

Examination Process (EP)

Foreword

Version 2.0, September 2017

This document and any attachments are replaced by version 2.1 of the booklet of the same title published May 2019.

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Introduction

The Office of the Comptroller of the Currency's (OCC) *Comptroller's Handbook* is a collection of booklets containing concepts and procedures for examining national banks, federal savings associations, and federal branches and agencies of foreign banks (collectively, banks, unless specifically excepted). This "Foreword" booklet describes the organization and format of new, revised, or updated *Comptroller's Handbook* booklets published since the transfer of functions of the former Office of Thrift Supervision (OTS) to the OCC on July 21, 2011 (OTS transfer date).

The *Comptroller's Handbook* is designed to

- inform and educate examiners about the subject matter reviewed—including associated risks and appropriate controls—during bank examinations.
- guide examiners in performing consistent, high-quality, professional examinations across the spectrum of OCC-supervised banks.
- provide examiners with the information necessary to plan and coordinate examinations, identify concerns, and conduct appropriate follow-up.

Booklet Issuance and Versions

The OCC publishes new booklets—and revises or updates existing booklets—as subject matter changes or when new bank products, services, or activities emerge. Before the OCC publishes new, revised, or updated booklets on occ.gov, new information may initially be publicly conveyed through other OCC communications, including bulletins, news releases, or educational programs.

Full revision: A full revision is the publication of an existing booklet, with a new publication date, generally as a result of comprehensive changes. OCC bulletins announce the publication of revised booklets and list any OCC or OTS publications that are rescinded with the revised booklets.

Update: An update is generally limited to minor edits, corrections, rescissions, or references to new information in other documents. Booklets may be updated after initial issuance or after a revision. Updates are summarized in a "Table of Updates Since Publication" at the back of each updated booklet. The booklet's publication date is not changed, but the version number is changed, and the date of the most recent update is noted on the cover. The OCC will communicate material updates via OCC bulletins.¹

Version number: Booklets published since the OTS transfer date are assigned a version number starting at 1.0. Each ensuing update increases the number after the decimal by one (e.g., 1.0, 1.1, and 1.2). When a booklet is fully revised, the number before the decimal is increased by one (e.g., 2.0), the number after the decimal resets to zero, and the "Table of Updates Since Publication" in the back of the booklet is removed.

¹ Examples of updates that are not material include corrections for typographical errors and formatting changes.

Handbook Organization

The *Comptroller's Handbook* is organized into five series. *Safety and Soundness* is the only series divided into categories. Each series and category includes one or more booklets. Table 1 shows the five series and the seven categories of the *Safety and Soundness* series.

Table 1: *Comptroller's Handbook* Series and Categories

Series	Categories
Examination Process	
Safety and Soundness	Capital Adequacy Asset Quality Management Earnings Liquidity Sensitivity to Market Risk Other Activities
Asset Management	
Consumer Compliance	
Securities Compliance	

Of particular importance are the booklets in the *Examination Process* series. Within this series, the “Bank Supervision Process” booklet is the central reference for bank supervision policy and describes the OCC’s supervisory philosophy and methods. Three other booklets in this series—“Community Bank Supervision,” “Large Bank Supervision,” and “Federal Branches and Agencies Supervision”—discuss the OCC’s approach to examinations and contain the minimum scope examination procedures (known as the core assessment) or factors for those types of banks. Another booklet, “Sampling Methodologies,” provides examiners with guidance for statistical and non-statistical sampling.

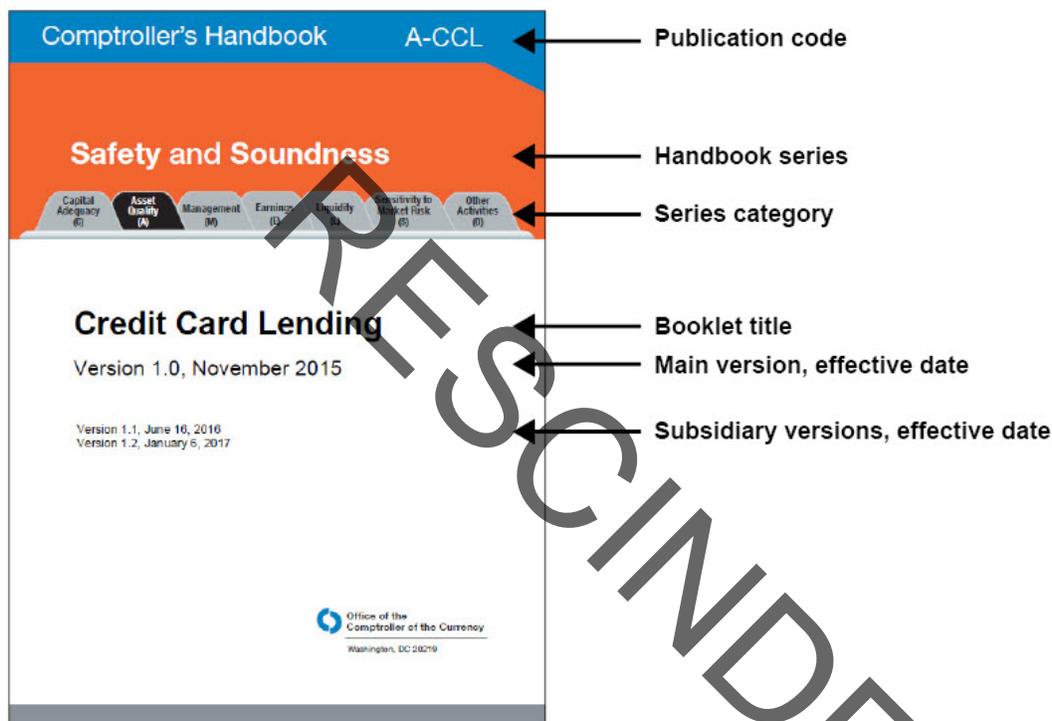
Other booklets contain detailed guidance and expanded procedures for examining specialty areas or specific products, services, or activities that warrant review beyond the core assessment.² Examiners determine which expanded procedures to use, if any, during examination planning or after drawing preliminary conclusions during the core assessment. Examiners tailor examinations to each bank while fulfilling OCC and statutory requirements. Examinations of specialty areas

² Bank Secrecy Act/anti-money laundering and information technology specialty areas are not part of the *Comptroller's Handbook* and are addressed by interagency guidance and examination procedures issued by the Federal Financial Institutions Examination Council.

and other activities help examiners evaluate the overall condition and risk profile of banks and contribute to CAMELS/ITCC and ROCA ratings.³

Booklet covers identify the series, title, publication date, version number, and publication code. Because the *Safety and Soundness* series is divided into seven categories, these booklet covers also feature a row of seven tabs, one for each category. The appropriate booklet category tab is highlighted on each *Safety and Soundness* cover.

Figure 1: Components of a Booklet Cover



³ A bank's composite rating under the Uniform Financial Institutions Rating System, or CAMELS, integrates ratings from six component areas: capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. Evaluations of the component areas take into consideration the bank's size and sophistication, the nature and complexity of its activities, and its risk profile. ITCC refers to ratings on information technology, trust, consumer compliance, and the Community Reinvestment Act. ROCA is the interagency uniform supervisory rating system for federal branches and agencies of foreign banking organizations. The ROCA system's four components are risk management, operational controls, compliance, and asset quality. The overall or composite rating under ROCA indicates whether, in the aggregate, the operations of the branch or agency may present supervisory concerns and the extent of any concerns.

Booklet Organization

Most booklets are divided into the following sections:

- “Introduction”
- “Examination Procedures”
- “Appendixes”
- “References”
- “Table of Updates Since Publication” (updated booklets only)

Not every booklet includes each of these five sections. For example, examination procedures are not included in the “Bank Supervision Process” booklet.

Introduction

This section provides comprehensive information and guidance on the subject area and explains how the activity, product, service, law, or regulation applies to a bank’s operations. OCC policies pertaining to the area, including the content of previously published OCC issuances, are discussed in this section. The “Introduction” also focuses on the associated risks and controls that examiners should evaluate when examining the area.

Examination Procedures

This section generally has four parts:

- **Scope:** guides examiners to plan and tailor the examination to each bank and its unique circumstances.
- **Quantity of Risk:** helps examiners reach conclusions on the level of each associated risk identified in the “Introduction” section of the subject booklet.
- **Quality of Risk Management:** helps examiners assess management’s ability to identify, measure, monitor, and control risks in the area under examination. The “Quality of Risk Management” has four components—“Policies,” “Processes,” “Personnel,” and “Control Systems.”
- **Conclusions:** helps examiners reach, document, and communicate overall conclusions for the area under examination (including on the aggregate level and direction of associated risks).

Each of these parts contains one or more objectives. The objectives state the primary goals for an examination of the area. Each objective includes procedures, which are the steps an examiner may follow to accomplish the objective. The objectives and procedures are not a checklist to be completed for every examination. Rather, they are a comprehensive collection of approaches from which the examiner selects only those necessary to appropriately assess the area under examination.

The examination procedures of some booklets might not be divided into these four parts because some booklets contain interagency examination procedures or the examination procedures are arranged by the functional areas typical of the booklet's subject.

Examination procedures in the *Safety and Soundness* and *Asset Management* series booklets may be supplemented by an internal control questionnaire (ICQ) or verification procedures. The ICQ helps an examiner assess a bank's internal controls for the area under examination. Verification procedures are used to verify the existence of assets and liabilities, or test the reliability of financial records. ICQs and verification procedures are included in the "Internal Control Questionnaire and Verification Procedures" booklet of the *Comptroller's Handbook*.

Appendixes

This section includes supplementary material, such as a glossary, abbreviations, worksheets, example request letter, sample forms, or accounting requirements.

References

This section lists laws, regulations, other *Comptroller's Handbook* booklets, OCC issuances, and other OCC and external sources of information that relate to the area of examination.

Table of Updates Since Publication

This section is included in booklets containing updates to content after initial issuance or a revision. This table lists the dates and version numbers corresponding to the updates, the affected pages, and descriptions of the updated content. The most recent update date(s) are noted on the booklet cover. Any paragraphs with substantive changes are marked as follows: (Updated Month dd, yyyy).

Appendix

Appendix A: Comptroller's Handbook Booklets

The following table contains each booklet title of the *Comptroller's Handbook*. The table is arranged according to the five series. Each series has a parenthetical abbreviation that is used as a publication code on the booklet covers—with the exception of *Safety and Soundness*. The *Safety and Soundness* series uses parenthetical abbreviations for the seven categories, as shown in figure 1. Booklets issued before the OTS transfer date receive covers as shown in figure 1 when the booklets are fully updated as 1.0 versions and thereafter.

The table lists the previous titles of booklets that have been republished with new titles. This table is updated when new booklets are issued or changes to booklet titles occur.

Examination Process (EP)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Bank Supervision Process		June 2018	
Community Bank Supervision		June 2018	
Foreword		September 2017	
Federal Branches and Agencies Supervision		September 2014	December 2015 May 2017 October 2017 June 2018
Large Bank Supervision		June 2018	
Sampling Methodologies		August 1998	

Safety and Soundness			
Capital Adequacy (C)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Capital and Dividends	Capital Accounts and Dividends	July 2018	

Safety and Soundness			
Asset Quality (A)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Accounts Receivable and Inventory Financing		March 2000	
Agricultural Lending		May 2014	April 2016 January 2017 October 2018
Allowance for Loan and Lease Losses		June 1996	
Asset-Based Lending		March 2014	January 2017
Bank Premises and Equipment		November 2016	December 2018

Safety and Soundness			
Asset Quality (A)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Cash Accounts		March 1990 (Narrative) March 1998 (Procedures)	
Commercial Loans		March 1990 (Narrative) March 1998 (Procedures)	
Commercial Real Estate Lending	Commercial Real Estate and Construction Lending	August 2013	January 2017
Concentrations of Credit		December 2011	
Credit Card Lending		November 2015	June 2016 January 2017
Deposit-Related Credit	Check Credit	March 2015	September 2018
Due from Banks		March 1990 (Narrative) March 1998 (Procedures)	
Floor Plan Lending	Floor Plan Loans	October 2015	May 2016 January 2017
Installment Lending	Installment Loans	February 2016	June 2016 January 2017 May 2018
Investment Securities		March 1990	
Lease Financing		August 2014	June 2016 January 2017
Leveraged Lending		February 2008	
Loan Portfolio Management		April 1998	June 2017
Mortgage Banking		February 2014	
Oil and Gas Exploration and Production Lending	Oil and Gas Production Lending	March 2016	January 2017 October 2018
Other Assets (and Other Liabilities)		March 1991	
Other Real Estate Owned		September 2013	August 2018
Rating Credit Risk		April 2001	June 2017
Residential Real Estate Lending	Real Estate Loans	June 2015	June 2016 January 2017
Retail Lending		April 2017	May 2018
Student Lending		May 2016	January 2017 February 2017 December 2018
Trade Finance and Services	The following booklets were combined into the "Trade Finance and Services" booklet: <ul style="list-style-type: none"> Bankers' Acceptances Trade Finance 	April 2015	October 2018

Safety and Soundness			
Management (M)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Corporate and Risk Governance	The following booklets were combined into the "Corporate and Risk Governance" booklet: <ul style="list-style-type: none"> • Duties and Responsibilities of Directors • Employee Benefits • Management and Board Processes • Management Information Systems • Risk Management and Insurance 	July 2016	
Country Risk Management		February 2016	
Insider Activities		November 2013	
Insurance Activities		June 2002	
Internal and External Audits		December 2016	
Internal Control		January 2001	
Litigation and Other Legal Matters		January 2015	December 2018
Qualified Thrift Lender		November 2013	
Recovery Planning		April 2018	March 2019
Related Organizations		August 2004	
Review of Regulatory Reports		March 1990	

Safety and Soundness			
Earnings (E)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Analytical Review of Income and Expenses		March 1990 (Narrative) March 1998 (Procedures)	

Safety and Soundness			
Liquidity (L)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Asset Securitization		November 1997	
Liquidity		June 2012	

Safety and Soundness			
Sensitivity to Market Risk (S)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Interest Rate Risk		June 1997 (Narrative) March 1998 (Procedures)	

Safety and Soundness			
Other Activities (O)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Bank Dealer Activities		March 1990	
Consigned Items and Other Customer Services		December 2016	December 2018
Emerging Market Country Products and Trading Activities		December 1995 (Narrative) February 1998 (Procedures)	
Foreign Exchange		March 1990	
Futures Commission Merchant Activities		November 1995	
Internal Control Questionnaires/Verification Procedures		December 2007	
Merchant Processing		August 2014	
Payment Systems and Funds Transfer Activities		March 1990	
Private Placements		March 1990	
Retail Nondeposit Investment Products	Retail Nondeposit Investment Sales	January 2015	
Risk Management of Financial Derivatives		January 1997 (Narrative) February 1998 (Procedures)	

Asset Management (AM)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Asset Management		December 2000	
Asset Management Operations and Controls		January 2011	
Collective Investment Funds		May 2014	
Conflicts of Interest		January 2015	
Custody Services		January 2002	
Investment Management Services		August 2001	

Asset Management (AM)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Personal Fiduciary Activities	Personal Fiduciary Services	February 2015	
Retirement Plan Products and Services	Retirement Plan Services	February 2014	
Unique and Hard-to-Value Assets		August 2012	

Consumer Compliance (CC)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Community Reinvestment Act Examination Procedures		October 1997	May 1999
Compliance Management Systems	Compliance Management System	June 2018	
Depository Services		August 2010	
Electronic Fund Transfer Act		August 2014	
Fair Credit Reporting		October 1996	
Fair Lending		January 2010	
Flood Disaster Protection Act	Flood Disaster Protection	September 2017	
Garnishment of Accounts Containing Federal Benefit Payments		April 2014	
Home Mortgage Disclosure		February 2010	
Homeownership Counseling Examination Procedures		June 2003	June 2011 (formatting only)
Military Lending Act		May 2018	
Other Consumer Protection Laws and Regulations		August 2009	
Overview		August 1996	
Privacy of Consumer Financial Information		October 2011	
Protecting Tenants at Foreclosure Act of 2009		May 2011	
Real Estate Settlement Procedures Act		May 2019	
SAFE Act		April 2012	
Servicemembers Civil Relief Act of 2003		May 2011	
Truth in Lending Act		September 2018	

Securities Compliance (SC)			
Booklet Title	Former title (if any)	Publication date	Update dates (if any)
Government Securities Act		January 2015	
Municipal Securities Rulemaking Board Rules		July 2014	January 2018

OTS Publications
OTS Examination Handbook (with rescissions of some sections)
OTS Trust and Asset Management Handbook (with rescissions of some sections)