

12 C.F.R. § 360.9 Compliance Test General Information

Covered institutions under 12 C.F.R. § 360.9, the Large-Bank Deposit Insurance Determination Modernization rule are routinely selected for compliance tests.¹ The tests are conducted either on-site or off-site. Below is an overview of the compliance test process.

1. Completing the test questionnaire

The test questionnaire collects information about a covered institution's deposit system, including system platforms, deposit products, account types, and technology service provider ("TSP") information. The questionnaire should be answered by the institution as thoroughly as possible and, when completed, promptly returned to your designated FDIC lead reviewer. The FDIC lead reviewer will provide feedback and may ask for additional clarification if required. A sample questionnaire can be found at <https://www.fdic.gov/regulations/resources/largebankdim/sample-review-questionnaire.pdf>

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 production data set, 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 to provide an accurate representation of the entire production environment. The test environment should contain all applications, products, systems, and software specifications, as they exist in the actual production environment.

If a covered institution uses a TSP, it is important to inform the TSP of the upcoming compliance test. 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 file transfer protocol server called FDICconnect – Enterprise File Exchange (EFX) to facilitate file exchanges. To establish a secure file transfer session, the FDIC requires a covered institution employee who is an authorized user of FDICconnect –Enterprise File Exchange (EFX) to be responsible for all data transmission during the compliance test.

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.

If your institution has a preferred secure file transfer method, the FDIC can use your preferred method as an alternative.

4. Reviewing the Provisional Hold memorandum

The Provisional Hold memorandum specifies the thresholds and percentages that the covered institution will use to calculate holds for the various insured deposit account types. Your designated FDIC lead reviewer will prepare and send the memorandum to the covered institution in the morning of the scheduled test week's first business day (typically a Monday morning). A sample provisional hold memorandum can be found: <https://www.fdic.gov/regulations/resources/largebankdim/sample-provisional-hold-memorandum.pdf>

5. Executing the Provisional Hold process and creating data extract files

The covered institution executes its Provisional Hold processing using the Provisional Hold memorandum's values and creates the resulting data files in the format prescribed by the regulation. The covered institution sends those data files to the FDIC lead reviewer immediately after completing its Provisional Hold processing, no later than the close of business of the second business day of the compliance test week. The data files are not to be scrubbed or otherwise manipulated before 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 lead reviewer selects certain accounts for analysis. For those selected accounts, the covered institution provides screenshots from its deposit system showing account-level information both before and after processing FDIC in-bound files to remove/add holds and credit/debit accounts. The "before" screenshots will show the account's current balance, holds, and available balance. The "after" screenshots will contain the account's current balance, new holds (if any), available balance, and a transaction showing that the institution removed the FDIC-specified provisional hold.

6. Issues report and compliance test report

After the compliance test is completed, the FDIC lead reviewer will provide an issues report to the covered institutions technical staff describing the lead reviewer's observations and analysis. With this report, the FDIC lead reviewer will discuss the issues identified with the covered institution's staff in detail.

After the compliance test, the FDIC lead reviewer will send the covered institution's chief compliance officer, or regulatory equivalent, a Compliance Test Report that summarizes the compliance test findings. Should corrective actions be required, the covered institution must respond to this report with a formal reply to the FDIC detailing management's commitment to corrective action and a time frame for completing those actions.

Should you have any questions, please contact your designated FDIC lead reviewer or send an e-mail to drrlargebnkdeprule@fdic.gov.