

Thrift Bulletin

TB 1-2

August 4, 1989

Enforcement of Bulletins

Summary: This Bulletin provides guidance to Agency staff and management of thrift institutions regarding the interpretive nature of Thrift Bulletins.

For Further Information Contact:

The FHLBank in which you are located, or the Policy Analysis Division of the Office of Regulatory Activities, Washington, DC, or the Office of Enforcement, Federal Home Loan Bank Board, Washington, DC.

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Introduction

The purpose of this Bulletin is to provide guidance to Agency staff and management of thrift institutions on the enforceability of Thrift and Regulatory Bulletins (collectively the "Bulletins").

Policy

The policies set forth in Bulletins represent the Agency's interpretation of regulations and what constitutes unsafe or unsound practices. These policies establish uniform and objective criteria by which the Agency's staff evaluate the practices and policies of thrift institutions. While Bulletins themselves are not directly enforceable, they represent the Agency's best judgment in inter-

preting regulations that will be used as the basis for enforcement action.

Objectives of Thrift Bulletins

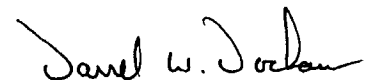
The Bulletin standards are used as a guide by which examiners measure a thrift's adopted standards. If an insured institution has failed to establish adequate policies and controls as exemplified in the bulletins, then the Agency's supervisory agent may determine that the institution's practices or policies (or lack thereof) constitute one or more unsafe or unsound practices. In such situations, the supervisory agent is required, on behalf of the Agency, to obtain the institution's correction of such practices or policies.

Enforcement Actions

If management fails to voluntarily correct unsafe or unsound practices brought to its attention by the supervisory agent, the institution will likely face formal enforcement action. The Agency possesses various enforcement tools it may use to address unsafe or unsound practices. For example, the Agency is specifically authorized to initiate cease-and-desist proceedings when,

among other things, it is of the opinion that any insured institution or any director, officer, employee, agent, or other person participating in the conduct of the affairs of such institution is engaging or has engaged in an unsafe or unsound practice in conducting the business of such institution. 12 U.S.C. Section 1464 (d)(2), 1730(e).

Under certain circumstances, the Agency may issue temporary cease-and-desist orders at the commencement of cease-and-desist proceedings to address such practices. In addition, the Agency is authorized to include in its cease-and-desist orders provisions directing the institution and/or its personnel to undertake appropriate affirmative corrective action in order to prevent future losses to the institution and the Insurance Fund. What will be imposed on the institution will depend directly on the evidentiary record regarding the institution's condition, unsafe and unsound practices, and/or violations. What may be ordered are remedies that relate directly to the institution's problems that have been documented on the record.



— Darrel W. Dochow, Executive Director