

FEDERAL RESERVE BANK  
OF NEW YORK

*At Circ. No. 8370*  
June 15, 1978

INTERAGENCY EDP EXAMINATION POLICY

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

Enclosed is a statement of a policy that has been adopted by the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the Board of Governors of the Federal Reserve System, and the Comptroller of the Currency in an effort to make their procedures for examining data processing centers more efficient.

The policy provides for joint or rotational examinations of all independent data centers providing services to insured institutions supervised by more than one Federal regulatory agency. Examinations of data centers operated by State member banks in this District will continue to be the responsibility of the Federal Reserve Bank of New York, even if other types of insured institutions (e.g., national banks, State nonmember banks, or savings and loan associations) are serviced by those data centers.

The policy also provides that the examining agency will advise all other concerned regulatory agencies and the examined data center and its serviced institutions with regard to all pertinent matters disclosed by the examination. Follow-up correspondence from the data center regarding its examination is to be directed to the examining agency; any correspondence from your bank about the examination of your data servicer should be sent to this Bank.

If your bank is serviced by an organization other than a financial institution, please provide your servicer with a copy of this letter and a copy of the enclosed policy statement.

Printed on the reverse side is the text of a press statement issued by the Board of Governors on May 31 regarding the new interagency policy. Any questions regarding this policy should be directed to our Bank Examinations Department (Tel. No. 212-791-5887).

PAUL A. VOLCKER,  
*President.*

(Over)



## Board's Press Statement Regarding Interagency EDP Examination Policy

Federal regulators of banks and thrift institutions have established a joint policy for the examination of data processing centers.

The new interagency policy is effective immediately. It is expected to eliminate separate examination of data processors by more than one Federal bank or thrift institution regulator and to result in more efficient use of the regulators' examination staffs.

The policy statement was adopted by the Comptroller of the Currency (supervisor of national banks), the Federal Reserve Board (supervisor of State chartered member banks) and the Federal Home Loan Bank Board (supervisor of Federally insured savings and loan associations). The Federal Deposit Insurance Corporation (supervisor of mutual savings banks and of Federally insured State chartered banks that are not members of the Federal Reserve System) is expected to act on the policy statement in the near future.

The policy statement specifies:

--Data centers that are operated by a bank or thrift institution supervised by one of the Federal regulators will be examined by that regulator.

--Other data processing centers serving Federally insured banks or thrift institutions will be examined by a joint examination team with representatives of more than one of the regulators, or will be examined by one of the regulators on behalf of the others.

--Agencies examining data processors on behalf of the others will be rotated every two years.

--If, however, the examining agency regards the data processor's overall condition as less than satisfactory, the processor will be examined jointly until its condition improves to the satisfactory level.

--All insured banks or thrift institutions served by an examined data processor will receive the examiner's conclusions, recommendations and comments. The examiner's reports dealing with matters of a proprietary or competitive nature will be distributed only to the Federal regulators.

The attached copy of the policy statement describes the division of responsibility among Federal regulators for examining various types of data processors, including processors operated by bank holding companies.



## Interagency EDP Examination, Scheduling and Report Distribution Policy Statement

### Definitions

1. Insured Institution - any bank, savings and loan association or other financial institution whose deposits or shares are insured by a federal agency.
2. Serviced Institution - any insured institution which receives data processing services.
3. Independent Data Center - any data center that provides data processing services to an insured institution, but is not owned by or affiliated with an insured institution.
4. Holding Company - any organization which has control over one or more insured institutions.
5. Bank Service Corporation - a servicing corporation as defined in the Bank Service Corporation Act, 12 U.S.C. 1861-1865.

### I. Examination Responsibility

#### A. Insured Institutions

Data centers operated by an insured institution, or its subsidiary, will be examined by the federal regulatory agency responsible for the insured institution.

#### B. Holding Companies

1. Data centers operated by a holding company, or its affiliate, which services only one class of insured institution will be examined by the federal regulatory agency responsible for that class of insured institution.
2. Data centers operated by a holding company, or its affiliate, which services more than one class of insured institution will be examined jointly, or on a rotated basis, as agreed to by the federal regulatory agencies responsible for those classes of insured institutions.
3. Data centers operated by holding companies which control only one insured institution, or its affiliate, will be examined by the federal regulatory agency responsible for the insured institution.

#### C. Independent Data Centers

Responsibility for the examination of independent data centers will be based on the class of insured institution being serviced. The guidelines for holding companies (Item B) will apply.



D. Bank Service Corporations

Responsibility for the examination of bank service corporations will be based on the class of insured institution being serviced. The guidelines for holding companies (Item B) will apply.

E. Independent Examinations

No federal regulatory agency is precluded from conducting an independent examination of any data center that is providing data processing services to an insured institution for which the agency is responsible or where an agency has regulatory responsibility for holding company data centers.

II. Scheduling and Report Preparation

A. Joint Examinations

1. Joint examinations will be scheduled at the regional level. Examination duties will be divided and rotated among the EDP examiners assigned.
2. One report will be prepared and signed by the examiner-in-charge from each agency. The participating examiners will reach an agreement on the report comments and the responsibility for authoring the finished product.
3. Interested state agencies will be invited to participate when institutions operating under their charter are being serviced.

B. Rotated Examinations

1. When joint examinations are not scheduled for servicers of various classes of insured institutions, the examination responsibilities will be rotated among the respective agencies for two-year periods. However, when the data center's overall condition is determined to be less than satisfactory, joint examinations must be scheduled for the subsequent examination.
2. The examining agency will complete its standard report of examination when conducting rotated examinations.

III. Report Distribution Policies and Procedures

- A. At the conclusion of the examination the examiner will discuss the report comments with the senior management. Management will be informed that, as a matter of policy, these or similar report comments will be distributed to all insured serviced institutions. The distribution policy will be repeated in the cover letter transmitting the completed report to the data center.
- B. The examining agency will furnish all other affected agencies (at the district or regional level) a copy of the completed report, a complete list of serviced institutions, and an outline of any request for corrective action. If the receiving agency feels additional follow-up is warranted, it will immediately request the initiating agency to do so.



- C. Each agency will be responsible for reproducing and distributing the report comments to its serviced institutions. A transmittal letter will be used to advise each recipient that the comments are for their internal use only, are not to be construed to satisfy audit requirements, and remain the confidential property of the sending agency. A written receipt will be obtained from each recipient. Report comments resulting from joint examinations will be distributed by the participating agencies to their respective serviced institutions.

These procedures do not affect existing distribution agreements with state agencies. The agency conducting the examination will be the only one permitted to provide nonparticipating state authorities copies of the report. In the case of joint examinations, participation by state agencies and report distribution to those state agencies will be decided on an individual basis (at the district or regional level) by the participating federal agencies.

- D. Regardless of the distributing agency, report comments transmitted to serviced institutions will be limited to the examiner's conclusions, recommendations and comments. Matters of a proprietary or competitive nature relating to the servicer will be excluded from report comments prepared for distribution to serviced institutions, but will be contained in the report provided to the servicer and other federal agencies. Requests for additional information will be considered on an individual basis. Each agency with serviced institutions will have access to examiner work papers in addition to the complete report (including confidential sections).
- E. In cases where the servicer is examined by a single agency and does not respond to corrective action requests, it may be necessary to report the uncorrected deficiencies to the serviced institutions. However, the regulatory agencies of all serviced institutions will first agree on the need and jointly meet with the servicer.