

FEDERAL RESERVE BANK
OF NEW YORK

At Cir. No. 8104

April 29, 1977

SHARED NATIONAL CREDITS

*To the Chief Executive Officer of Each State Member Bank
in the Second Federal Reserve District:*

The Federal Reserve System, in cooperation with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, is embarking on a program for the review and uniform classification of Shared National Credits. State banking departments have also been invited to participate in the program.

A Shared National Credit (SNC) is any loan in an original amount of \$20 million or more (a) that is shared at its inception by two or more banks under a formal lending agreement, or (b) a portion of which is sold to one or more banks with the purchasing bank assuming its pro-rata share of the credit risk. Under the program, each SNC will be reviewed annually at the lead or agent bank by a team of not less than three examiners. These on-site reviews will be conducted during the months of May and June. Determinations made by the teams concerning the treatment of an SNC for examination purposes will be uniformly applied among all banks that share in the credit. "Write-ups" of SNCs containing adverse comment will be disseminated to all sharing banks following the on-site reviews. Sharing banks having one or more SNCs classified as a "loss" by the examining teams will be expected to charge-off their proportionate share of the credit by the end of the calendar year at the latest.

The classification of an SNC assigned by the examiner team will continue until the loan is reviewed again at the agent or lead bank. State-chartered member banks in the Second Federal Reserve District that act as agent or lead banks for SNCs are instructed to inform our Bank Examinations Department of any substantial change, whether adverse or favorable, affecting an SNC that occurs subsequent to the annual review of the credit.

A request for a reevaluation of an SNC will be accepted only from the lead or agent bank where the SNC was originally reviewed. Such requests may be made after September 30, if that bank believes a significant change has occurred in the quality of the credit and has financial or other data to support the request. On the basis of the data submitted, we will determine whether or not the SNC should be reevaluated.

The SNC program is an integral part of the examination process. As such, information developed in connection with the review of SNCs will be accorded the same degree of strict confidentiality provided for all examination material.

If you have any questions regarding the SNC program, particularly the responsibilities under the program of agent or lead banks or of sharing banks, please contact Robert A. Jacobsen, Chief Examiner, or John L. McEntee, Examiner, of the Bank Examinations Department of this Bank (Telephone No. 212-791-5897).

PAUL A. VOLCKER,
President.