

**NATIONWIDE  
STATE/FEDERAL  
SUPERVISORY  
AGREEMENT**

**November 14, 1996**

## **NATIONWIDE STATE/FEDERAL SUPERVISORY AGREEMENT**

This Agreement is made and entered into by and between the Parties. It is not intended to prevent the Parties from entering into other agreements or arrangements regarding the subject matter of the Agreement.

### **I. Statement Of Purpose**

#### **A. Goals**

The Parties recognize that state-chartered banks will establish interstate branches creating a compelling need for enhanced cooperation among Federal and State regulatory agencies. The goals of the Parties to this Agreement are to: (1) provide for a seamless supervisory process; (2) ensure that supervision is flexible and commensurate with the organization's risk; and (3) minimize regulatory burden and cost.

#### **B. Responsibilities**

1. The State Supervisory Authorities that are parties to this Agreement (collectively the State Supervisory Authorities) have endorsed the Nationwide Cooperative Agreement, dated November 13, 1996, which governs the supervisory responsibilities among the State Supervisory Authorities for Multi-State Banks in such states.
2. The Board of Governors of the Federal Reserve System (the "Board of Governors") and the Federal Deposit Insurance Corporation (the "FDIC") recognize the responsibility of the Home State Supervisor to coordinate the involvement of Host State Supervisors in the supervision and examination of Multi-State Banks, as set forth in the CSBS Interstate Banking and Branching Supervisory Protocol dated April 20, 1995.
3. The State Supervisory Authorities, the Board of Governors and the FDIC have endorsed the State/Federal Supervisory Protocol, (the "State/Federal Protocol"), which is attached as Exhibit 1, and which outlines the responsibilities of the Responsible Federal Agency and Home State Supervisor for a Multi-State Bank. This Agreement between the Parties implements the State/Federal Protocol and sets

forth the procedures to fulfill its goals and terms.

## **II. Supervision And Examination Process**

The Parties agree to adopt and implement the procedures for the supervision and examination of Multi-State Banks as set forth in the State/Federal Protocol and, at a minimum, to take the following steps:

- A. Within 30 days of the date of this Agreement, the Responsible Federal Agencies and the Home State Supervisors will identify the Multi-State Banks covered by the supervisory program set forth in the State/Federal Protocol and this Agreement. On a quarterly basis, this list will be reviewed and, as needed, updated.
- B. Within 60 days of the date of this Agreement, the Responsible Federal Agency and the Home State Supervisor will each designate a Primary Contact Person for each of the subject Multi-State Banks. Among other things, these individuals will jointly coordinate the supervisory and examination responsibilities of their respective agencies according to the principles of the State/Federal Protocol and this Agreement. The Responsible Federal Agency and the Home State Supervisor and the Primary Contact Persons, in particular, will take the necessary steps to ensure that the goals of the State/Federal Protocol and this Agreement, including a risk-focused, seamless supervisory process, are achieved.
- C. The Primary Contact Persons will develop and, as needed, update a written comprehensive supervisory plan that covers an agreed upon period and provides for an effective and efficient supervision process tailored to the Multi-State Bank's organizational structure and risk profile. In developing and updating the comprehensive supervisory plan, the Responsible Federal Agency and the Home State Supervisor will consider the views of the Local Federal Reserve Banks, the Local FDIC Regional Offices and the Host State Supervisors, as appropriate. The comprehensive supervisory plan will include:
  - 1. A risk assessment of the organization;
  - 2. The examination plan described in Section II.D. of this Agreement;

3. Schedules for examination planning meetings;
  4. Estimated resource requirements for conducting on-site examinations;
  5. Review and assessment of pending issues, such as the status of applications and compliance with enforcement actions;
  6. Off-site monitoring plans; and
  7. Such other matters as are necessary to promote the safety and soundness of the organization.
- D. The Primary Contact Persons will ensure that, as part of the comprehensive supervisory plan, a written examination plan is developed that details the type, timing and location of on-site safety and soundness and specialty<sup>1</sup> examinations. The examination plan will take into consideration the risk profile of the organization, its structure, and managerial preferences concerning certain aspects of the examination process (*i.e.*, a preference for a series of target examinations versus a preference for all on-site examinations to be conducted simultaneously), and each agency's on-site examination cycle mandates. In tailoring the supervisory program, the examination plan will take into consideration the organization's internal control/compliance functions, as well as the external audit, as appropriate.
- E. Safety and soundness examinations will generally be conducted on a joint basis.<sup>2</sup> A joint examination will be conducted by an examination team comprised of representatives from both agencies which will issue a single examination report.
- F. Notwithstanding the above provisions, the Responsible Federal Agency or the Home State Supervisor may conduct independent or special examinations in exceptional circumstances.<sup>3</sup> The regulator initiating the independent or special examination will make every effort to provide appropriate notice to the other regulators prior to commencing the examination.

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<sup>1</sup> Trust, Information Systems, and Consumer Affairs/CRA Examinations.

<sup>2</sup> This is not intended to supersede existing Alternate Examination Programs ("AEP"). An AEP examination will be conducted by either the Responsible Federal Agency or the Home State Supervisor, which will also issue the examination report.

<sup>3</sup> For example, where there is significant safety and soundness risk.

- G. The Responsible Federal Agency and the Home State Supervisor may agree to have one examiner-in-charge (the "EIC") or may each assign a co-EIC to manage the on-site, joint examination. All necessary steps will be taken to ensure that all aspects of the examination process are fully coordinated and that duplication is avoided.<sup>4</sup>

The Primary Contact Persons and/or the EICs, as appropriate, will meet to:

1. Develop the examination focus and scope;
  2. Develop procedures for compiling off-site and on-site examination-related information;
  3. Develop a joint entry letter to be sent in a timely manner prior to the start of the examination that requests essential information and materials, preferably internal bank reports, for off-site review, thereby minimizing on-site efforts and their associated burden;
  4. Determine appropriate staffing levels and assign responsibilities for examination staff;
  5. Develop procedures for coordinating information requests during the examination;
  6. Schedule meetings with management; and
  7. Determine a format for the examination report and assign responsibilities for writing and processing the examination report, including timeframes for completion, as required by Sections II.H. and II.I of this Agreement.
- H. All examiners involved in an examination will perform the responsibilities assigned and promptly report the findings, conclusions and recommendations in the form requested, together with supporting papers to the EIC or their agency's co-EIC.
- I. The examination report will be prepared using an agreed-upon format and will

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<sup>4</sup> Steps will also be taken to avoid duplication in specialty examinations. The procedures described herein will apply when appropriate.

be forwarded to the institution within 45 calendar days from the close of the examination, which is the date of the exit interview with management. The exit interviews will take place within 15 calendar days from the close of all on-site activities.

### **III. Supervisory Actions**

- A. The Parties will, in all cases, consult one another regarding investigations and supervisory actions involving a Multi-State Bank.
- B. When the Responsible Federal Agency and the Home State Supervisor jointly deem that a follow-up supervisory action against a Multi-State Bank is warranted, both agencies will consult one another and coordinate the drafting and implementation.

### **IV. Supervisory Information**

- A. Consistent with the goal of seamless supervision, any information provided by a Party to another Party will be treated as confidential supervisory information, unless otherwise specified by the providing Party, and will remain the property of the providing Party. A Party will use confidential supervisory information only for purposes directly related to its supervisory responsibilities.
- B. The Responsible Federal Agency may disclose to Local Federal Reserve Banks or Local FDIC Regional Offices confidential supervisory information obtained from Home State Supervisors if such disclosure is directly related to the Local Federal Reserve Banks' or Local FDIC Regional Offices' responsibilities. Similarly, Home State Supervisors may disclose to the Host State Supervisors confidential supervisory information obtained from Responsible Federal Agencies if such disclosure is directly related to the Host State Supervisors' supervisory responsibilities.
- C. Whenever a Party receives an access request from another federal or state administrative agency, or a subpoena, discovery request or other legal process that would require the disclosure of confidential information obtained from the other Party, the Party will promptly notify the providing Party. Except as provided in Section IV.B. of this Agreement, and unless the providing Party consents to the disclosure or the disclosure is required by law, regulation, court order or other legal process, no Party will disclose to

another person, agency or entity (other than the subject organization) confidential supervisory information obtained from the other Party without furnishing prior notice to the providing Party. As appropriate, the Parties will cooperate in the preparation of any memoranda or pleading deemed desirable by the Parties to protect the confidentiality of the information.

## **V. Applications**

- A. The Responsible Federal Agency and the Home State Supervisor have primary responsibility for processing any application submitted by a bank as required under Federal and State law, respectively.
  - 1. When available, similar (if not identical) applications forms will be used for applications required by both Federal and State law.
  - 2. For applications required by both Federal and State law, the Responsible Federal Agency or the Home State Supervisor will promptly exchange copies of any applications received. Whenever a Multi-State Bank has submitted an application only to the Responsible Federal Agency or the Home State Supervisor, the party receiving the application will promptly provide a copy of the application to the other party. Where appropriate, the Responsible Federal Agency and the Home State Supervisor will jointly coordinate any requests for additional information from the applicant and will share any changes to the application submitted by the applicant.
  - 3. The Responsible Federal Agency and the Home State Supervisor will each reach a decision regarding their respective application and will communicate this decision to the applicant and to each other in a timely manner.
- B. The Responsible Federal Agency has authority for all applications required by Federal law, and will promptly furnish the Home State Supervisor with a copy of the decision.
- C. The Home State Supervisor has responsibility for the coordination of all applications required by State law, and will promptly furnish the Responsible Federal Agency with a copy of any Home or Host State decision.

## **VI. Resolution Of Significant Differences**

- A. The Parties will make every effort to resolve any significant differences concerning the supervision of Multi-State Banks.
- B. In those matters where, despite their best efforts, the Primary Contact Person cannot resolve a significant difference concerning the supervision of Multi-State Banks, the matters will immediately be referred to the appropriate senior officials of the Responsible Federal Agencies and the Home State Supervisor.

## **VII. Miscellaneous**

- A. Whenever this Agreement provides for a notice to be given to a Party, the notice will be given in writing.
- B. A Party may terminate this Agreement by giving notice to the other Party. The terminations shall be effective 90 days after the date of the notice.
- C. This Agreement may be amended only by a written instrument signed by each of the Parties.
- D. This Agreement may be executed in counterparts and shall become effective when all parties have executed the original or a counterpart signature page.
- E. This Agreement is not intended to be limited to the original signatories and other Parties may sign after the initial execution of this document.

## **VIII. Definitions**

1. "Home State" means the state where a state-chartered, Multi-State Bank is chartered.
2. "Home State Supervisor" means the bank supervisory agency of the Home State of a Multi-State Bank.
3. "Host State" means a state other than the Home State of a Multi-State Bank where the bank maintains a branch.
4. "Host State Supervisor" means the bank supervisory agency of a Host State of a Multi-State Bank.



5. "Local FDIC Regional Office" means a FDIC regional office other than the region of the Responsible FDIC Regional Office where a nonmember, Multi-State Bank maintains a branch.
6. "Local Federal Reserve Bank" means a Federal Reserve district other than the Responsible Reserve Bank's district where a member Multi-State Bank maintains a branch.
7. "Multi-State Bank" means a state-chartered bank that operates a branch or branches in a state other than its Home State.
8. "Party" and "Parties" means the signatories to this Agreement. With respect to Sections IV and VI of this Agreement the terms "Party" and "Parties" include the Federal Reserve Banks.
9. "Responsible FDIC Regional Office" means the FDIC regional office with responsibility for coordinating the FDIC's supervision process for a state nonmember bank.
10. "Responsible Federal Reserve Bank" means the Federal Reserve Bank with responsibility for coordinating the Federal Reserve's supervision process for a state member bank.
11. "Responsible Federal Agency" means either the Responsible Federal Reserve Bank or Responsible FDIC Regional Office for member or nonmember Multi-State Banks, respectively.