

## RELATED ORGANIZATIONS

### Expanded Analysis Decision Factors

*This section evaluates the significance of deficiencies or other specific concerns identified in the Core and Expanded Analyses. Click on the hyperlinks found within each of the Expanded Analysis Decision Factors to reference the applicable Expanded Analysis Procedures. If needed, proceed to the accompanying [Impact Analysis](#).*

**Do Expanded Analysis and Decision Factors indicate that risks are appropriately identified, measured, monitored, and controlled?**

**E.1. Are deficiencies immaterial to management's supervision of transactions with related organizations? Refer to Expanded Analysis [Procedures #1-8](#).**

**E.2. Are deficiencies immaterial to the bank's financial condition? Refer to Expanded Analysis [Procedures #1-8](#).**

**RELATED ORGANIZATIONS**

**Expanded Analysis Procedures**

*Generally, procedures used in the Expanded Analysis should target concerns identified in the Core Analysis and Decision Factors. The flexible procedures specified for the Core Analysis also apply to the Expanded Analysis. The procedures in the Expanded Analysis section focus on identifying risk exposures, verifying significant risks, and determining the capabilities and reliabilities of the internal measurement systems.*

**Expanded Analysis Procedures**

**1. Investigate why the internal policy and procedure deficiencies identified in the Core Analysis exist. Possible reasons for policy deficiencies may indicate:**

- Management overlooked issues,
- Management is unfamiliar with prudent guidelines and procedures, or
- Management has not been responsive to previous recommendations to create or enhance policies and procedures.

**2. If poor compliance with internal policies and procedures exist, determine the reasons. Possible reasons include:**

- A lack of awareness of policy existence.
- A disregard for established policies.
- A misunderstanding of the intent of policy guidelines.
- Poor internal communication of policy and procedures or subsequent revisions.

**3. Determine whether management commits to and supports proper controls and monitoring to ensure internal policy guidelines are followed in the future. Determine whether proposed controls are reasonable.**

**4. Determine the effect on the bank of inappropriate employee allocation agreements or nonconformance with agreements.**

**5. Determine whether reimbursements are necessary for improper transactions.**

**6. Determine whether the affiliate's or subsidiary's financial position will require additional funding requirements. Identify the source of the additional funding and the effect on the bank.**

<p><b>7. Determine the cause of violations and identify responsible parties. Consider the following:</b></p> <ul style="list-style-type: none"><li>• <b>Unfamiliarity with laws and regulations,</b></li><li>• <b>Negligence,</b></li><li>• <b>Misinterpretation of statutory or regulatory requirements or prohibitions, and</b></li><li>• <b>Willful disregard.</b></li></ul>
<p><b>8. If the bank is critically undercapitalized (under Section 38, Prompt Corrective Action definitions), determine whether the bank has engaged in any covered transaction as defined in Section 23A, without the prior approval of the FDIC or FRS.</b></p>
<p><b>End of Expanded Analysis. If needed, Continue to <a href="#">Impact Analysis</a>.</b></p>

<b>RELATED ORGANIZATIONS</b>
<b>Impact Analysis Procedures</b>

*Impact Analysis reviews the impact that deficiencies identified in the Core and Expanded Analysis and Decision Factors have on the bank's overall condition, and directs the examiner to consider possible supervisory options.*

<b>Impact Analysis Procedures</b>
<b>1. Determine whether the risks associated with affiliate relationships pose a material threat to the institution's capital, asset quality, earnings, or liquidity. Assess the impact on the institution if these deficiencies continue.</b>
<b>2. Assess whether management can effectively reduce the risks associated with affiliated relationships.</b>
<b>3. Determine whether administrative and enforcement actions, Civil Money Penalties, or removal actions are necessary. Formulate specific recommendations, and advise the appropriate supervisory officials on the nature of the concerns. (FDIC: Field supervisor and regional office.)</b>
<b>4. After obtaining approval from appropriate supervisory officials, discuss the possibility of administrative and enforcement actions with executive management and the board of directors.</b>
<b>End of Impact Analysis.</b>