How Will I Be Supervised?

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The Federal Reserve has a well-developed supervisory program for comprehensive consolidated supervision of U.S. bank holding companies, as outlined in **SR 08-9/CA 08-12**, *Consolidated Supervision of Bank Holding Companies and the Combined U.S. Operations of Foreign Banking Organizations*, and **SR 13-21**, *Inspection Frequency and Scope Requirements for Bank Holding Companies and Savings and Loan Holding Companies with Total Consolidated Assets of $10 Billion or Less.*

Broadly, the Federal Reserve's program includes:

- Understanding the structure of bank holding companies and activities of material parts of these companies
- Evaluating the risks posed by non-banking activities in a bank holding company structure
- Imposing prudential standards on a consolidated basis
- Assessing the consumer compliance risk profile for bank holding companies.

Execution of the program is accomplished through a combination of continuous monitoring activities, discovery reviews, off-site reviews, and on-site holding company inspections, as appropriate, based on asset size, complexity, and condition of the holding company.

How is the Federal Reserve's supervisory program different from that of the Office of Thrift Supervision?

The Federal Reserve's consolidated supervision program is similar to that of the Office of Thrift Supervision (OTS). Like the OTS, we are responsible for understanding the consolidated organization's legal structure and entities, nature and location of activities, interrelationships among entities (transactions among affiliates), and methods for exercising oversight over domestic and cross-border operations.

As outlined in our **Source of Strength Policy**, there is a fundamental expectation that holding companies serve as a source of strength to their subsidiary depository institutions.

The most visible difference between the Federal Reserve program and the OTS program is that holding companies regulated by the Federal Reserve are subject, on a consolidated basis, to a capital requirement, whereas the OTS did not apply a single, standardized capital requirement to all SLHCs. Specific capital guidelines that will be applicable to SLHCs are still being developed and thus are not yet available.

First Cycle Supervisory Program for SLHCs

The Federal Reserve believes that it is important that any company that owns and operates a depository institution be held to appropriate standards of capitalization, liquidity and risk management.

Consequently, it is the Federal Reserve's intention that, to the greatest extent possible, taking into account any unique characteristics of SLHCs and the requirements of the **Home Owners' Loan Act**, supervisory oversight of SLHCs should be carried out on a comprehensive consolidated basis, consistent with the Federal Reserve's established approach regarding bank holding company supervision.

Accordingly, the Federal Reserve issued **SR 11-11/CA 11-5**, *Supervision of Savings and Loan Holding Companies*, which discusses the approach to SLHC supervision that will be utilized during the first supervisory cycle.

Attachment A and **Attachment B** to SR 11-11/CA 11-5 outline the first cycle supervisory programs for SLHCs based on size, complexity, and activities.

Also read: **First Cycle Inspection of Insurance SLHCs, Broker-Dealer SLHCs, and Commercial SLHCs**
