report of examination under section 10(d) of the Federal Deposit Insurance Act:

- The completeness of the State examination report. The State report of examination of a state-chartered, insured depository institution or a state-chartered branch or agency of a foreign bank should contain sufficient information to permit a reviewer to make an independent determination on the overall condition of the institution as well as each component factor and composite rating assigned under the "Uniform Financial Institutions Rating System" used for insured depository institutions and commonly referred to as the "CAMEL" rating system or the ROCA rating system used for branches and agencies of foreign banks.
- The adequacy of documentation maintained routinely by State examiners

³In 1992, the FDIC and the Federal Reserve, individually, entered into joint resolutions with the Conference of State Bank Supervisors designed to encourage the negotiation and formation of working agreements with the State banking departments. The objective of these agreements is to foster closer supervisory cooperation between the State departments and the FDIC or the Federal Reserve. The working agreements generally identify those state-chartered banks that will be examined on an alternating basis, and other banks that will be examined on a joint or concurrent basis, if practicable.

¹ The term "State banking department" includes any separate thrift department or division of a State.

² The Office of the Comptroller of the Currency is not responsible for the supervision and regulation of any state-chartered, insured depository institutions.