# How Will I Be Rated?

July 27, 2020

How Will I Be Rated?

---

Since 1979, the Federal Reserve System's state member banks have been rated using the Uniform Financial Institutions Ratings System (UFIRS). This rating system, including subsequent revisions, is referred to by the acronym CAMELS, which consists of six components and composite ratings for safety and soundness and risk management. Each of the components and composites is rated on a 1 to 5 scale in ascending order of supervisory concern.

**CAMELS**

| | | |
|---|---|---|
| C | Capital Adequacy | A financial institution's ability to maintain capital commensurate with its risks. |
| A | Asset Quality | The quantity of existing and potential credit risk associated with the loan and investment portfolios, other real estate owned, other assets, and off-balance-sheet transactions. |
| M | Management | The capability of the board of directors and management to identify, measure, monitor, and control the risks of an institution’s activities, and to ensure a financial institution’s safe, sound, and efficient operation in compliance with applicable laws and regulations. |
| E | Earnings | The quantity, trend, and factors that may affect the sustainability or quality of earnings. |
| L | Liquidity | The adequacy of a financial institution’s liquidity position with consideration given to the current level and prospective sources of liquidity compared to funding needs and the adequacy of funds management practices relative to the institution's size, complexity, and risk profile. |
| S | Sensitivity to Market Risk | The degree to which changes in interest rates, foreign-exchange rates, commodity prices, or equity prices can adversely affect a financial institution’s earnings or economic capital. |
| None | Composite | The overall condition and soundness of the organization based on ratings assigned to the individual CAMELS components. |

| | | |
|---|---|---|
| None | Risk Management | Management's ability to identify, measure, monitor, and control the key risks to the financial institution. |

In 1999, revisions to the Uniform Rating System for Information Technology (URSIT) were implemented. This rating system is referred to by the acronym AMDS, which consists of four components and a composite rating for information technology. Each of the components and the composite is rated on a 1 to 5 scale in ascending order of supervisory concern.

**AMDS**

| | | |
|---|---|---|
| A | Audit | The adequacy of the overall Information Technology audit program, including the internal and external auditors; abilities to promote a safe, sound, and effective operation and to detect and report significant risks to management and the board of directors on a timely basis. |
| M | Management | The abilities of the board of directors and management as they apply to all aspects of Information Technology acquisitions, development, and operations. |
| D | Development and Acquisition | The ability to identify, acquire, install, and maintain appropriate Information Technology solutions. |
| S | Support and Deliver | The ability to provide technology services in a secure environment, including the reliability, security, and integrity affecting the quality of the information delivery system. |
| None | Composite | The overall condition of Information Technology operations and controls based on ratings assigned to the individual AMDS components. |

In 1998, revisions to the Uniform Interagency Trust Rating System (UITRS) were implemented. This rating system is referred to by the acronym MOECA, which includes five components and a composite rating for fiduciary activities. Each of the components and the composite is rated on a 1 to 5 scale in ascending order of supervisory concern.

**MOECA**

| | | |
|---|---|---|
| M | Management Ability | The capability of the board of directors and management, in their respective roles, to identify, measure, monitor, and control the risks of an institution's fiduciary activities and their ability to ensure that the institution's fiduciary activities are conducted in a safe and sound manner and in compliance with applicable laws and regulations. |
| O | Operations, Internal Controls, and Auditing | The adequacy of fiduciary operating systems and internal controls in relation to the volume and character of business conducted. |
| E | Earning | The profitability of fiduciary activities and their effect on the financial condition of the institution. |
| C | Compliance | Overall compliance with applicable laws, regulations, accepted standards of fiduciary conduct, governing account instruments, duties associated with account administration, and internally established policies and procedures. |
| A | Asset Management | The risks associated with managing the assets (including cash) of others. |
| None | Composite | The overall conduct of fiduciary operations and controls based on ratings assigned to the individual MOECA components. |

On November 22, 2016, the Board of Governors issued **CA Letter 16-8**, "Uniform Interagency Consumer Compliance Rating System", which summarizes the Federal Financial Institutions Examination Council's (FFIEC) updated Uniform Interagency Consumer Compliance Rating System (CC Rating System).

The CC Rating System establishes a framework of 12 compliance factors, organized in three categories: board and management oversight, compliance program, and violations of law and consumer harm. Examiners will use these 12 factors to assess a bank's compliance management system and risk management practices designed to manage consumer compliance risk, support compliance with consumer protection laws and regulations, and prevent consumer harm. The factors are as follows:

**Board and Management Oversight**

- Oversight and Commitment
- Change Management
- Comprehension, Identification, and Management of Risk
- Corrective Action and Self-Identification

**Compliance Program**

- Policies and Procedures
- Training
- Monitoring and/or Audit
- Consumer Complaint Response

**Violations of Law and Consumer Harm**

- Root Cause
- Severity
- Duration
- Pervasiveness

The CC Rating System uses a numeric rating system of 1 to 5, where 1 represents the highest rating and the lowest degree of supervisory concern.

1. The highest rating of 1 is assigned to a financial institution that maintains a strong CMS and takes action to prevent violations of law and consumer harm.
2. A rating of 2 is assigned to a financial institution that maintains a CMS that is satisfactory at managing consumer compliance risk in the institution's products and services and at substantially limiting violations of law and consumer harm.
3. A rating of 3 reflects a CMS deficient at managing consumer compliance risk in the institution's products and services and at limiting violations of law and consumer harm.

4 A rating of 4 reflects a CMS seriously deficient at managing consumer compliance risk in the institution's products and services and/or at preventing violations of law and consumer harm. "Seriously deficient" indicates fundamental and persistent weaknesses in crucial CMS elements and severe inadequacies in core compliance areas necessary to operate within the scope of statutory and regulatory consumer protection requirements and to prevent consumer harm.

5 A rating of 5 reflects a CMS critically deficient at managing consumer compliance risk in the institution's products and services and/or at preventing violations of law and consumer harm. "Critically deficient" indicates an absence of crucial CMS elements and a demonstrated lack of willingness or capability to take the appropriate steps necessary to operate within the scope of statutory and regulatory consumer protection requirements and to prevent consumer harm.

In 1990, the Uniform Interagency Community Reinvestment Act (CRA) rating system was implemented. This rating system requires federal regulatory agencies to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system.

**CRA**

| | |
|---|---|
| Outstanding | Reflects an institution with an outstanding record of, and a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. |
| Satisfactory | Reflects an institution with a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. |
| Needs to Improve | Reflects an institution that needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. |
| Substantial Noncompliance | Reflects an institution that has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. |

## Learn More

**Commercial Bank Examination Manual Section**

Overall Conclusions Regarding Condition of the Bank

**SR 96-38**

Uniform Financial Institutions Rating System, including the addition of the Sensitivity to Market Risk component.

**SR 98-37**

Uniform Interagency Trust Rating System

**SR 99-8**

Uniform Rating System for Information Technology

**CA 16-8**

Uniform Interagency Consumer Compliance Rating System

---