

Compliance Review General Information

Covered institutions under 12 C.F.R. § 360.9, the Large-Bank Deposit Insurance Determination Modernization rule (the “Rule”) are routinely selected for compliance reviews.¹ The reviews are conducted either on-site or off-site and take one week to complete.

Below is an overview of the compliance review process.

1. Completing the Review Questionnaire

The review questionnaire collects information about a covered institution’s deposit system, including system platforms, deposit products, account types, and technology service provider (TSP). The questionnaire should be answered as thoroughly as possible and when completed promptly returned to your designated reviewer. The FDIC reviewer will provide feedback and may ask for additional clarification if required.

2. Preparing the test environment

The FDIC prefers to test with production data in its entirety in a test environment. If the test environment cannot accommodate an entire set of production data, a subset of the production data is acceptable. There is no predetermined minimum number of accounts needed for such a subset; however, the number of accounts in the test environment should be large enough so as to provide an accurate representation of the entire production environment. The test environment should contain all applications, products, systems, and software specifications as exists in the actual production environment.

If a covered institution uses a TSP, it is important to inform the TSP of the upcoming compliance review. The TSP will be the covered institution’s key resource in establishing the test environment, placing provisional holds, creating data extract files, processing FDIC files, and resolving issues, if required.

3. Determining a secure transfer protocol

The FDIC puts the utmost value on the security of your data. For this reason, the FDIC uses a secure FTP server (GlobalScape EFT) to facilitate file exchanges. To establish a secure FTP session, the FDIC requires the email address of a covered institution employee who will be responsible for all data transmission for the duration of the compliance review. If your institution has a preferred secure file transfer method, the FDIC can use your preferred method instead.

4. Reviewing the Deposit Insurance Advance Payment Memorandum

The deposit advance payment memorandum specifies the thresholds and percentages that the covered institution will use to calculate provisional holds for the various insured

¹ 12 C.F.R. § 360.9(f). *Testing requirements*. Covered institutions must provide appropriate assistance to the FDIC in its testing of the systems required by this section. The FDIC will provide testing details to covered institutions through the issuance of subsequent procedures and/or guidelines.

deposit account types. Your designated reviewer will prepare and send the memorandum to the covered institution in the morning of the first business day of the scheduled review week.

5. Executing the provisional hold process and creating data extract files

The covered institution executes its provisional hold processing using the values provided in the deposit insurance advance payment memorandum and creates the resulting data files in the format prescribed by the Rule. The covered institution sends those data files to the FDIC reviewer immediately after completing its provisional hold processing, no later than the close of business of the second business day of the review week. The data files are not to be scrubbed or otherwise validated prior to being sent. The FDIC accepts separate sets of files from multiple deposit systems.

To validate that the specified provisional holds were accurately placed and the processing of FDIC in-bound files occurred correctly, the FDIC reviewer selects certain accounts for analysis. For those selected accounts, the covered institution provides screen-prints from its deposit system showing account-level information both before and after provisional hold processing. The “before” screen prints will show the account’s current balance, holds, and available balance. The “after” screen prints will contain the account’s current balance, new holds (if any), available balance, and a transaction showing that the FDIC-specified provisional hold was properly removed.

6. Issues report and compliance testing review report

At the completion of the review week, the FDIC reviewer will provide an issues report to the covered institution’s technical staff describing the reviewer’s observations and analysis of the covered institution’s provisional hold processing under the Rule. With this report, the FDIC reviewer will discuss in detail the issues identified with the covered institution’s staff.

Shortly after the review week, the FDIC reviewer will send to the covered institution’s chief compliance officer, or regulatory equivalent, a compliance testing review report, summarizing the findings of the compliance review. Should corrective actions be required, the covered institution is to respond to this report with a formal reply detailing management’s commitment to corrective action and a timeframe for completing those actions.

Should you have any questions, please contact your designated reviewer or send an email to DRRLargeBnkDepRule@FDIC.gov.