

Regulatory Bulletin

RB 37-14



Handbook: **Examination Handbook**

Subject: **Administration**

Section: 040

Examination Systems

Summary: This bulletin transmits revised Examination Handbook Section 040, Examination Systems.

For Further Information Contact: Your Office of Thrift Supervision (OTS) Regional Office or the Operation Risk Division of the OTS, Washington, DC. You may access this bulletin and the handbook section at our web site: www.ots.treas.gov.

Regulatory Bulletin 37-14

SUMMARY OF CHANGES

OTS is issuing revised Examination Handbook Section 040, Examination Systems. Change bars in the margin of the section indicate significant revisions.

040 Examination Systems

High-Profile Savings Associations

Revised information related to creating and updating narrative Regulatory Profiles for high-profile associations.

—Scott M. Albinson

Managing Director

Examinations, Supervision, and Consumer Protection


Examination Systems

This Handbook Section provides you with information on OTS Examination Systems: the Examination Data System/Report of Examination (EDS/ROE) system, the Electronic Continuing Examination Folder (ECEP), and Regulatory Profiles. For purposes of this Handbook Section, we define “you” as OTS personnel.

THE EDS/ROE SYSTEM

OTS uses a web-based EDS/ROE system. The EDS/ROE system collects and stores examination data and reports of examination for all entities examined and supervised by OTS.

EDS refers to the Examination Data System, which captures basic data from an institution’s examination and maintains it on a central database in Washington. The ROE or Report of Examination is stored as a separate file in the EDS/ROE system.

<p style="text-align: center; margin: 0;">L I N K S</p> <p style="margin: 0;"> Appendix A</p>	You may access EDS/ROE from the Electronic Continuing Examination Folder (ECEP) Docket Selector on the OTSNet home page. Refer to the “Examination Data System/Report of Examination Users Guide” for assistance when using the EDS/ROE system. The users guide is available in Exam Docs under the Systems menu on the OTSNet.
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The EDS/ROE system is easy to use, maintain, and troubleshoot; and provides flexibility in creating and editing reports of examination. You can develop standard reports for individual institutions or groups of institutions categorized by docket file, specific caseload, state, subregion, region, or all regions.

The Examination Data System

The EDS is composed of various component screens – Main, Ratings, Supplemental, and Reportable Data – that you may access throughout the examination process.

EDS Main

At the EDS Main screen, record the following information as it becomes available during the examination:

- Examination type
- Lead region

- Examiner-in-charge
- Start date
- Completion date
- Close or ROE mail date
- Lead agency, other participating agencies, and the hours of each agency's participation.

Upon data entry, all information recorded in EDS Main is saved directly to the EDS/ROE database and becomes available on the ECEF system. This includes data entered into ratings, supplemental, and reportable data. ECEF users can immediately view all data saved to the database.

Examination Types

There are several examination types. You can change the examination type at any point in the examination process before transfer of the final ROE. For a listing of valid examination types and the format and ratings required for each type, please refer to the "Examination Data System/Report of Examination Users Guide."

All examination types, except state examinations, may be joint examinations with other regulators.

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OTS categorizes examinations as "regular" or "limited." Regular exams use ROE shell documents. The limited examination replaces the previously designated on-site and off-site supplemental examinations, field visit, and off-site monitoring. You can use letter or memo format, ROE shell documents, or any combination thereof for limited examinations.

For state examinations use a type 11, 16, or 68 (intervening compliance examination) depending on whether the examination is joint or intervening. See Examinations with State Regulators in this Handbook Section.

See Appendix A for a list of savings association safety and soundness, compliance, and comprehensive examination types. Refer to the "Report of Examination Instructions" in Exam Docs for guidance on completing a type 16 comprehensive ROE.

Examination Start Date

Record the official examination start date in EDS Main anytime from the scheduling of an examination until the day the on-site examination work begins. For on-site examinations, the start date is always the day that you begin on-site work. On-site work includes examination procedures you perform while on

the subject institution's premises, courthouse, building site, real estate office, or other location outside of an OTS office. The EDS/ROE system automatically enters this date on the cover page of the ROE.

For off-site examinations, the start date is always the day you begin off-site work. Off-site work includes examination procedures you perform while in an OTS office. For off-site examinations, enter the date office work begins. The EDS/ROE system automatically enters this date on the cover page of the ROE.

You can change the start date at any point in the examination process before transferring the final ROE.

Examination Completion Date

Record the official completion date of the on-site examination work, which is the date of the last day you are on-site at the institution. For off-site examinations, enter the date office work ends.

Close (ROE Mail) Date

EDS Main also includes the date the examination is closed and the report is mailed to the institution and transferred to Washington. This date is referred to as the close, transmittal, or mail date. Do not confuse the close date with the completion (of on-site work) date. You enter the close (ROE mail) date from the ROE Transfer screen when executing the transfer of the final report.

It is no longer necessary to retransmit a ROE in order to amend the ROE mail date. You can now amend this date without requiring an additional ROE transfer.

EDS Ratings

The Examination Rating Section records the CAMELS composite and component ratings and the Compliance rating for the examination. The Examination Ratings Section also has a data field for Technology Risk Controls (TRC). CAMELS composite and component ratings and the Compliance ratings are entered as 1, 2, 3, 4, or 5. The "N" default rating is no longer valid. For TRC, the EIC answers Yes or No to indicate whether significant Information Technology (IT) concerns were noted in the Report of Examination (TRC Flag). The system will accept a blank entry until the transfer of the final report.

For regular examinations, OTS requires a rating for each component, including the TRC Flag.

At the conclusion of the examination, it is the responsibility of the EIC to assign ratings, and check Yes or No for the TRC Flag, when required. If the scope for a particular examination is not sufficient to assign a rating to each individual component, the EIC should only assign a rating to those components that were reviewed and leave blank those components that were not reviewed.

For regular examinations, OTS requires a rating for each component, including the TRC Flag. The eligibility and limited examination types require only the component ratings appropriate for the

individual examination. The TRC Flag is optional for these examination types. Regional Directors have the authority to accept a state examination as a substitute for an OTS examination on an alternating basis. See the discussion on state examinations in this Handbook Section.

Refer to Examination Handbook [Section 070, Ratings: Developing, Assigning, and Presenting](#), for a description of the criteria regarding the CAMELS composite and component ratings as well as for information regarding the Compliance and CRA ratings. OTS provides additional guidance in assigning CAMELS ratings in the “Report of Examination Instructions.”

Risk Focused Exams

OTS modified the system to allow flexibility in completing the report of examination. For comprehensive type 16 exams where any CAMELS component or Compliance is rated 1 or 2, the system designates the corresponding ROE section as an optional section rather than as mandatory.

EDS Supplemental

EDS Supplemental records examination findings as data that you can retrieve and analyze. Enter this data into EDS Supplemental during or soon after you complete an examination. This section supplements the ROE. OTS uses this information as a data source for analysis and planning, and for inclusion in the next ROE.

EDS Supplemental consists of two sections labeled on the data input screen as Asset Quality and Exposure Limits. Enter this information during the course of the examination.

EDS Supplemental also requires you to specify if OTS needs to take follow-up action. There are two options – follow-up action required for BSA or for Other.

Asset Quality

Enter asset classifications in EDS and compare them with the asset classifications reported in the TFR as of the same date.

Classified as of TFR date

The system stores the date of the quarterly TFR information used in an examination in the field identified on the input screen as: Classified as of TFR date. The system requires an entry into the Classified as of TFR date when you enter data into the asset classifications field. The date cannot be greater than current TFR cycle, and cannot be earlier than two TFR cycles.

Exposure Limits

Enter the interest rate risk net portfolio value (NPV) exposure limits set by the thrift. This record allows a comparison of the limits with actual performance as reported in the Consolidated Maturity and Rate report (CMR).

EDS Reportable Data

The system allows you to file information about regulatory violations. The EDS system stores the information in a database. OTS uses this information for reports to the Federal Reserve, Financial Crimes Enforcement Network (FINCEN), and to respond to Congressional or GAO inquiries.

You should list all substantive and technical violations of certain laws and regulations. You should also enter comments and other information called for in the drop down fields in EDS/ROE Reportable Data, even when you include them in the ROE. You may also enter any other violations you discussed with management but did not include in the ROE.

Determining if a Violation is Substantive

The terms substantive, significant, and material have the same meaning in this area.

You should consider the association's overall record (S&S and Compliance) when determining if a violation is substantive. You should also consider the following factors:

- The severity of the violation.
- The time span of the violation.
- Whether the violation is widespread or isolated.
- Whether the violation is systemic.
- Related findings on prior exams.
- The risk profile of the institution.

Technical Violations

You should note all technical violations, those violations that do not rise to the level of substantive, in the work papers and enter it into Reportable Data. You should discuss technical violations with management. For example, a common technical violation is the failure of the association to completely or correctly fill out a form in an isolated instance.

Repeat Substantive Violations

To be a repeat substantive violation(s), OTS must have previously brought it to the association's attention. A violation can be a repeat violation if it was in a previous ROE, discussed with management, or be from another source, such as correspondence. It is not necessary that the violation(s) be in the previous examination report to be a repeat violation; however, you must have the discussion with management about the violation documented.

The Report of Examination System

The Report of Examination system consists of the ROE Shell and the ROE Center.

ROE Shell

The ROE shell is the document OTS uses to report examination findings. During the course of the examination, the examination team completes a draft version of the ROE on a personal computer using the Microsoft Word ROE preformatted shells that you download from the system.

OTS requires the ROE shell format for comprehensive and intervening compliance examinations.

By accessing the ROE Shell and selecting the pages pertinent to the type of examination, you create the report of examination that OTS eventually mails to the thrift. The system populates the financial data into the relevant sections and e-mails you the selected sections. You can download additional pages or sections throughout the examination process. It is not necessary for a single user to download the entire ROE shell. Different individuals on the examination team can download and complete sections of the ROE document.

You can make changes to a particular ROE section by uploading only the individual section.

You do not have to update headers in individual ROE documents. The system will automatically update headers during the compile process.

The system automatically generates the Table of Contents and necessary Rating Definitions documents during the compile process.

Types of Examination Packages

Two types of ROE formats are available. They are the ROE shell format and the ROE memo/letter format.

ROE Shell Format

OTS requires the ROE shell format for comprehensive and intervening compliance examinations. The ROE shell format consists of mandatory and optional pages. The four federal financial institution regulatory agencies use similar report pages to promote consistency and reduce regulatory burden.

In general, the use of optional pages depends on the type of examination and the previous rating. You must use the CAMELS and Compliance pages if the institution has a 3, 4, or 5 CAMELS composite or Compliance rating. OTS encourages you to use only ROE pages that are useful in presenting examination findings.

Memo/Letter Format

The memo/letter ROE is just that, a memorandum or letter. You may use this format for shorter eligibility and limited examinations – previously designated on-site and off-site supplemental examinations, field visits, and off-site monitoring examinations. You can attach any of the ROE sections to the memo/letter report if needed. If necessary or desirable, you may also use the ROE format for eligibility or limited examinations.

ROE Center

The EIC is responsible for preparing examination reports according to established policies and procedures. The regional director, or designee, is responsible for final approval of examination reports. You should incorporate into the ROE, events that occur after the completion of the examination, but before the examination is closed, such as the institution's agreeing to corrective action.

Once the ROE is in final form, the appropriate regional office sends a copy to the institution and uploads the report to the EDS/ROE, thus closing the examination. (Limited ROEs with no ratings may be sent to the thrift at the region's discretion.) The region may send additional copies to other agencies, such as the FDIC or the state regulator. The EDS/ROE system does not accommodate transmittal letters that act as cover memos to distribute the ROE.

The regional office enters the date the report was transmitted to the institution into EDS/ROE, indicating its final acceptance of the ROE. The ROE document cannot be altered after this entry. However, you may use the EDS amendment function to correct errors. The paper copy of the ROE stored by the region is the official document of record.

At the time of transmittal, the examination must be current, based on all available information. The regional office should never send a ROE with an outdated rating to an institution. Any significant events occurring after the examination is closed should be addressed in a subsequent, limited examination and in the Regulatory Profile.

Examinations with State Regulators

Joint Examinations

OTS submits examination reports jointly with certain state agencies. OTS also conducts examinations on an alternating basis with certain state agencies.

Use the type 16 ROE shell when OTS completes the ROE in a joint examination.

For the few states that use OTS's ROE shell when the state prepares the report (joint or intervening), provide them with the type 11 shell. Modify it accordingly. If it is an intervening state examination or joint examination when the state prepares the ROE and you need to conduct a compliance exam, use a type 68 ROE shell.

Intervening State Examinations

OTS has agreements with some states to accept an intervening state examination. Regional offices may accept full-scope, on-site examinations conducted by the regulatory authorities of state-chartered depository institutions on an alternating basis instead of an OTS examination, if such examinations meet the requirements and objectives of OTS's examination strategy.

OTS accepts intervening state examinations for the following savings associations:

- Composite 1- or 2-rated associations.
- Stable and improving composite 3-rated associations if off-site monitoring between examinations confirms the last composite rating and OTS does not note any adverse trends from available information.

The length of time between examinations (regardless of whether OTS or the state conducts the examination) should not exceed 12 (or 18) months based on the statutory examination cycle requirements.

Use the type 11 memo-style ROE shell to enter text or upload information for intervening state examinations and OTS is not conducting the compliance examination.

If you cannot upload a state ROE into EDS/ROE (e.g., the ROE is a WordPerfect document) enter the following message into a memo-style ROE type 11 and upload into EDS/ROE:

“This is an intervening state examination in accordance with provisions set forth in the Federal Deposit Insurance Corporation Improvement Act of 1991. The official hard copy Report of Examination (ROE) is retained with the examination work papers. These files are stored at the OTS Regional Office. To obtain a copy of this ROE, contact the Regional Office.”

You may also scan ROEs conducted by a State Banking Authority into a portable document file (pdf) format and upload the document into ROE Center.

Compliance Examinations

States generally do not perform Compliance examinations. OTS conducts a compliance examination as part of a comprehensive examination. However, OTS does not conduct a separate Compliance examination concurrently with intervening state examinations if all of the following conditions exist:

- The previous Compliance rating was 1 or 2.
- Off-site monitoring shows no material change in the association's compliance risk profile.
- The association corrected any previous compliance deficiencies.

If the association does not meet the above criteria, OTS conducts the compliance portion of the examination and uses the intervening compliance examination, type 68. The type 68 includes the following pages:

- Prohibition of Disclosure or Release
- Board Letter
- Signatures of Directors
- Table of Contents
- Examination Conclusions and Comments
- Matters Requiring Board Attention
- Compliance
- Compliance Rating Definitions.

FDIC

When the FDIC and the OTS conduct a joint examination, the FDIC may prepare additional reports or information. The FDIC will provide copies to the OTS for internal purposes only; the institution, however, will receive only the OTS report. The OTS will provide the FDIC with copies of ROEs as follows:

For Associations:

3-, 4-, and 5-rated	cc FDIC
1- and 2-rated	bcc FDIC
Largest ¹ 8 institutions	cc FDIC

For Holding Companies:

3-, 4-, or 5-rated institutions	cc of the HC report FDIC
Unsatisfactory rated HC	cc of the HC report FDIC
HC of largest ¹ 8 institutions	cc of the HC report FDIC

¹ Eight largest Institutions, National Banks and State Banks.

THE ELECTRONIC CONTINUING EXAMINATION FOLDER

ECEF is an intranet-based system for storing and displaying documents related to a particular OTS-regulated savings association. Authorized users in each region use ECEF as a case management tool and add and manage ECEF documents on the intranet. ECEF documents include correspondence, regional reports, forms and other documents. At the conclusion of an examination, authorized users should update the ECEF and, if applicable, create or update the Regulatory Profile. The ECEF for the association will include a Regulatory Profile if the regional office has designated it as a high-profile association.

You may access ECEF from the OTSNet home page.

REGULATORY PROFILES

A Regulatory Profile is a concise written summary of the characteristics and condition of an OTS-regulated savings association. The Regulatory Profile includes the association's:

- Name, address, docket number, and other identifying information.
- Latest examination ratings and dates.
- Selected quarterly operating results.

A Regulatory Profile is a concise written summary of the characteristics and condition of an OTS-regulated savings association.

When necessary as explained below, the Regulatory Profile includes a brief narrative summary with four sections: Operating Profile, Identified Risks, Enforcement Actions, and Supervisory Strategy.

For detailed policies and procedures, see the Regulatory Profile Users Guide on the OTS Intranet. This Guide is accessible to all employees by clicking on ECEF, selecting a region, clicking on Profiles, and opening the Reg Profile Help file.

Policy

The Regulatory Profile System designates all savings associations as either low-profile or high-profile. Each designation has a different policy.

Low-Profile Savings Associations

Low-profile savings associations generally meet all of the following criteria:

- Total assets less than \$10 billion.
- Composite CAMELS rating of 1 or 2.

- No significant risk factors.

The OTS system automatically generates Regulatory Profiles for every low-profile association using data from OTS national systems, including the Thrift Financial Report (TFR) and the EDS/ROE. Profiles for low-profile associations only include the following information:

Regulatory Profiles for *low-profile* associations are completely automated and do not require any input or maintenance by OTS employees. Regulatory Profiles for *high-profile* associations require periodic updates and regional employee input into the system.

- Name, address, docket number, and other identifying data.
- Latest examination ratings and dates.
- Selected quarterly operating results.

Regulatory Profiles for low-profile associations are completely automated and do not require any input or maintenance by OTS employees.

High-Profile Savings Associations

High-profile savings associations generally include associations that meet any one of the following criteria:

- A Composite CAMELS rating of 4 or 5.
- A Compliance rating of 4 or 5.
- A CRA rating of Needs to Improve or Substantial Noncompliance.
- A Composite CAMELS rating of 3 and assets greater than \$1 billion.
- A Composite CAMELS rating of 3 and assets less than \$1 billion with an Enforcement Action (not including BSA).
- Total assets of \$10 Billion or greater.
- Unsatisfactory Holding Company Rating.
- Enforcement Action against the Holding Company.
- Associations designated by the Regional Director as High Profile for other reasons.

Regulatory Profiles for high-profile institutions consist of a narrative summary and the same system-generated identifying data, examination ratings, and operating results as low-profile institutions. In addition, Regulatory Profiles for “high-profile” institutions require regional employees to create a brief narrative summary for every high-profile association they supervise consisting of four sections:

1. **Operating Profile**: A brief description of the association’s financial condition and any unique operating strategies.
2. **Identified Risks**: A summary of any significant risks identified at the association, including safety and soundness, compliance, or other risks. This section should clearly identify any material problems or concerns.
3. **Enforcement Actions**: A summary of all active, outstanding enforcement actions, including a brief description of the violation or problem, the resulting enforcement action, and the date of the action.
4. **Supervisory Strategy**: The supervisory strategy for addressing each of the noted problems or concerns. This section may list monitoring procedures, corrective actions, and specific items for on-site examination.

The region creates this four-section narrative summary whenever an association meets any of the high-profile criteria listed above. Regional employees should update the summary, quarterly within 60 days after the end of each quarter, to include the following discussion points:

- Status of corrective action(s) and follow-up action(s).
- Status of the association’s efforts to address material problems identified during prior examinations.
- Plans for supervisory or enforcement action in situations where management and the board failed to correct material problems.
- Status of the association’s compliance with discretionary and non-discretionary PCA restrictions, or compliance with outstanding supervisory or enforcement actions.
- Whether the PCA situation warrants a field visit(s) or written reports from the board of directors.

If an association is high profile but there is no information to report in a particular section, note this explicitly within the relevant section. For example, “No outstanding enforcement actions.” The Regulatory Profile will not exceed two pages.

REFERENCES

Report of Examination Instructions

Examination Data System/Report of Examination Users Guide

Regulatory Profile User's Guide

EXAMINATION TYPES

	Comprehensive Exams			Non-Comprehensive Exams	
	Type 16	Type 30	Type 46	Type 11	Type 68
Name of Exam	Comprehensive Federal Exam with Regular Scope	Eligibility Exam	Comprehensive Exam with Limited Scope	State S&S ¹	Intervening Compliance Exam
Ratings Required	CAMELS, Compliance and TRC	None Required	None Required	CAMELS only	Compliance only
ROE or Memo	ROE	ROE or Memo	ROE or Memo	ROE or state format	ROE
Scope	Full scope	Full scope or limited scope	Limited scope	Full scope (S&S only)	Full scope (Compliance only)
On-site or Off-site	On-site	Either	Either	On-site	On-site
Conditions for use	Every 12-18 months, based on size and condition of the association. Use for OTS only, alternate, or joint exams with the State or FDIC.	For any entity desiring a thrift charter.	Whenever OTS needs to conduct an examination outside the normal cycle. Can change any ratings, which may affect the examination cycle.	When the state conducts and OTS accepts the S&S examination report every other year or when the state files the report during joint exams and uses the OTS ROE shell.	Only use when OTS must perform a compliance exam (due to rating or condition) when the state conducts an intervening state exam.

¹ Referred to as alternate exams on OTS years; use a type 16.