Description of document:	Office of the Comptroller of the Currency (OCC) Policies and Procedures Manual, PPM 5400-11, 2017
Requested date:	19-March-2025
Release date:	14-April-2025
Posted date:	28-April-2025
Source of document:	FOIA Request Disclosure Services Office of the Comptroller of the Currency 400 7th Street, SW, Suite 3E-218 Washington, DC 20219 Submit FOIA Request online (PAL) (preferred)

Office of the Comptroller of the Currency

Washington, DC 20219

April 14, 2025

This is in response to your letter dated March 19, 2025, which was received in my office on March 20, 2025 for processing under the Freedom of Information Act (FOIA), 5 U.S.C. 552.

You requested a copy of three OCC documents: SL 2015-07, SL 2015-36, and PPM 5400-11.

Your request is granted in part and denied in part. Materials relevant to your request are enclosed. Certain information has been deleted by the authority of (b)(5), 5 U.S.C. 552(b)(5) and 12 C.F.R. 4.12(b)(5) inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency;
(b)(8), 5 U.S.C. 552 (b)(8) and 12 C.F.R. 4.12(b)(8), relating to records contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.

I have reviewed the information protected by the cited exemption(s) under a presumption of openness but have determined that it is reasonably foreseeable that the disclosure of the information would harm an interest protected by the applicable exemption(s).

If you consider any of the above to be an improper denial of your request, you may appeal such denial to the Comptroller of the Currency. The appeal should be filed within 90 days of the date of this letter, should state the circumstances and reasons or arguments in support of the appeal, and be submitted via our online FOIA application at https://foia-pal.occ.gov/ or be mailed to:

> Manager, Disclosure Service & Freedom of Information Act Officer
> Communications Division
> Office of the Comptroller of the Currency
> Suite 3E-218
> Washington, DC 20219

By filing an appeal, you preserve your rights under FOIA and give the agency a chance to review and reconsider your request and the agency's decision.

If you would like to discuss our response before filing an appeal to attempt to resolve your dispute without going through the appeals process, you may contact our FOIA Public Liaison, Frank Vance, for assistance at:

Disclosure Services
Communications Division
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219
(202) 649-6758
Frank.Vance@occ.treas.gov

If you are unable to resolve your FOIA dispute through our FOIA Public Liaison, the Office of Government Information Services (OGIS), the Federal FOIA Ombudsman's office, offers mediation services to help resolve disputes between FOIA requesters and Federal agencies. The contact information for OGIS is:

Office of Government Information Services
National Archives and Records Administration
8601 Adelphi Road–OGIS
College Park, MD 20740-6001
(202) 741-5770
(877) 684-6448
ogis@nara.gov
ogis.archives.gov

Sincerely yours,

Pauline Byrd

Pauline Byrd
Acting Manager, Disclosure Service
& Freedom of Information Act Officer
Communications Division

Enclosure(s)

#2025-00248-F

References to reputation risk have been removed from this PPM as of March 20, 2025. Removal of reputation risk references is identified by a strikethrough. Refer to OCC Bulletin 2025-4.

Office of the
Comptroller of the Currency

Policies and Procedures Manual

PPM 5400-11

Section: **Chief National Bank Examiner** Subject: **Matters Requiring Attention**

TO: Department and Division Heads and All Examining Personnel

PURPOSE AND SCOPE

This PPM establishes guidance and procedures for examiners to identify and aggregate supervisory *concerns* into matters requiring attention (MRA). This PPM focuses on the criteria, communication, and follow-up of concerns in MRAs for all institutions supervised by the Office of the Comptroller of the Currency (OCC).[1] It discusses the relationship between MRAs and the interagency ratings, the OCC's risk assessment system (RAS), and enforcement actions. It also provides in the appendixes examiner tools, including a process map, an MRA template, and sample MRAs. This PPM replaces all prior guidance on MRAs, including the MCBS *MRA Reference Guide* and LBS SOP 2014-01.

This PPM provides internal guidelines for the use of the OCC and does not create any substantive or procedural rights enforceable by law or in any administrative proceeding, or affect the authority of other government agencies.

UPDATES

Table 1 lists updates to PPM 5400-11 since its original publication in October 2014.

Table 1: Summary of Updates

Date	Reason	Affected Page(s)
November 24, 2014	Technical correction to footnote 1; removed Multiregional Data Processing Servicer (MDPS) terminology.	1
March 13, 2017	Minor revisions to conform to the March 11, 2017, Enhanced Concerns Framework release for Examiner View.	11, 14, 17–23
March 13, 2017	Revised signature line for Grace E. Dailey, the new Senior Deputy Comptroller for Bank Supervision Policy and Chief National Bank Examiner.	12
October 31, 2017	Revised definition of "deficient practice" for consistency with PPM 5310-3, "Bank Enforcement Actions and Related Matters."	4, 6, 14–15, 17–20

[1] As used in this PPM, the term "bank" includes national banks, federal savings associations, federal branches and agencies of foreign banks, and technology service providers examined by the OCC. (Updated November 24, 2014)

Date	Reason	Affected Page(s)
October 31, 2017	Revised "Enforcement Actions" section for consistency with PPM 5310-3.	10–11
October 31, 2017	Added this table of updates.	1–2
October 31, 2017	Updated title of PPM 5310-3 in "References" section	2

REFERENCES

- "Bank Supervision Process" booklet of the *Comptroller's Handbook*
- "Community Bank Supervision" booklet of the *Comptroller's Handbook*
- PPM 5310-3, "Bank Enforcement Actions and Related Matters," October 31, 2017
- *An Examiner's Guide to Problem Bank Identification, Rehabilitation, and Resolution,* January 2001

CONTENTS

POLICY

The OCC's policy on MRAs is outlined in the "Bank Supervision Process" booklet of the *Comptroller's Handbook*. To summarize the policy and the guidance in this PPM, MRAs

- describe practices that a bank *must implement or correct*, ideally before those deficient practices affect the bank's condition.
- may describe unsafe or unsound practices.

- are written using the Five Cs[2] format in a manner that facilitates timely and effective corrective action by the bank's board and management.
- must receive timely supervisory follow-up.
- are documented in the OCC's supervisory information system.

MRAs are not used to

- recommend best practices.
- require enhancements to bank practices that already meet acceptable standards.
- report adverse conditions unless the MRA includes actionable items to address the practices
  - that contributed to the conditions, or
  - required to remedy those conditions.

RESPONSIBILITIES

OCC supervision staff is responsible for effective oversight of assigned banks. This responsibility includes

- developing and executing appropriate risk-based supervisory strategies;
- identifying concerns promptly and proactively;
- communicating concerns, causes, consequences, and corrective actions clearly;
- obtaining measurable and timely commitments to resolve concerns; and
- verifying and validating that corrective action is effective and sustainable.

Timely verification and validation of corrective action is a key component of effective supervision. These follow-up activities ensure resolution of concerns and the risk they present to the bank.

PROCEDURES

Criteria

An MRA communicates to a bank's board of directors and management[3] the OCC's *concern with the bank's practices* (such as policies, processes, procedures, or controls). An MRA describes practices, or lack of practices, that

- deviate from sound governance, internal control, or risk management principles, and have the potential to adversely affect the bank's condition, including its financial performance or risk profile, if not addressed, or

[2] The Five Cs, described more fully in the "Communication" section of this PPM, refer to: concern, cause, consequence, corrective action, and commitment.

[3] MRAs must be conveyed in a "formal written communication" to the bank's board of directors (or designated board committee) and management, such as a report of examination (ROE) or a supervisory letter used for interim communications.

- result in substantive noncompliance with laws or regulations, enforcement actions, or conditions imposed in writing in connection with the approval of any application or other request by the bank. (Updated October 31, 2017)

It is crucial to understand that an MRA addresses *deficient practices*, including a lack of practices, that could adversely affect the bank's condition. While deficient practices may result in an adverse condition, a bank will not normally be able to remedy the adverse condition unless it addresses the deficient practices. Focusing on deficient practices has at least two additional benefits:

- Timely detection enables the board and management to address deficient practices before they affect the bank's condition.
- It can guide the OCC's collection, analysis, documentation, and presentation of information required to support additional supervisory measures, including an enforcement action.

An MRA also may describe an unsafe or unsound practice. An unsafe or unsound practice is generally

- any action, or lack of action, which is contrary to generally accepted standards of prudent operation, the possible consequences of which, if continued, would be abnormal risk or loss or damage to an institution, its shareholders, or the Deposit Insurance Fund.

If the deficient practice is unsafe or unsound, examiners must note it in the MRA. This underscores the seriousness of the concern, the need for its correction, and the OCC's authority to require such correction through formal enforcement action, if necessary.

Effective supervision requires prompt identification and correction of deficient practices before they affect the bank's condition. Examiners must discuss all examination findings and conclusions with the assistant deputy comptroller (ADC) or large bank examiner-in-charge (EIC) to ensure that concerns are articulated appropriately. Examiners must not allow the bank's condition to influence their judgment regarding the bank's practices. Deficient practices meeting the MRA criteria are a concern whether those practices occur in a composite 1- or 2-rated bank or problem bank.

The "Bank Supervision Process" booklet makes clear that examiners must not

- defer communicating a deficient practice in an MRA pending the bank's efforts to address the concern.
- employ a graduated process by first communicating a practice meeting the MRA criteria as a recommendation,[4] then, if it is not addressed, in an MRA.
- include recommendations in an ROE or other formal written communication to the bank.

Examiners may provide recommendations informally to bank management. Recommendations, however, do not require any action by bank management or follow-up by examiners. Examiners

[4] Recommendations are suggestions to enhance practices that already meet acceptable standards.

must document recommendations in the work papers to facilitate review and concurrence by the ADC or large bank EIC.

Other Attributes

Deficient practices noted in the concern may also have one or both of the following attributes:

- *Repeat* – The same or substantially similar concern has recurred. In these situations, examiners must consider recommending that the concern be escalated directly to an enforcement action and document their decision. To be a repeat concern
  - the OCC must have previously communicated the concern in an MRA or enforcement action during the prior five-year period; and
  - subsequent to the initial communication, the bank must have corrected the deficient practice and the OCC must have validated and "closed" the concern.
- *Self-Identified* – The bank initially discovered the unresolved deficient practice, such as through independent risk management or internal audit. A bank's action to self-identify concerns is an important consideration when assessing the adequacy of the bank's risk management system.

Communication

MRAs are used to communicate concerns in a manner that facilitates timely and effective corrective action by the bank's board and management. At the close of a supervisory activity, the EIC assembles concerns meeting the MRA criteria into one or more MRAs for communication to the bank's board and management in a formal written communication.

The guidance for MRA content contained in the "Bank Supervision Process" booklet of the *Comptroller's Handbook* focuses the board and management on concerns that require their acknowledgement, involvement, and oversight. Examiners must present the information in a manner that makes it easy for the board and management to understand why the deficient practice is a concern and why they must correct it. References to supporting remarks elsewhere in the formal written communication are encouraged.

Consistent with the "Bank Supervision Process" booklet, examiners must

- describe the concern(s);
- identify the root cause(s) of the concern and contributing factors;
- describe potential consequence(s) or effects on the bank from inaction;
- describe supervisory expectations for corrective action(s); and
- document management's commitment(s) to corrective action and include the time frame(s) and the person(s) responsible for corrective action.

Guidance for the content of each of these elements (known as the Five Cs) follows:

Describe the concern(s)

- Examiners must describe the deficient practice and how it deviates from sound governance, internal control, or risk management principles, or results in substantive noncompliance with laws and regulations, enforcement actions, or conditions imposed in writing. (Updated October 31, 2017)
- If the practice has affected the bank's condition, describe the result.
- An MRA may contain one or more related concerns. If the MRA includes more than one concern, examiners must label the concerns.
- If the concern is new (not previously conveyed to the bank in a formal written communication), or the deficient practice meets the definition of unsafe or unsound, repeat, self-identified, past due, or pending validation, examiners must state these facts.

Identify the root cause(s) of the concern and contributing factors

- Examiners must clearly identify root cause(s) of the deficient practice and contributing factors.[5]
- Whenever possible, examiners must include the names of those responsible for the deficient practice.

Describe potential consequence(s) or effects on the bank from inaction

- Examiners must describe how the practice, if continued, could affect the bank's condition, including its financial performance or risk profile. This element emphasizes the inherent and residual risks associated with the deficient practice.
- When appropriate, examiners must also emphasize that failure to correct the deficient practice may lead to violations of law or additional supervisory actions, including enforcement action or civil money penalties (CMP) for the bank, the board, or management.

Describe supervisory expectations for corrective action(s)

- Examiners must clearly state what the board and management must do, at a minimum, to address the concern. The corrective action must be as specific as possible and may be broken into a series of remedial measures.
- Examiners must not use statements such as "we recommend" or "the board and management should" because they imply the action item is optional. The corrective action in an MRA is not optional; it is mandatory.
- Examiners must ensure the corrective action is timely, measurable, and sustainable.
- In some situations, examiners may need to direct the board and management to determine the practice's root cause and contributing factors.

[5] If the root cause is not apparent, examiners must direct management to perform a root-cause analysis as part of the corrective action and so note under "cause."

Document management's commitment(s) to corrective action and include the time frame(s) and the person(s) responsible for corrective action

- The commitment must be as specific as possible and may be broken into a series of remedial measures.
- If management is unable to provide a corrective action plan during the examination, the examiner must obtain a commitment from management to develop a board-approved plan and provide it to the OCC within 30 days of receipt of the formal written communication.
- Management's commitment to the corrective action must include processes for the board to monitor and verify the effective implementation of the corrective action.
- In obtaining time frames for corrective action, examiners must strike a balance between the urgency of the concern and the benefits of a carefully planned and implemented solution.

For further guidance on writing and structuring MRAs, refer to the appendixes, which contain a template and sample MRAs.

In an annual or 18-month ROE, the MRA page[6] must be used to convey new concerns, the status of open concerns, and any concerns closed since the prior formal written communication to the bank.[7] If there are no new, open, or recently closed concerns, the Examination Conclusions and Comments page must state that there are no MRAs. In banks under continuous supervision,[8] the MRA page in the annual ROE may summarize the status of open concerns conveyed in supervisory letters during the supervisory cycle instead of a detailed listing of each open concern.

Follow-Up

The OCC expects the bank's board of directors to ensure timely and effective correction of the practices described in an MRA. Those expectations include

- holding management accountable for the deficient practices;
- directing management to develop and implement corrective actions;
- approving the necessary changes to the bank's policies, processes, procedures, and controls; and
- establishing processes to monitor progress and verify and validate the effectiveness of management's corrective actions.

Supervisory strategies for banks with MRAs must include plans to follow up on the concerns. The plans need to be consistent with the seriousness of the concerns and include activities to monitor progress and verify and validate the effectiveness of the board and management's corrective actions. Plans must include the timing, expertise, and resource requirements.

[6] Appendix B illustrates the MRA page of the ROE.

[7] Refer to the requirements for streamlined and uniform common core ROEs in the "Bank Supervision Process," "Community Bank Supervision," and "Large Bank Supervision" booklets of the *Comptroller's Handbook*.

[8] Banks under continuous supervision include large and midsize banks and some large community banks.

Examiners must engage in timely follow-up activities, including

- monitoring the board and management's progress implementing corrective actions;
- verifying and validating the effectiveness of the board and management's corrective actions;
- performing timely verification after receipt of the documentation or communication from the bank that the documentation is ready for review;
- meeting, as necessary, with the bank's board or management to discuss progress assessments and verification results;
- delivering written interim communications to the board summarizing the findings of validation activity; and
- documenting all activities in the OCC's supervisory information system.

Examiners must assess and document the board and management's efforts to address concern(s) quarterly,[9] based on expected bank milestones, until examiners are able to validate the sustainability of the bank's corrective actions. These assessments may involve visits to the bank to evaluate progress and provide additional direction. The bank may request in advance an extension of the time frame for corrective action. The ADC or large bank EIC must document the rationale for any extension granted. Examiners must also document when a concern in an MRA is

- *Past Due* – The bank has not implemented the expected corrective action(s) within the required time frame, or during the validation process examiners determine that the corrective action is not effective or sustainable. Examiners must consider whether the concern was fully correctable within the required time frame before recommending any past due concern be escalated to an enforcement action and document his or her decision.
- *Escalated* – Subsequent to its communication to the bank in an MRA, the OCC addressed the uncorrected concern in an enforcement action. Prior to escalation, examiners must be satisfied that the enforcement action article adequately addresses the concern and the corrective action.
- *Pending Validation* – The OCC verified that the bank implemented the corrective action(s), but insufficient time has passed for the bank to demonstrate sustained performance under the corrective action(s), and the OCC has not validated the sustainability of the corrective action(s).
- *Closed* – The bank implemented and the OCC verified and validated the effectiveness and sustainability of corrective action(s), or the practices are no longer a concern because of a change in the bank's circumstances.

The OCC will not close a concern until the bank has implemented and examiners have verified and validated that the bank has consistently adhered to an effective corrective action. Verification and validation activities must be consistent with the nature of the concern and the seriousness of the potential consequences. Furthermore, examiners must perform verification and validation in a timely manner, which may be sooner than the timing of the next full-scope examination.

[9] There is a presumption that there will be at least quarterly follow-up. Examiners can only adjust the follow-up schedule with approval of the ADC or large bank EIC.

Verification is the process by which the OCC confirms that the bank implemented the corrective action(s) to address a concern. Verification includes review of documentation of corrective action(s) from the bank, during which examiners may request additional information. Examiners must perform verification and respond to the bank within 30 days of receipt of the documentation or communication from the bank that the documentation is ready for review. [10] If examiners cannot verify documentation within 30 days of receipt, he or she must inform the bank in writing the date by which he or she will verify the documentation. Examiners may accept an internal audit verification for a composite 1- or 2-rated bank [11] with an audit program that meets the following criteria:

- The OCC rated the audit program at least satisfactory, and
- The auditor has the expertise to perform the verification.

After verifying the corrective action, examiners must communicate to the bank in writing the expected time frame for validation to occur.

Validation is the process by which the OCC confirms the effectiveness and sustainability of corrective action(s) that the bank implemented. Validation requires the bank to demonstrate the corrective action is effective over a reasonable period. [12] The OCC must determine through examination or review of audit reports and work papers that the bank's corrective actions are sustainable.

Effect on Interagency Ratings and RAS

Assigning an adverse rating to the management component of C/CAMELSITCC before problems are evident in a bank's condition may be appropriate when an examination notes deficient practices. This is consistent with the Federal Financial Institutions Examination Council's (FFIEC) Uniform Financial Institutions Rating System, [13] which states that the assignment of a 3 rating to the management component is appropriate when supervisory findings indicate

- management and board performance that need improvement or risk management practices that are less than satisfactory given the nature of the institution's activities. The capabilities of management or the board of directors may be insufficient for the type, size, or condition of the institution. Problems and significant risks may be inadequately identified, measured, monitored, or controlled.

[10] Per OCC communication policy in the "Bank Supervision Process" booklet of the *Comptroller's Handbook*.

[11] With the approval of the responsible deputy comptroller, examiners may accept an internal audit report as verification for a composite 3-rated bank if its audit program meets the criteria.

[12] A reasonable period may vary and is based on the sustainability of the practice, not the bank's condition.

[13] See the "Bank Supervision Process" booklet of the *Comptroller's Handbook*.

Corrective actions that are not timely or effective reflect poorly on the board and management's ability or willingness to address critical concerns and operate the bank in a safe and sound manner. In these circumstances, examiners must

- consider such failures when assessing the quality of risk management within the RAS and when assigning the management component and other C/CAMELSITCC ratings.
- consider revising the bank's supervisory strategy, including accelerating the timing and frequency of the bank's examination and monitoring activities and expanding their scope.
- determine whether the situation warrants the use of a formal or informal enforcement action.

Enforcement Actions (Updated October 31, 2017)

The OCC's authority to escalate unsafe or unsound practices, including those described in an MRA, to a formal enforcement action is found at 12 USC 1818.[14] PPM 5310-3, "Bank Enforcement Actions and Related Matters," provides the OCC's policies and procedures for taking enforcement actions against banks. The actions that the board and management take or agree to take in response to violations and concerns in MRAs are factors in the OCC's decision to pursue an enforcement action and the severity of that action. In some cases, it may be appropriate for the OCC to pursue an enforcement action against a bank before the issuance of an examination's formal written communication to require correction of significant deficiencies as quickly as possible.

Examiners should consider an informal enforcement action when a bank's condition is sound but deficiencies have not been corrected in a timely manner or escalation beyond the OCC's citation of a violation or documentation of a concern in an MRA is otherwise warranted. When a bank's deficiencies are severe, uncorrected, repeat, unsafe or unsound, or negatively affect the bank's condition, the OCC may use formal enforcement actions to support the agency's supervisory objectives. Refer to the "Determining the Appropriate Supervisory or Enforcement Response" section of PPM 5310-3 for more information on determining the appropriate response to a bank's deficiencies.

When developing an enforcement action, examiners must assess each concern and determine whether it should remain in an MRA or be escalated to an enforcement action. Subsequent to issuing an enforcement action, examiners may identify new concerns that they place in MRAs.

Follow-up activities on concerns for banks under an enforcement action should be consistent with PPM 5310-3. Examiners should refer to PPM 5310-3 for required content of the Compliance with Enforcement Actions page of the ROE or supervisory letter. The MRA page must contain details of the status of concerns that remain in an MRA.

If the bank is in noncompliance with one or more articles of the enforcement action at subsequent assessments of compliance, the noncompliance may be a new concern communicated

[14] 12 USC 1818 also provides the OCC with the authority to use formal enforcement actions to address violations of laws, regulations, or conditions imposed in writing in connection with the approval of any application or other request by the bank.

in an MRA if the cause of the noncompliance is a deficient practice meeting the definition of an MRA, such as lack of board or management action, expertise, or oversight.

Bank Secrecy Act

Because 12 USC 1818(s) requires the use of a cease and desist order if there is an uncorrected, previously reported "problem" concerning a Bank Secrecy Act (BSA) program, this area raises unique issues under the "Interagency Statement on Enforcement of BSA/AML Requirements" (OCC Bulletin 2007-36). Questions in this area should be addressed to district counsel, the lead experts, or the Senior Counsel for BSA/AML.

Documentation (Updated March 13, 2017)

Examiners must record concerns in the MRA section of the OCC's supervisory information system. Examiners assigned to a supervisory activity are responsible for recording any concerns they identify during that activity. Examiners

- must record each concern by examination area, category, and topic.
- must associate each concern with a primary risk.
- may associate each concern with a secondary risk.
- may relate each concern to one or more product lines.

The consistent administration of the OCC's MRA documentation is important. Supervisory offices must

- follow established procedures for entering concerns, constructing MRAs, and documenting supervisory activities related to MRA follow-up in the OCC's supervisory information system, and
- close the concern after examiners validate corrective actions.

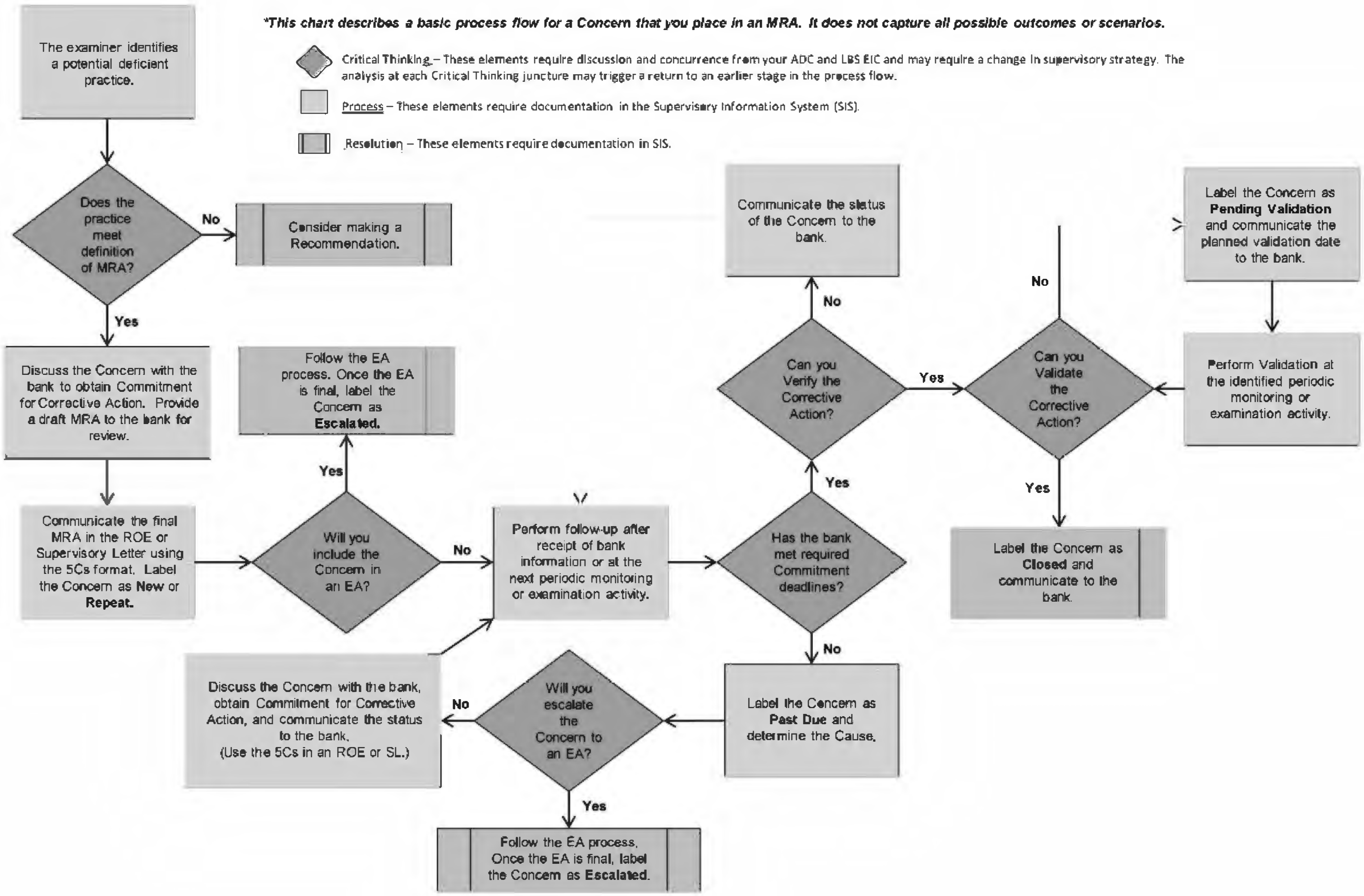
The OCC's supervisory records must accurately reflect *both* the efforts of the bank's board and management to resolve concerns and the OCC's supervisory activities/actions to ensure resolution. The MRA section of OCC's supervisory information system must include the following relevant supporting documentation:

- The concern description, root cause, consequences, corrective actions, commitments and time frames to complete the corrective actions, and persons responsible for corrective actions;
- The nature and extent of the corrective actions, including who completed them and when they were completed;
- A description of the actions the supervisory office has taken to follow up on management's corrective actions;
- A conclusion about the effectiveness of the corrective actions;
- Details (e.g., description, completion time frames, names of responsible parties, etc.) of any additional corrective actions the bank's board or management must complete; and

- Supervisory actions resulting from OCC progress assessments (e.g., proposed changes in the use or termination of enforcement actions, strategy changes, RAS changes, C/CAMELSITCC rating changes, written feedback to bank, follow-up visit, etc.).

Grace E. Dailey
Senior Deputy Comptroller for Bank Supervision Policy and Chief National Bank Examiner

APPENDIX A: MRA PROCESS MAP



APPENDIX B: MRA ROE PAGE AND TEMPLATE (Updated October 31, 2017)

The MRA page in the ROE includes a standard header (below in *italics*).

MATTERS REQUIRING ATTENTION

The comments in this section of the report describe practices that

- *deviate from sound governance, internal control, or risk management principles, and have the potential to adversely affect the bank's condition, including its financial performance or risk profile, if not addressed; or*
- *result in substantive noncompliance with laws and regulations, enforcement actions, or conditions imposed in writing in connection with the approval of any application or other request by the bank.*

The board and management are responsible for ensuring timely correction of these practices and establishing a process to test the effectiveness of the corrective action. Failure to remedy any of the practices may lead to enforcement actions.

Examiners must title each MRA for reference and must address the five standard elements (Five Cs) in the narrative comments for "new," "repeat," and "past due" concerns. For subsequent communications, not all of the elements, such as cause and consequence, are required. When concerns are "escalated," "pending validation," or "closed," only the description of the concern and a notation of the status is required. The following template provides guidance on MRA content and format.

[Insert MRA Title]

Concern(s): The OCC has identified the following [Insert Examination Area] concern(s) that relates to [Insert Category].

[Insert Concern and/or Topic, as applicable (Updated March 13, 2017)] – [Insert narrative describing each concern.]

- You may include multiple related concerns in one MRA.
- If the deficient practice has affected the bank's condition, describe the result.
- Identify if the concern is an unsafe or unsound practice or resulted in a violation of law.
- Identify whether the concern is "new," "self-identified," or "repeat."
- If the MRA has multiple concerns and the OCC has validated the effectiveness of the corrective action for one or more of those concerns, identify those concerns as "closed."
- If the MRA has multiple concerns and the bank has entered an enforcement action with the OCC that addresses one or more of those concerns and their corrective action, identify those concerns as "escalated" and address their status on the Compliance with Enforcement Actions page.
- Label the concern if the corrective action is "past-due" or "pending validation."

Cause(s): [Insert narrative describing the root cause of each concern.]

- You may have one cause per concern or for multiple concerns.
- Identify specific individuals, committees, or third parties that are responsible.

Consequence(s): [Insert narrative describing potential consequence(s) or effect on the bank from inaction.]

- Identify the effect on financial performance or RAS categories that the concerns could impact.
- Identify whether the consequence "may result in additional supervisory actions, including potential enforcement action or CMPs against the bank or individual members of the board and senior management."

Corrective Action(s): [Insert narrative describing the corrective action(s) management must take for each concern.]

- Identify the corrective actions required. (Updated October 31, 2017)
- Use the term "must" rather than "should."
- Consider using bullet points for a series.

Commitment(s): [Insert narrative describing management's commitment to corrective action.]

- The commitment must include the person(s) responsible and the time frame(s) for achieving corrective action.
- The commitment must include processes for the board to monitor and verify the effective implementation of the corrective action.
- Consider using bullet points for a series.
- If management is unable to provide a commitment by the date you issue the ROE or supervisory letter, insert a requirement that management develop a board-approved plan and submit the plan to the OCC within 30 days of receiving the ROE or letter.

APPENDIX C: SAMPLE MRA PROGRESSION

The following MRA relates to Business Continuity Planning. There are three scenarios to showcase how the MRA evolved throughout a full examination cycle.

Scenario one – The OCC conducts a full scope examination in February 2014. At this examination, the OCC first identifies deficient practices that result in an MRA with three concerns. The write-up reflects how the OCC communicates the *new* concerns in an MRA in the ROE.

Scenario two – The OCC conducts quarterly monitoring in May 2014, followed by an interim examination in August 2014. The Bank successfully *corrected* the Audit concern and implemented improved board and management oversight. Management contracted with a third party that failed to develop an effective Business Continuity Plan (BCP). As a result, the OCC considers the Business Continuity Plan corrective action to be *past due*. The write-up reflects how the OCC communicates the MRA in a Supervisory Letter.

Scenario three – The OCC conducts quarterly monitoring in November 2014, followed by a full scope examination in February 2015. The OCC validates the effectiveness of the improved board and management oversight, but needs additional time to validate the revised BCP. The write-up reflects how the OCC communicates the MRA in an ROE.

SCENARIO ONE – February 2014 Full Scope ROE

Business Continuity Planning (Updated March 13, 2017, and October 31, 2017)

Concerns: The OCC identified the following *New Bank Information Technology* concerns that relate to *Business Continuity*.

- *Board and Management Oversight* – The bank does not have effective board and management oversight of the business continuity planning process or IT audit. Both components are critical for an acceptable Information Security Program.
- *Business Continuity* – The bank does not have an effective BCP. Failure to plan for business disruptions and test business resumption plans is an unsafe or unsound practice.
- *Audit* – The length of time between audit reports is over two years, which is unacceptable. In addition, the January 13, 2014, audit report did not identify the lack of a BCP. President Johnson indicated that the auditors discussed the bank's failure to develop a BCP with the board, but did not include it in the audit report.

Cause: President Johnson and the board did not devote sufficient resources to developing the BCP. The board assigned CIO Smith to develop the plan, but the CIO did not have sufficient time and resources. The board and President Johnson also failed to maintain an adequate and timely IT audit program.

Consequences: Failure to adopt and test a comprehensive BCP can result in business disruption in an emergency. The disruption of a critical function or the lack of availability of a critical system may result in increased operational, strategic, and r~~eputation~~ risks. Failure to maintain a timely IT audit program can delay recognition of information security weaknesses, leading to unauthorized disclosure of or access to confidential customer information.

Corrective Actions:

- *Board and Management Oversight* – President Johnson, CIO Smith, and the board must improve oversight of the business continuity planning process and IT audit consistent with the principles outlined in the "Management," "Business Continuity Planning," and "Audit" booklets of the *FFIEC IT Examination Handbook*.
- *Business Continuity*
  - *CIO* Smith must develop a business impact analysis (BIA) to identify the potential impact of a disruption on business processes, estimate the maximum allowable down time, and define acceptable levels of data, operational, and financial losses.
  - CIO Smith must also develop and implement a business continuity risk assessment. This process must require the completion of a gap analysis, which compares existing recovery capabilities to requirements identified by the BIA.
  - The board and President Johnson must also ensure the bank develops and maintains a s, enterprise-wide BCP. The BCP must document strategies and procedures needed to maintain, resume, and recover critical business functions and processes. The board must review and approve the BCP annually.

- CIO Smith must test the business continuity plan annually and present the results to the board. The scope of testing must include, at a minimum, core banking applications, internal operations, and branch operations.

- *Audit* – The board must obtain annual independent IT audits that are sufficient in scope. Audit reports to the board must identify deficiencies noted during the audit.

Commitments:

- *Board and Management Oversight* – President Johnson and the board committed to develop appropriate board and management oversight of the business continuity planning process, including the process to monitor and verify implementation of corrective actions, by July 31, 2014.
- *Business Continuity* – CIO Smith committed to develop a BCP by June 30, 2014, and to complete testing by September 30, 2014.
- *Audit* – Management received an IT audit report subsequent to the examination in February 2014. President Johnson will engage an IT audit in the third quarter of 2014 and ensure the bank maintains an annual IT audit.

SCENARIO TWO – August 2014 Interim Examination Supervisory Letter

Business Continuity Planning (Updated March 13, 2017, and October 31, 2017)

Concerns: The OCC identified the following *Bank Information Technology* concerns that relate to *Business Continuity*. The OCC originally reported this MRA in the February 2014 ROE.

Status Update

- *Board and Management Oversight – Pending Validation* – The board and management implemented appropriate board reporting, audit, and BCP testing, but have identified additional weaknesses in the BCP through the audit program that require remediation. The OCC has verified that appropriate monitoring and oversight procedures are now in place but cannot validate their effectiveness until the board demonstrates sustained performance.
- *Business Continuity – Past Due* – CIO Smith submitted a revised BCP by June 30, 2014; however, the BCP does not include an appropriate Business Impact Analysis, Risk Assessment, or BCP testing process.
- *Audit – Closed* – The Board satisfactorily addressed this concern. It obtained an independent IT audit with a sufficient scope in August 2014. The OCC reviewed the audit findings and validated that the report accurately identified deficiencies relating to the board's June 2014 BCP.

Cause: President Johnson and the board did not devote sufficient resources to revising the BCP.

Consequences: Failure to adopt and test a satisfactory BCP can result in business disruption in an emergency. The disruption of a critical function or the lack of availability of a critical system may result in increased operational, strategic, and ~~reputation~~ risks.

Corrective Action: CEO Johnson, CIO Smith, and the board must improve the BCP to include an appropriate Business Impact Analysis, Risk Assessment, and BCP testing process. Refer to "Management" and "Business Continuity Planning" booklets of the *FFIEC IT Examination Handbook* for more information regarding Business Impact Analysis, Risk Assessment, and BCP testing.

Commitments: CIO Smith committed to revise the BCP by February 20, 2015, and to complete testing by April 30, 2015.

SCENARIO THREE – February 2015 Full Scope ROE

Business Continuity Planning (Updated March 13, 2017, and October 31, 2017)

Concerns: The OCC identified the following *Bank Information Technology* concerns that relate to *Governance*. The OCC originally reported this MRA in the February 2014 ROE.

Status of remaining concerns
- *Board and Management Oversight – Closed* – The OCC validated the improvements in board reporting and management oversight. The new control structure is effective in identifying and correcting deficiencies within the bank's information security program, particularly relating to business continuity planning.
- *Business Continuity – Pending Validation* – The board approved a satisfactory BCP that contains an appropriate BIA and Risk Assessment in February 2015. Insufficient time has passed to assess the effectiveness of the BCP and the testing schedule.

The OCC will validate the effectiveness of the board and management's actions during May 2015 quarterly monitoring.

APPENDIX D: SAMPLE MRAS

The following three MRAs illustrate a repeat concern, escalated concerns at the first communication since the enforcement action, and a commitment to develop a corrective action plan.

Flood Program (Updated March 13, 2017)

Concerns: The OCC has identified a *Repeat Consumer Compliance* concern related to *Consumer Lending Activities*. We originally cited the concern in the December 2010 ROE. We subsequently validated management's corrective action and closed the concern in the December 2011 ROE.

Flood Disaster Protection Act – The bank's Flood Disaster Protection Act (FDPA) program is inadequate to track and identify loans that require flood insurance. As a result, we identified violations of the FDPA during our full scope examination in December 2010 and again at our target examination as of March 2014. See the ***Violations of Laws and Regulations*** page of this report.

Cause: The board and President Johnson have not devoted sufficient time and resources to ensuring effective controls over the FDPA program. Compliance Officer Williams failed to implement appropriate tracking systems to ensure compliance with FDPA resulting in violations of law.

Consequences: Failure to implement an effective FDPA program exposes the bank to the likelihood of additional violations of laws and regulations, potential litigation, increased ~~reputation~~ and compliance risk, risk of financial loss due to customer reimbursements, escalation of this concern to an enforcement action, and potential civil money penalties.

Corrective Actions: President Johnson and CO Williams must
- Implement comprehensive training for employees responsible for FDPA compliance.
- Correct the violations of law.
- Conduct performance monitoring to determine if training is effective.
- Implement a tracking mechanism to monitor FDPA compliance.

Commitments: President Johnson committed to correct all FDPA violations and complete training for all appropriate personnel by June 30, 2014. CO Williams will develop an FDPA tracking report by May 31, 2014.

Improve Credit Administration (Updated March 13, 2017)

Concerns: The OCC identified the following *Commercial Credit* concerns related to *Credit Review* and *Credit Administration*. We previously identified these concerns in the 2013 examination and escalated them into Article IV of the Consent Order dated February 24, 2014.

Status Update
- *Credit Review Scope/Coverage/Frequency – Escalated*
- *Credit-Analysis – Escalated*

Please refer to the ***Compliance with Enforcement Actions*** page of this report.

Wholesale Credit Modeling – Integrity of Data (Updated March 13, 2017)

Concern: The OCC has identified the following *Commercial Credit* concern that relates to *Credit Administration:*

Model Risk Management – The data integrity of the wholesale credit model is inadequate. We observed significant data exclusions related to prior acquisitions without sufficient documented analysis to support management's justification for such exclusions. Approximately one-third of the commercial real estate (CRE) portfolio is not compatible with Moody's Commercial Mortgage Metric (CMM) model due to loan type, missing, or incomplete data. The commercial loan (C&I) portfolio is not properly segmented, as higher risk portfolios are included in the General C&I (Middle Market) model.

Cause: SVP of Risk Analysis Jones and the Senior Modeling Review Committee have not ensured data integrity to enable the board to make sound decisions. This includes data integrity for loss estimates and documentation sufficient to support modeling assumptions and approaches. The Senior Modeling Review Committee is responsible for validation of the wholesale credit model, which includes accuracy for loss estimates.

Consequences: The lack of sufficient analysis and documentation that supports the exclusion of data and the selection of assumptions affects the reliability of projected loss estimates and consequently, adequacy of the Allowance for Loan and Lease Losses. Similarly, for the CRE portfolio, the absence of analysis that quantifies the impact of the incompatibility reduces the reliability of the results. Sectors of the C&I portfolio that are not properly segmented may over- or underestimate loss projections.

Corrective Action: The Senior Modeling Review Committee must
- Analyze, support, and document significant data exclusions. Specifically, management must conduct analyses with and without the ABC Financial related loans and losses, and any other significant exclusions, demonstrate how the results differ, and determine if estimate overlays are warranted.
- Analyze C&I model documentation for additional sensitivity analysis and root cause analysis, in particular for the documentation created by the bank as opposed to outside vendors.
- Document the analysis of C&I portfolio segments and ensure that the appropriate methodology is used to estimate credit losses for each segment. This analysis must consider supported and documented management overlays, as necessary.

Commitment: SVP Jones committed to develop a plan to address the identified weaknesses and provide the plan for OCC review within 30 days of receipt of this letter. The plan will detail specific steps, reasonable time frames for completion, and the individuals or committees responsible for oversight of the corrective actions. The bank has engaged ABC Modeling Experts to strengthen and augment the scope of review of data integrity.

Withheld pursuant to exemption

(b)(5) ; (b)(8)

of the Freedom of Information and Privacy Act

Withheld pursuant to exemption

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