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Transmittal – See OCC 2020-11

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Expanded Examination Cycle Eligibility: Final Rule

Summary

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation have published an interagency final rule that adopts without change the February 29, 2016, interim final rule amending the regulations governing eligibility for the 18-month on-site examination cycle. Pursuant to the Fixing America's Surface Transportation Act (FAST Act), the interim final rule made qualifying 1- and 2-rated national banks, federal savings associations, and federal branches and agencies (collectively, banks) with less than \$1 billion in total assets eligible for an 18-month (rather than a 12-month) examination cycle.

To

Chief Executive Officers of All National Banks, Federal Savings Associations, and Federal Branches and Agencies; Department and Division Heads; All Examining Personnel; and Other Interested Parties

Note for Community Banks

Qualifying 1- and 2-rated banks with less than \$1 billion in total assets are eligible for an 18-month examination cycle.

Highlights

- Qualifying banks with less than \$1 billion in total assets are eligible for an 18-month examination cycle.
- The OCC retains the authority to examine a bank on-site more frequently, as the agency deems necessary or appropriate.

Background

Prior to the interim final rule, 18-month examination cycles were available only to qualifying 1- and 2-rated banks with less than \$500 million in total assets. Through the interim final rule, the OCC revised 12 CFR 4 to raise the threshold for qualifying 1- and 2-rated banks with less than \$1 billion in total assets, consistent with the FAST Act and section 7(c)(1)(C) of the International Banking Act of 1978. Other qualification criteria remained the same.

Specifically, the interim final rule provided that to qualify for the extended 18-month examination cycle, 1- and 2-rated banks with less than \$1 billion in total assets must be well capitalized, not be subject to a formal enforcement proceeding or order from a federal banking agency, and not have experienced a change of control in the preceding 12-month period. Additionally, a national bank or federal savings association must have a management rating of 1 or 2 to qualify.

Under the interim final rule, the OCC retained the authority to maintain the current 12-month on-site examination schedule for an institution, or adopt a more frequent schedule than every 18 months, if the agency determines it would be necessary or appropriate.

The final rule adopts each of these provisions without change.

Further Information

Please contact Deborah Katz, Assistant Director, or Melissa Lisenbee, Attorney, Legislative and Regulatory Activities Division, at (202) 649-5490; or Scott Schainost, Midsize and Community Bank Supervision Liaison, Midsize and Community Bank Supervision, at (202) 649-8173.

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Related Link

- [“Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S. Branches and Agencies of Foreign Banks” \(PDF\)](#)

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