



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

January 2010

To: Chief Executive Officers of National Banks, All Examining Personnel, and Comptroller's Handbook Subscribers

The enclosed booklet, "Community Bank Supervision," replaces a similarly titled booklet issued in July 2003 as part of the *Comptroller's Handbook*. Bankers, examiners, and handbook subscribers should discard the 2003 booklet.

This booklet provides updated guidance and procedures that examiners use when supervising community banks. The major revisions to this booklet include the following:

- Updating the Risk Assessment System (RAS), including
 - Replacement of *Transaction* risk with *Operational* risk to reflect a broader perspective of this risk category;
 - Addition of enterprise value in the *Strategic* and *Reputation* risk definitions;
 - Elimination of *Foreign Currency Translation* as a separate risk category and incorporating it into an expanded definition of *Price* risk; and
 - Updating the assessment factors of the *Credit*, *Interest Rate*, and *Liquidity* risk categories in the core assessment for lessons learned from the recent market disruption.
- Enhanced procedures to reflect current supervisory practices, as well as to streamline the review of audit and information technology throughout the examination process.

In accordance with the OCC's supervision-by-risk approach, examiners will exercise judgment when determining which of the procedures in this booklet are appropriate for a particular bank based on the bank's risk profile and the quality of its risk management system. Examiners will supplement the procedures in this booklet, as needed, with expanded procedures found in other booklets of the *Comptroller's Handbook*.

Any questions regarding this booklet should be directed to the Operational Risk Policy division at (202) 874-5190.

To order additional copies of the booklet, please send your request and \$25 for each booklet to the Office of the Comptroller of the Currency, Attention: Accounts Receivable, 250 E Street SW, Mail Stop 4-8, Washington DC 20219, or you can order online at the OCC's Web site at <http://www.occ.treas.gov>.