Large Banking Organization (LBO) Supervision

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LBO Supervision
Key Considerations

• Diverse business lines
• Multi-state, multi-regulator
• Complex risk profiles
• No two exactly alike
LBO Risk Focused Supervision

• Dedicated team of examiners
• Access to experts knowledgeable in best practice
• Continuous review of internal management reports and audit and loan review reports
• Regular discussions with management and other regulators
LBO Risk Focused Supervision

Emphasis on informed planning
- Institutional profile
- Risk assessments
- Supervisory plan
- Targeted exam activity
- CAMELS/BOPEC analysis
LBO Risk Focused Supervision

• Focus on assessing and testing management’s processes for identifying, measuring, monitoring and controlling key risks:
  - Credit
  - Operating
  - Liquidity
  - Legal
  - Market
  - Reputational

• Benchmark against best practices among large bank peers
LBO Supervision Coordination

- Federal Bank Regulators (Fed/OCC/FDIC) & State Bank Regulators
- Financial Holding Company
- Bank Holding Company
- Bank
- Insurance Company
- Securities Company
- Other Non-Bank Company
- Federal Reserve
- Functional Regulators
  - SEC and SROs (NYSE & NASD)
- Functional Regulators
  - State Departments of Insurance
LBO Supervision Coordination

• Coordination of effort is a high priority
• Goal is to maximize our efficiency and minimize the burden on management
• How do we satisfy the obligation of all agencies with a minimum of redundancy?
  – Share plans, concerns and findings
  – Rely on each others’ work
  – Engage in joint exam activities
  – Technology
LBO Supervision and the Central Bank

Continuous supervision better positions us to function in our role as the Central Bank

• Systemic events
  – Y2K
  – September 11
• Urgent information needs
LBO Issues 2002-2003

• Credit quality
  – “Fallen Angels”
  – Middle market
  – Loan loss reserves
• Credit risk management
• Special purpose entities
• USA Patriot Act
• Business Continuity
Questions?