

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10579**]
[October 2, 1992]

FEDERAL/STATE SUPERVISION OF BANKS

Joint Resolution

*To All State Member Banks, and Others
Concerned, in the Second Federal Reserve District:*

Following is the text of a statement by the Board of Governors of the Federal Reserve System:

The adoption of a joint agreement with the Conference of State Bank Supervisors that is designed to promote greater efficiency in the supervision of banks has been announced by the Federal Reserve Board.

A joint resolution signed by both parties seeks to encourage the negotiation and formation of working agreements between the Federal Reserve Banks and State banking departments embodying the sharing of information and a division of labor in the examination and supervision of State member banks.

Printed on the following pages is a copy of the joint resolution, together with a procedural appendix. Questions on this matter may be directed, at this Bank, to Donald E. Schmid, Manager, Domestic Banking Department (Tel. No. 212-720-6611).

E. GERALD CORRIGAN,
President.

Joint Resolution
of the
Conference of State Bank Supervisors
and the
Board of Governors of the Federal Reserve System

WHEREAS the Board of Governors of the Federal Reserve System ("FRB"), the primary Federal supervisor of state-chartered member banks, recognizes a compelling need for continued efforts toward improved bank supervision; and

WHEREAS the FRB believes this resolution to be fully consistent with the FRB's long-standing practice of working closely with state banking departments to coordinate examinations to the fullest extent possible; and

WHEREAS such recognition is shared by the Conference of State Bank Supervisors ("CSBS"), the professional association representing the interests of the banking departments of the fifty (50) states, the District of Columbia, Puerto Rico, Guam and the Virgin Islands; and

WHEREAS the CSBS membership and the FRB have historically cooperated in carrying out their supervisory duties with regard to the nation's state-chartered commercial banks, and are desirous of continuing and enhancing such cooperation in the future; and

WHEREAS there is a continuing need to achieve supervisory efficiencies and to reduce federal regulatory burdens upon the industry and administrative burdens upon the FRB and the CSBS' member agencies; and


WHEREAS the CSBS and the FRB recognize the importance of coordinated supervisory planning, the sharing and coordination of analyses of the condition of commercial banks, and the cooperative, logical planning of appropriate regulatory parameters; and

WHEREAS the FRB and the CSBS, as far as possible, wish to continue to facilitate interagency supervisory cooperation consistent with the preservation of each agency's independent functioning.

NOW, THEREFORE, be it resolved that the FRB and the CSBS will encourage the negotiation and formation of working agreements between the Federal Reserve Banks and the state banking departments embodying sound working principles, including principles pertaining to the sharing of information and the division of labor in the examination and supervision of insured

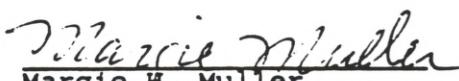
institutions, designed to achieve optimal supervisory efficiency and to promote optimal protection of the public.

The Board of Governors of the Federal Reserve System

By: 
Richard Spillenkothen
Director
Division of Banking Supervision
and Regulation

Date: September 9, 1992

The Conference of State Bank Supervisors

By: 
Margie H. Muller
Chairman of the Board

Date: September 9, 1992

APPENDIX A

I. General Provisions:

- A. The spirit and intent of this cooperative program is to foster closer supervisory cooperation between the state banking departments and the Federal Reserve.
- B. Each state banking department may enter into a separate agreement with each Federal Reserve Bank and operating procedures to implement this agreement should be mutually established to ensure compliance with respective state and federal regulations.
- C. Either party has the freedom to conduct additional independent examinations at will with notice to the other party.
- D. Either party may terminate the agreement upon notice to the other party.

II. Examination Schedule:

- A. If the bank has a CAMEL Rating of 1 or 2, examinations may be conducted by the Federal Reserve or state banking department, independently, on an alternating 12 month basis. Examinations of these institutions may also be conducted concurrently or jointly.
- B. If the bank has a CAMEL Rating of 3 or 4 or 5, examinations may be conducted independently by the Federal Reserve and the state banking department as they individually determine. However, these examinations should be carefully coordinated to avoid redundancy. Concurrent or joint examinations may also be conducted where practicable. Moreover, in the case of 3 rated banks that are regarded by both the state banking department and the Federal Reserve Bank as being stable and improving, examinations may be conducted on an alternate year basis under a variety of circumstances, one of which may be, but is not mandatory, that the state banking department be accredited under the CSBS Accreditation Program.

III. Procedures:

- A. Each party will mutually agree to the type of examination: concurrent, joint or alternating.

- B. The number of financial institutions to be included in the program will be mutually determined by the participating parties.
- C. The frequency of examinations under the cooperative program will be mutually agreed upon by the participating parties.