



Federal Financial Institutions Examination Council Policy Statement on the Report of Examination

March 6, 2019

Introduction

The Federal Financial Institutions Examination Council (FFIEC)¹ recognizes effective communication is a critical component of the financial institution supervision process. One key method of supervisory communication is the report of examination (ROE), which documents the findings and conclusions of an examination conducted by an agency represented on the FFIEC, including information relating to the institution’s financial condition, risk profile, and risk management practices. The FFIEC members acknowledge that the ROE should evolve to address changes to the financial institution supervision process, advances in technology, changes in the banking industry, and industry feedback.² To address the evolving nature of the ROE, the FFIEC members are issuing this policy statement, and the federal banking agencies are rescinding their 1993 Interagency Policy Statement on the Uniform Core Report of Examination (1993 Policy Statement).³

Background

The FFIEC was established in March 1979 to prescribe uniform principles, standards, and report forms and to make recommendations to promote uniformity in supervisory matters.

The 1993 Policy Statement aligned with the FFIEC’s purpose to promote consistency and reduce regulatory burden by updating the uniform ROE pages to be used by each federal banking agency. The common core ROE format was intended to be flexible to accommodate different agencies’ requirements while ensuring a minimum standard of information would be maintained in all ROEs. The 1993 Policy Statement provided three categories of ROE pages: (1) mandatory core section to document examination conclusions; (2) optional core pages to support

¹ The FFIEC members include: the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Bureau of Consumer Financial Protection, the National Credit Union Administration, and the State Liaison Committee.

² For more information, see FFIEC, “FFIEC Provides Update of Examination Modernization Project,” (March 22, 2018).

³ The 1993 Policy Statement was issued by the FRB, FDIC, OCC, and former Office of Thrift Supervision.

examination findings; and (3) supplemental content to include additional information as needed or required by a particular agency.

Considering evolving financial institution supervision processes, advancing technologies, and industry feedback, the FFIEC members concluded that a principles-based approach for completing the ROE would better achieve the objectives of promoting consistency and communication among the members, while allowing individual supervisors the flexibility to document their assessment of financial institutions of different sizes, activities, risk profiles, and financial and managerial conditions.

Report of Examination Principles

The FFIEC members have agreed on a set of principles that should apply to all ROEs. The principles set forth minimum expectations of what should be included in all ROEs. The principles also provide guidance on the presentation of information to promote consistency, clarity and ease of reference. All ROEs should, as applicable:

- include the following identifying information:
 - the name of the agency or agencies issuing the ROE,
 - the financial institution’s name, location, and the identifier number assigned by the issuing agency, and
 - the time period covered by the ROE or a financial “as of” date.
- convey that the ROE contains confidential supervisory information and should be treated as such.
- present conclusions and issues in order of importance.
- document the financial institution’s condition and risk profile.
 - include the assigned regulatory component and composite ratings.
 - provide clear narrative and key data to support assigned ratings⁴ and other conclusions with a level of detail consistent with the assigned rating or level of concern. Narrative should generally be brief for 1- and 2-rated components and increase in detail for 3-, 4-, and 5-rated components.
- discuss the adequacy of the financial institution’s risk management practices.
- document issues of supervisory concern or warranting corrective action prominently, including,
 - noncompliance with laws or regulations,
 - the status of compliance with outstanding enforcement actions, and
 - the status of issues of supervisory concern or warranting corrective action communicated in the prior ROE.
- request signatures of the board of directors to acknowledge their receipt and review of the ROE.

⁴ Assigned ratings include component and composite ratings assigned under the interagency rating system(s), as applicable.

Implementation

The agencies represented on the FFIEC will examine and make any needed adjustments to their existing ROE guidance, which may prescribe specific pages or a specific format for their respective ROE, consistent with the principles listed above.