



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
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April 19, 2006

COMPLIANCE EXAMINATIONS

Revised Examination Procedures

Summary: The FDIC has issued revised compliance examination procedures that update the procedures issued in 2003. The new examination procedures incorporate banker feedback and results of internal reviews.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Compliance Officer

Attachment:

None

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Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2006/index.html.

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Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 North Fairfax Drive, Room E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- In 2004, the FDIC conducted banker outreach meetings in each of its six regions to gauge bankers' experiences with the revised compliance examination procedures issued in 2003.
- The FDIC also gathered information about how well the procedures were meeting its objectives. These included focusing increased attention on a bank's compliance management system, and conducting more of the review process off-site, where appropriate.
- Bankers were generally pleased with the revised procedures issued in 2003, particularly the focus on compliance management systems. However, they made several suggestions to improve the examination process while reducing burden.
- As a result of banker input, the FDIC has made a number of changes to the compliance examination procedures.
- Revised worksheets have been distributed to examiners to support the latest version of the compliance examination procedures.
- The latest version of the compliance examination procedures, along with appendices that contain templates for standard examination documents, including the new interview sheet, the entry letter and Compliance Information and Document Request, and the Report of Examination, can be accessed on the FDIC's Web site at <http://www.fdic.gov/regulations/compliance/manual/revised.html>

COMPLIANCE EXAMINATIONS Revised Examination Procedures

The Federal Deposit Insurance Corporation (FDIC) conducted banker outreach meetings in 2004 in each of our six regions to gauge the impact of the revised compliance examination procedures issued in 2003. We also gathered information about how well the procedures were meeting our objectives. These included focusing increased attention on a bank's compliance management system, and conducting more of the review process off-site, where appropriate.

Bankers have generally been pleased with the revised procedures, particularly the focus on compliance management systems. However, they made several suggestions to improve the examination process while reducing burden. As a result of their input, we have made the following changes to the compliance examination procedures:

- Examiners must contact the bank within specific time frames prior to the on-site portion of the examination to request information and documents. The time frames provide sufficient time for the bank to respond and for examiners to review the requested material. If unforeseen circumstances arise and the time frames need to be shortened, examiners must work with the bank to ensure that response deadlines are not unreasonably burdensome.
- The procedures include a new requirement that examiners contact the bank by phone, or through an on-site visit, prior to sending the formal pre-examination information and document request. The purpose of the call or visit is to conduct an interview that will help customize the information and document request. The procedures reinforce the requirement that examiners tailor the request to the particular institution.
- The procedures include a new requirement that examiners discuss with the bank – at the beginning of the on-site portion of the examination – the initial results of the off-site review and the areas of emphasis for the examination.
- The procedures reinforce the requirement that the examination report address both the strengths and weaknesses of a bank's compliance management system, and provide suggestions for improvement.

Visit the FDIC's Web site at <http://www.fdic.gov/regulations/compliance/manual/revised.html> to access the latest compliance examination procedures, along with appendices that contain templates for standard examination documents, including the new interview sheet, the entry letter and Compliance Information and Document Request, and the Report of Examination.

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