



## OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
CONSUMER FINANCIAL PROTECTION BUREAU

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# News Release

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## **Federal Reserve's Office of Inspector General Releases Report on Supervisory Decisionmaking Practices for Large Financial Institutions**

**Recommendations Seek to Increase Employees' Willingness to Share Their  
Views and Improve the Flow of Information to Decisionmakers**

**WASHINGTON, DC**—The Office of Inspector General (OIG) for the Board of Governors of the Federal Reserve System (Board) and the Consumer Financial Protection Bureau released its evaluation report on the Federal Reserve System's (System) supervisory decisionmaking practices for large financial institutions, including practices to alert decisionmakers to employees' divergent views on supervisory matters.

The OIG initiated this evaluation in response to a written request from the Board to (1) assess the methods for System decisionmakers to obtain material information necessary to ensure that decisions and conclusions resulting from supervisory activities at large financial institutions are appropriate, supported by the record, and consistent with applicable policies and (2) determine whether there are adequate channels for System decisionmakers to be aware of supervision employees' divergent views about material issues regarding large financial institutions. To address its objectives, the OIG surveyed more than 700 employees at the 10 Federal Reserve Banks who supervise large financial institutions, interviewed more than 240 Board and Federal Reserve Bank employees, and reviewed relevant academic research.

The OIG's report contains findings and recommendations designed to increase large bank supervision employees' willingness to share their views and improve the flow of information to decisionmakers regarding the supervision of large financial institutions. The OIG's report

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highlights that leadership and management approaches play a major role in influencing employees' comfort sharing views. The report also identifies root causes for employees' reticence to share their views; addressing those causes would likely improve the flow of information to decisionmakers. In addition, the OIG's report identifies a series of leadership behaviors and processes currently used by Federal Reserve Bank leadership that appear particularly effective in helping to convince Federal Reserve Bank supervision employees that it is both safe and worthwhile to share their views.

"Federal Reserve employees who supervise large financial institutions should feel comfortable sharing their divergent views with decisionmakers," said Inspector General Mark Bialek. "Implementing formal systems and processes to encourage employees to share their views are not enough. It also requires cultural and leadership behavior changes. Our findings and recommendations related to cultural changes are therefore the centerpiece of our report. I commend our evaluation team for their hard work on this project and thank the Board and Reserve Banks for their cooperation."

The Board agreed with all of the report's recommendations and highlighted actions that have already been taken to address specific recommendations. The OIG will conduct follow-up activities to confirm that all the recommendations are fully addressed. The OIG will continue to focus its work on the System's supervisory activities related to large financial institutions.

Read the OIG's report: [\*Opportunities Exist to Increase Employees' Willingness to Share Their Views About Large Financial Institution Supervision Activities\*](#)

***The OIG provides independent oversight of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau to improve their programs and operations and to prevent and detect fraud, waste, and abuse.***

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