

SUPERVISION

and Regulation

Fed supervision reaches out to regional banks

Ongoing improvement is a key feature of the Bank's regulatory culture. Thus, our supervision and regulation function continued to reach out to banks in the region to improve the effectiveness of our supervisory role. For example, in 1998 we expanded our risk-focused approach to regional bank supervision. We also began to monitor and assist banks in preparing for the century date change. And we improved our understanding of the effects of mergers on banks in rural communities. Finally, the Bank bolstered an already active schedule of outreach programs, including those conducted through our Community Affairs function.

Regional bank supervision

As a regional bank supervisor, our primary focus is on the health of community banks, their environment, and the efficiency and effectiveness of our bank supervision. During 1998, we expanded the use of risk-focused examinations and implemented programs to improve the examination process and minimize supervisory burden. For example, our examiners fine-tuned their use of the risk-focused approach to allocate safety and sound-

ness examination resources to areas posing the greatest risk at banks we examined. Additionally, they began applying the risk-focused approach to examinations for compliance with consumer laws and regulations. Besides these efforts, we enhanced sharing of examination best practice information among examiners and conducted forums to keep

examiners abreast of economic conditions and banking activities that raise supervisory concerns and that deserve increased examiner attention.

The Fed continued to be a catalyst for promoting fair and efficient markets.

Together, we believe these initiatives increased our efficiency, improved our effectiveness, lessened burdens on those we supervise, and permitted us to better anticipate future challenges and be more proactive in our supervisory approach.

Century date change

We began the process of conducting supervisory reviews of financial institutions and service providers headquartered in the Tenth District to determine their year 2000 preparedness. The regulatory emphasis was on preparedness testing, customer awareness, and contingency planning. We also provided resources to assist financial institutions in informing their communities about century date change issues.

We conducted seminars for bank officers in all district states.

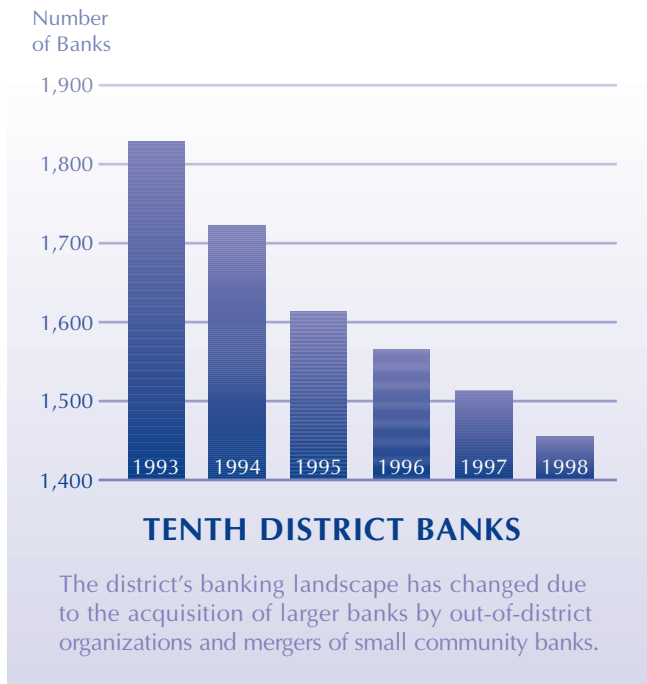
Bank mergers

The brisk pace of banking merger and consolidation activities altered the number and size of the Tenth District's banks. An important issue associated with this consolidation

has been its effect on banking competition and the impact of current regulatory standards on mergers of community banks operating in smaller markets. In a study completed in 1998, our staff concluded that mergers involving small banks in rural markets permitted them to become more efficient and profitable. These efficiency gains should be considered by regulators in their evaluation of small-bank mergers.

Outreach efforts

Risk management, regulatory burden, and costs of compliance with regulations are significant issues to district banking directors and managers, and to us. To address these concerns, we continued to develop and offer outreach programs to improve each organization's understanding of regulatory requirements.



Basic Training for Bank Directors provided nonofficer bank directors with tools to judge risk-taking and the effectiveness of risk management in their institutions.

In 1998, we pre-

sented the basic training program at 16 regional locations in conjunction with six state banking departments and two other Reserve Banks. In addition to this program for bank directors, we conducted seminars for bank officers in all district states. And we conducted eight banker roundtable meetings in five district states, during which Federal Reserve officers increased their understanding of the broad issues facing district banking organizations.

Through the Community Affairs function, the Bank continued to be a catalyst for promoting fair and efficient markets and improving access to credit and capital. With various public and nonprofit organizations and statewide banking associations, we co-sponsored workshops on community development and made presentations on issues such as community development financing, fair lending, and community assessment and planning. ■

Profile

MAC JONES

One of the primary objectives of the Bank's outreach programs is to share our supervisory expertise with community bankers to help promote banking safety. One such community banker is R.M. "Mac" Jones, president of Colorado Bank and Trust in La Junta, Colorado, population 8,500.

Mac is the kind of banker who makes it easy for his customers to tell him what's on their mind. He does it with "Hey Mac" folders strategically placed throughout the bank. Some may call Mac's approach folksy, but it fits his style. He types his own letters, never screens his phone calls, and vows never to resort to voice mail.

Organized in 1907, the Colorado Bank and Trust Company is the Jones family business. Mac's grandfather joined the bank in the 1930s. His father, R.H. Jones, came aboard in 1951, was president from 1968 to 1991, and now is chairman of the board. Mac started as a teller in 1969 and worked his way through various positions before succeeding his father as president.

Despite many opportunities to sell their stake in the bank, Mac vows the family will never do that. "We're just so determined to stay here and serve our customers – and one of the best ways of doing that is to take advantage of



Colorado banker encourages others to use Fed services, especially the bank director training.

the Fed's outreach programs."

Mac is particularly enthusiastic about one of the Kansas City Fed's more recent offerings: the training program for bank directors.

"It was a great review and refresher course for Dad and me, our number two person, and our other directors and general counsel," Mac says. "It was just fantastic, a great benefit."

The program provides enlightenment about what it means to be a bank director and reinforces the purpose of serving on that board. "It puts it all in perspective," Mac says, "and gives some real hands-on, how-to-do-things experience."

The Fed trainers who went to his bank to provide the training drew praise for their presentation, which, in Mac's view, was clear, concise, nontechnical, and free of banker jargon. ■