



Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

Executive Summary, 2018-SR-B-010, June 20, 2018

In Accordance With Applicable Guidance, Reserve Banks Rely on the Primary Federal Regulator of the Insured Depository Institution in the Consolidated Supervision of Regional Banking Organizations, but Document Sharing Can Be Improved

Findings

In accordance with applicable guidance related to consolidated supervision, we determined that the Federal Reserve Banks relied on the respective primary federal regulator (PFR) of regional banking organizations' (RBOs) insured depository institutions to supervise the RBOs we sampled. We also noted that the Reserve Banks appear to have increased their reliance on the PFRs.

We identified an opportunity for the Board of Governors of the Federal Reserve System (Board) to establish general guidelines for reliance on PFR documents and to ensure that all examiners have access to those documents. In addition, we found that the Board and the Reserve Banks could improve document-sharing processes. Finally, several RBO executives noted the potentially avoidable regulatory burden created because RBO employees sometimes upload the same documentation to multiple systems in response to Reserve Bank and PFR documentation requests.

Recommendations

Our report contains recommendations designed to improve document sharing among the Board, the Reserve Banks, and the PFRs. In its response to our draft report, the Board concurs with our recommendations and outlines actions to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

Purpose

We conducted this evaluation to assess the effectiveness of the consolidated supervision of RBOs. RBO bank holding companies (BHCs) have \$10 billion to \$50 billion in total consolidated assets. Specifically, we determined the extent to which the Reserve Banks rely on the PFR in executing consolidated supervision and the effectiveness of interagency coordination.

Background

The Board is the consolidated supervisor of BHCs—entities that own or control one or more banks. The Board delegates authority to each Reserve Bank to supervise the BHCs in the Reserve Bank's District. By law, the Reserve Banks must rely to the fullest extent possible on the work of the PFR of the BHCs' subsidiary depository institutions. Depending on the depository institution's charter and status as a member of the Federal Reserve System, the PFR is either the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, or the Board.