



Regulatory Panel

2021 REGIONAL STATE MEMBER BANK CONFERENCE
MAY 17, 2021

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Pandemic-Driven Changes



Adjustments to Supervisory Approach

- Announced exam pause for banks with less than \$100 billion in assets in March 2020
- Shifted to monitoring and communicating regularly with institutions
- Lifted the exam pause in June 2020, but conducted all exam work offsite
- Issued interagency guidance for assessing safety and soundness considering the effects of the pandemic (SR 20-15)
- Focused internally on ensuring consistency of supervisory work and assessments

Workforce Crisis Response Plan

- Developed a System plan to address potential staffing shortages
- Improved our understanding of resource supply and demand
- Created a risk-based prioritization framework to allocate resources optimally across the Federal Reserve System

Challenges and Opportunities



Impact of Remote Work Environment

- Technology has facilitated the ability to work remotely but also created new challenges
- Completely offsite exams require additional logistics and coordination challenges
- Approaches to meetings and transaction testing have evolved

Return to “Normal”

- Unlikely to shift completely back to the pre-pandemic normal
- Will need to balance remote work arrangements with the need for staff to be physically present
- Will return to onsite exams when the time is right, but will continue to do offsite supervisory work
- Ongoing work to determine what our “new normal” supervisory approach will look like

Key Risks



Commercial Real Estate Lending

- Relief measures and a strong stock market are potentially masking significant underlying risk
- While there is cautious optimism, the pandemic outlook and economic recovery remain uncertain
- Some sectors (e.g., office) may experience major structural changes depending on post-pandemic behaviors that impact current loan performance
- Closely monitoring CRE exposures across the regional bank portfolio

Cyber Security

- Scope and severity of the SolarWinds attack served as a stark reminder of the risk that cyberattacks pose
- Vendor risk management is a critical aspect of cyber risk management
- No organization is immune from a breach by sophisticated threat actors
- Continuing to focus on and prioritize cyber risk management in our supervisory efforts