



FEDERAL RESERVE BANK *of* KANSAS CITY

March 25, 2016

Supervision and Regulation (SR) Letter 16-6: Updates to the Expanded Examination Cycle for Certain State Member Banks and U.S. Branches and Agencies of Foreign Banking Organizations

Attention: Chief Executive Officer of Each Tenth District State Member Bank (SMB) with less than \$1 billion in total assets

In Brief: The Federal Reserve issued SR letter 16-6 to provide an update on recent changes to the criteria for SMBs to be eligible for an 18-month examination cycle, rather than a 12-month examination cycle.

Highlights: The letter outlines statutory changes resulting from the Fixing America's Surface Transportation (FAST) Act, which became law on December 4, 2015. The FAST Act amended the Federal Deposit Insurance Act to increase, from \$500 million to \$1 billion, the total asset threshold below which a federal banking agency may examine an insured depository institution on an 18-month examination cycle. Further, the letter reiterates that banks must also continue to meet the additional criteria listed below to be eligible for the expanded examination cycle.

On February 29, 2016, the Federal Reserve Board of Governors published in the Federal Register an interim final rule amending Regulation H to reflect the statutory change by raising, from \$500 million to \$1 billion, the asset threshold for a SMB to be eligible for an 18-month examination cycle. The interim final rule was published jointly with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC), both of which adopted similar changes to their regulations.

In addition to meeting the asset threshold requirement, a SMB must continue to satisfy the following criteria to be eligible for an 18-month examination cycle:

- The SMB is well capitalized
- At the most recent examination, management component and CAMELS composite ratings of "1" or "2" were assigned to the SMB
- The SMB is not currently subject to a formal Federal Reserve or FDIC enforcement proceeding or order
- No substantive change-in-control of the SMB has occurred since the prior examination

The expanded 18-month examination cycle eligibility is effective immediately for SMBs that have total assets of less than \$1 billion and meet the additional criteria.

Contact: Please direct any questions concerning the new guidance to your Federal Reserve Bank of Kansas City central point of contact at (800) 333-1010.

Internet Link: A copy of the Federal Reserve Supervision and Regulation Letter SR 16-6 is available on the Board's public web site at: <http://www.federalreserve.gov/bankinforeg/srletters/sr1606.htm>