

Complex Bank Supervision Program

The Complex Bank Supervision Program (Program) is a continuous supervisory strategy for institutions that exhibit elevated or unique risks of consumer harm. These institutions often employ complex business models, offer nontraditional products/services, and/or rely heavily on third-party relationships. The Program involves:

- A tailored supervisory strategy specific to an institution's risk profile;
- Two-way, proactive communication between the institution and examination staff;
- An examiner serving as a primary contact who responds to regulatory questions, provides feedback, and clarifies guidance;
- Effective collaboration with bank management to identify potential risks earlier than point-in-time examinations, and to address and mitigate issues with the potential for significant consumer harm;
- An aligned supervisory approach with the Division of Risk Management Supervision; and
- Coordinated supervision with other regulators.

The Program consists of a three-tiered supervisory approach based on an institution's risk profile and may include ongoing monitoring, risk assessments, supervisory plans, targeted reviews, and dedicated/designated staff. For each tier, examiners create a supervisory strategy tailored to the institution that recognizes the unique characteristics of the business model and product offerings. Institutions with total assets of \$10 billion or more are generally included in the Program. Institutions with assets less than \$10 billion that exhibit elevated risk may also be included in the Program to ensure appropriate supervisory oversight.

- Tier I institutions pose elevated risk that warrant additional supervisory oversight. Generally, all institutions with assets of \$10 billion or more will be assigned to this tier. The supervisory approach for Tier I institutions includes assigning a point of contact (POC) and generally conducting annual risk assessments. Consideration for targeted visits or other interim supervisory activities will be based on the outcome of the risk assessments. The regular examination frequency and

traditional examination procedures apply to these institutions. POCs will communicate to bank management the results of the risk assessment and any targeted reviews or interim supervisory activities.

- Tier II institutions exhibit a higher risk for consumer harm due to a variety of factors. These may include a significant third-party reliance, nontraditional business model, complex corporate governance or organizational structure, predominant use of technology for product delivery, national customer base, or a historically high volume of consumer complaints. In addition to targeted supervisory activities, the regular examination frequency applies to Tier II institutions. A designated examiner in charge (EIC) will be assigned to Tier II institutions. The EIC assesses the risk of the institution, determines the supervisory strategy, establishes the scope of each supervisory activity, and provides a Planned Supervisory Activities letter to the institution's Board of Directors that summarizes the upcoming supervisory events. Staff will communicate supervisory findings at the conclusion of any supervisory activity with the institution's management and/or Board of Directors.
- Tier III institutions pose the highest risk of consumer harm. These institutions exhibit many characteristics of Tier II banks. Furthermore, the operations of institutions in this tier are of such magnitude, they pose the greatest risk of widespread consumer harm and require dedicated oversight. In addition to targeted supervisory activities, the regular examination frequency applies to Tier III institutions. Tier III institutions will be supervised by a dedicated EIC and a dedicated team member(s). The EIC assesses the risk of the institution, determines the supervisory strategy, establishes the scope of each targeted supervisory activity, and provides a Planned Supervisory Activities letter to the institution's Board of Directors that briefly summarizes the upcoming supervisory events. Staff will communicate supervisory findings at the conclusion of any supervisory activity with the institution's management and/or Board of Directors.