Appendix A: Self-Assessment Worksheets

The procedures and worksheets in this appendix were prepared for institutions to use as a basis for completing a self-assessment required to establish a daylight overdraft net debit cap in the average, above average, or high cap categories. Prior to performing the assessment, institutions should carefully review section VI of this manual, which provides additional discussion of the components of the assessment. Appropriate documentation supporting the results of the assessment should be attached to all parts of the worksheets and kept on file for review by the institution's primary supervisor. Comments on various factors essential to the self-assessment may be attached as necessary, provided the comments reference the appropriate worksheet.

The index below indicates the location of the various components of the self-assessment including (1) creditworthiness, (2) intraday funds management and control, (3) customer credit policies and controls, and (4) operating controls and contingency procedures. Institutions normally must use the Creditworthiness Matrix method (1.A.), which relies on recent capital levels and supervisory examination ratings, to determine their creditworthiness rating. The full self-assessment of creditworthiness (1.B.) is permitted, or in some cases required, in certain circumstances. These circumstances, which are discussed further in section VI of this manual, might include a significant change in financial condition, the availability of additional substantive information about the institution's financial condition not available at the time of the last examination, or a significant improvement in areas of concern to the primary supervisor since the last examination. All institutions should complete components 2, 3, and 4. Ratings for the four components should be recorded in table A-4 to arrive at the institution’s final self-assessment rating.

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1. Assessment of Creditworthiness

1.A. Creditworthiness Matrix Procedures for Domestically-chartered Institutions with Affiliates

Supervisory Assessment

Record the composite rating from the last supervisory examination in the upper portion of table A-1.

Capital Assessment

Compare the institution's capital ratios to thresholds established under section 38 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) for the Capital Zones for Prompt Corrective Action and record the results in the upper portion of table A-1.

Condition of Affiliates

The condition of the holding company and related affiliates must be considered in the analysis of the institution's condition. In the evaluation of the condition of an institution's parent company and affiliates, emphasis should be placed on the most recent supervisory ratings of the affiliated institutions. It is recognized that management may not have the information needed for assessing the condition of affiliated institutions. In such situations, management should confer with the financial officers of the holding company.

The condition of the parent company or affiliated institutions will have either a neutral or negative impact on the institution completing the assessment. If the parent company and related affiliates are in satisfactory condition, no further adjustment needs to be made to the results of the institution's self-assessment. Such findings will normally be supported by evidence that the holding company serves as a source of strength to the institution; that is, it is willing and able to provide capital contributions or other managerial and financial support to the institution.

The creditworthiness rating of an institution would be adjusted to below standard if the condition of one or more of the commonly controlled institutions was deemed marginal or unsatisfactory by the primary supervisor and the institution or institutions represent a material position of the organization's consolidated assets or materially affects the organization's consolidated operations. This situation may arise when a supervisory agency discloses material operating or financial weakness within the parent company or affiliated institutions that poses significant risk to the institution. When such situations arise, the institution will not qualify for a positive net debit cap.

- If the supervisory rating of affiliates is marginal or unsatisfactory, the assigned rating is negative.

- If the supervisory rating of affiliates is fair or better, the assigned rating is neutral and will not result in an upgrade or downgrade of the other factors.

Condition of Affiliates Rating:	

Overall Creditworthiness Rating

Institutions should determine their creditworthiness rating by selecting the overall creditworthiness rating in the right-hand column of table A-1 that corresponds to their ratings in the other columns for their supervisory and capital assessments and the condition of their affiliates. If the Creditworthiness Matrix reflects an overall rating of adequate or above, the institution should record its creditworthiness rating in table A-4 (on page A-34) and proceed to complete the remaining components of the self-assessment.

In some instances, the Creditworthiness Matrix result will indicate that a full assessment of creditworthiness is appropriate, in which case the institution should not record the rating from the matrix in table A-1, but should instead complete the procedures under part 1.B. of this section. If the Creditworthiness Matrix shows an overall rating of below standard and the institution cannot justify completing the full assessment of creditworthiness, the institution does not qualify for a positive daylight overdraft cap and need not complete the remainder of the assessment.

Table A-1
Creditworthiness Matrix Summary

PRIMARY MEASURES	
SUPERVISORY ASSESSMENT:	
CAPITAL ASSESSMENT:	
CONDITION OF AFFILIATES ASSESSMENT:	

Supervisory assessment	**Capital levels**	**Condition of affiliates**	**Overall creditworthiness**
Strong	Well capitalized	Neutral	**Excellent**
Strong	Adequately capitalized	Neutral	**Very good**
Strong	Undercapitalized	Neutral	***
Satisfactory	Well capitalized	Neutral	**Very good**
Satisfactory	Adequately capitalized	Neutral	**Very good**
Satisfactory	Undercapitalized	Neutral	***
Fair	Well capitalized	Neutral	**Adequate**
Fair	Adequately capitalized	Neutral	**Adequate**
Fair	Undercapitalized	Neutral	**Below standard**
Marginal	Any level	Any rating	**Below standard**
Unsatisfactory	Any level	Any rating	**Below standard**
Any rating	Significantly undercapitalized	Any rating	**Below standard**
Any rating	Critically undercapitalized	Any rating	**Below standard**
Any rating	Any level	Negative	**Below standard**

*** Full assessment of creditworthiness must be performed.

Overall Creditworthiness Rating:	

1.B. Full Assessment of Creditworthiness Procedures

The following discussion covers the recommended method for completing the full assessment of creditworthiness. The accompanying worksheets should serve as a guide in completing this assessment. Institutions should record their ratings on these worksheets and in the upper portion of table A-2.

There are three factors that must be considered in assessing creditworthiness:(1) capital adequacy, (2) key performance measures, including asset quality, earnings performance, and liquidity, and (3) the condition of affiliated institutions. In the self-assessment documentation, each factor should be discussed separately and the rationale used to adjust or maintain the overall creditworthiness rating should be explained. Exceptions or special considerations pertaining to the evaluation must be discussed and documented for supervisory examiners.

An assessment that differs significantly from findings of the primary supervisor should be particularly well documented and supported. It may be helpful to refer to the supervisor's examination manuals for a description of the rating guidelines and procedures used to assess an institution's condition. However, regardless of the results of the creditworthiness assessment, the creditworthiness rating achieved is not necessarily related to or reflective of the rating that would result from a regulatory examination. It should also be noted that the numerical benchmarks for certain performance standards contained in these self-assessment procedures may be subject to change.

In developing the assessment, the institution should compare its performance with selected ratios and peer comparisons that are well recognized as performance standards by the banking industry to determine its creditworthiness rating. The self-assessment may use information derived from confidential internal sources, publicly available reports, or both. Some common sources that provide the information needed for the creditworthiness assessment include supervisory examination reports, management financial reports, supervisory performance summaries, internal and external audit reports, rating agency reviews, and private-vendor performance summaries. Performance summary reports, such as the Uniform Bank Performance Report (UBPR) and the Bank Holding Company Performance Report (BHCPR), provide current and historic financial peer data.[49] Also, similar information is available from bank trade associations, public accounting firms, rating agencies, and other private vendors.

An institution's performance should be assessed in relation to its percentile ranking within the peer group. Care should be exercised when choosing an appropriate peer group. Regional peer groups are not appropriate if the region is experiencing economic conditions that result in a lower performance for the peer group as a whole. In such situations, it is appropriate to use a national peer group. Strong performance may be indicated by a high percentile when certain measures of earnings and capital are analyzed, or a low percentile when certain asset quality and liquidity measures are considered. Also, when evaluating the relative rankings, both current performance and performance trends should be considered.

[49] The UBPR and the BHCPR are available at www.ffiec.gov/.

The following guidelines indicate appropriate ratings for performance relative to the peer group:

- *Excellent* - Performance consistently at or above the 75th percentile, and most key measures above the 90th percentile;

- *Very good* - Performance consistently above the 55th percentile, and most key measures above the 75th percentile;

- *Adequate* - Performance consistently above the 35th percentile, and most key measures near peer averages. No significant measures in the lowest 10th percentile, or below standards set by supervisory authorities; and

- *Below standard* - Performance measures consistently below average, and significant weakness in one or more key measures.

An institution must justify and fully document any rating that is not consistent with the above criteria. Greater emphasis should also be placed on comparisons to supervisory standards when peer group norms reflect performance well below supervisory standards. Should the peer group comparison result in a below standard rating, the appropriate creditworthiness rating is also below standard.

It is recognized that only limited peer data are available for U.S. branches and agencies of foreign-based banks. In such instances, the institution should refer to similar data used for U.S. banking institutions. In making such comparisons, differences with respect to accounting principles and financial practices should be considered when interpreting relative performance.

1.B.i. Capital Adequacy

In most cases, the FDICIA Capital Zones for Prompt Corrective Action will apply as the regulatory standard and general baseline for the capital adequacy component of the assessment of creditworthiness. Even for institutions that are not subject to risk-based capital requirements, or for those that believe that a higher capital adequacy rating than that currently indicated by the capital zones is warranted, these zones should be used as a guide in developing the capital adequacy rating.

If an institution's capital levels are below any of the federal guidelines, the appropriate self-assessment rating for creditworthiness is usually below standard. An institution may provide information to the supervisory agencies and appropriate Reserve Bank to support a higher rating. In such cases, an institution will not receive an overall creditworthiness rating better than adequate. For instance, if an institution's capital ratios are below the regulatory standard but the institution has firm plans to increase its capital, it may adjust its ratios upward; however, evidence supporting the upward adjustment to the institution's original ratios should be fully documented. In addition, the capital adequacy rating should be adjusted downward if capital has declined since the last examination or if management expects that capital will decline to below minimum acceptable levels.

A foreign bank that is not based in a country that adheres to the Basel Capital Accord should compare capital ratios calculated under home country rules to the regulatory standard and document analysis that supports a conclusion that its capital meets or exceeds the standard. In addition, if other minimum capital ratios are prescribed by any of the supervisory agencies, the institution must address its level of compliance with such measures as well.

Capital Adequacy Worksheet

	Institution (original)	Institution (adjusted*)	Regulatory standard	Peer
Tier I capital/risk-weighted Assets			4.0%	
Total capital/risk-weighted assets			8.0%	
Tier I capital/total assets			3.0%	
Other ratios:				

* If the institution's original capital ratios were adjusted for any reason, fully document the calculations and assumptions used to perform the adjustment.

Based on the institution's original or adjusted capital levels, what is the highest capital zone at or above which the institution is expected to remain for the next twelve months?

____ Well capitalized

____ Adequately capitalized

____ Undercapitalized

____ Significantly undercapitalized

____ Critically undercapitalized

Capital Adequacy Rating:	

1.B.ii. Key Performance Measures

Asset Quality

Asset quality assessment is often based on the level and trend of non-performing and classified assets. Such information is available from internal management reports, supervisory examination reports, and external audit summaries. It is recognized that only limited information may be available for peer group comparisons. Provided, however, that such information is current, supervisory examination findings and comparisons pertaining to asset quality may serve as a starting point.

For example, the level and trend of weighted classified assets as noted in the last supervisory examination report should be reviewed. This measure reflects the probability of loss that has not yet been recognized. “Weighted classified assets” is defined as the sum of (1) 20 percent of substandard, (2) 50 percent of doubtful, and (3) 100 percent of loss classifications not already charged off. The dollar amount of weighted classified assets should be compared with Tier I capital plus the loan loss reserve. The institution's ratio of total classified assets to total capital should also be reviewed. “Total classified assets” is defined as the sum of all substandard, all doubtful, and all loss classifications not already charged off. The total of classified assets should be compared with Tier I capital plus the loan loss reserve. In particular, the level and severity of classifications should be carefully evaluated, as should the trends in both the classification categories and ratio itself. The assessment of this ratio is a useful analytical complement to the weighted classification ratio.

Additionally, the level of “other real estate” owned as a percent of average assets available, which is also an indicator of an institution's asset quality, should be considered. Normally, unacceptable levels of other real estate owned will adversely affect earnings performance. An institution exhibiting a negative trend with respect to other real estate or with levels consistently above their peer group should assign a below standard rating to this area. Institutions with levels consistently below their peer group or institutions exhibiting a positive trend would not need to adjust their ratings.

Levels of delinquent, nonperforming, and non-accrual loans as a percentage of total loans or as a percentage of the allowance for loan and lease losses should be reviewed. These measures should then be compared with supervisory standards and peer group norms. Ratings assigned to asset quality are derived by referring to the guidelines described in this section regarding peer group comparisons. Other considerations that should be factored into the evaluation of asset quality include management's demonstrated ability to collect problem credits, an assessment of credit concentrations to particular industries or geographic regions, adequacy of loan loss reserves, and changes in lending policies and practices.

Asset Quality Worksheet

Review the level and trend of weighted classified assets, as disclosed in the last regulatory examination. In the absence of data for current weighted classified assets, review the level and trend of noncurrent loans as a percentage of total loans and as a percentage of the allowance for loan losses. These measures reflect the potential for loss within the institution.

Institutions that have had an examination within twelve months should use the first method, below, to determine their ratings. Other institutions should use the second method.

1. If the most recent examination was less than twelve months from the current date, compare the weighted classified asset ratio (weighted classified assets to Tier I capital plus loan loss reserve) with the following criteria to determine the institution's rating.

Institution	**Weighted classified ratio**	**Rating**
	< 5%	Excellent
	> 5% to 15%	Very good
	> 15% to 30%	Adequate
	> 30%	Below standard

Asset Quality Rating:	

Asset Quality Worksheet – continued

2. If the examination data are unavailable or older than twelve months, calculate the following ratios:

	Ratio	Peer	Percentile
Non-current loans/total loans:			
Non-current loans/loan loss allowance:			
Total classified assets/total capital:			
Other real estate/total assets:			

Compare these ratios with the following table to determine the institution's rating:

Percentile	**Rating**
< 10th	Excellent
> 10th to 25th	Very good
> 25th to 50th	Adequate
> 50th	Below standard

Earnings Performance

The evaluation of earnings performance relies heavily upon comparisons of key profitability measures (such as return on assets and return on equity) to industry benchmark and peer group norms. Important considerations in the evaluation of earnings are quantity, quality, and trend. Also, a number of other factors, such as the level of nonrecurring items, exposure to interest rate movements, coverage of potential loan losses or losses on other assets, and overhead, must be factored into the evaluation process. The following worksheet should assist in the evaluation of return on assets.

An institution experiencing negative earnings should assign a rating of *Below Standard* to this area. An excellent or a very good rating is reserved for institutions that exhibit strong, consistent earnings performance relative to supervisory standards and their peer groups and have no material weakness disclosed by their primary supervisors.

Earnings Performance Worksheet

	Institution	Peer	Percentile
ROA:	%	%	%
Adjusted ROA:	%	%	%

Compare the institution's return on assets to the following benchmarks:

ROA Benchmarks:					
	Asset size				
Rating	**< $100 million**	**$100-$300 million**	**$300-$1,000 million**	**$1-$5 billion**	**>$5 billion**
Excellent	1.15%	1.05%	0.95%	0.85%	0.75%
Very good	0.95	0.85	0.75	0.65	0.55
Adequate	0.75	0.65	0.55	0.45	0.35
Below standard	<0.75	<0.65	<0.55	<0.45	<0.35

Earnings Performance Rating:	

Liquidity

An evaluation of liquidity involves a determination of the stability of the institution's retail and wholesale funding sources as well as its ability to cover large unexpected funding outflows. The assessment should include a review of the institution's historical and current funding patterns, level of noncore funding, ability to access the money markets, and adequacy of contingency liquidity plans. The following worksheet should facilitate the evaluation of the institution’s dependency on non core funding sources.

An adequate rating may be assigned when liquidity measures are near peer group levels and no material concerns have been disclosed by the primary supervisor. If undue reliance is placed on noncore funding, a below standard rating is warranted. In addition, this rating may apply when access to traditional funding sources declines because of market concerns regarding the institution's condition. Excellent or very good ratings reflect institutions that have strong funds management abilities, ready access to alternative funding sources, and adequate controls for managing asset and liability risks.

Liquidity Worksheet

	Institution	Peer	Percentile
Net non core funding dependency ratio:			

Compare the institution's net non core funding dependency ratio with the data in the following table.

Percentile	Rating
< 10th	Excellent
> 10th to 25th	Very good
> 25th to 50th	Adequate
> 50th	Below standard

Liquidity Rating:	

1.B.iii. Condition of Affiliated Institutions

The condition of the holding company and related affiliates must be considered in the analysis of the institution's condition. In the evaluation of the condition of an institution's parent company and affiliates, emphasis should be placed on the most recent supervisory ratings of the affiliated institutions. It is recognized that management may not have the information needed for assessing the condition of affiliated institutions. In such situations, management should confer with the financial officers of the holding company.

The condition of the parent company or affiliated institutions will have either a neutral or negative impact on the institution completing the assessment. If the parent company and related affiliates are in satisfactory condition, no further adjustment needs to be made to the results of the institution's self-assessment. Such findings will normally be supported by evidence that the holding company serves as a source of strength to the institution; that is, it is willing and able to provide capital contributions or other managerial and financial support to the institution.

The creditworthiness rating of an institution would be adjusted to below standard if the condition of one or more of the commonly controlled institutions was deemed marginal or unsatisfactory by the primary supervisor and the institution or institutions represent a material position of the organization's consolidated assets or materially affect the organization's consolidated operations. This situation may arise when a supervisory agency discloses a material operating or financial weakness within the parent company or affiliated institutions that pose significant risk to the institution. When such situations arise, the institution will not qualify for a positive net debit cap.

- If the supervisory rating of affiliates is marginal or unsatisfactory, the assigned rating is negative.
- If the supervisory rating of affiliates is fair or better, the assigned rating is neutral and will not result in an upgrade or downgrade of the other factors.

Condition of Affiliates Rating:	

1.B.iv. Integrating the Three Factors

In integrating the three factors (capital adequacy, key performance measures, and the condition of affiliated institutions) into a single assessment, institutions should use table A-2. In general, the rating assigned to key performance measures will not exceed the lowest of the ratings for the three measures. Similarly, the ratings assigned to creditworthiness should not normally exceed the ratings of any of the three factors. In general, because the factors are interrelated, the ratings of the factors should correspond closely to the overall creditworthiness rating. For example, an institution that has one of the key performance measures rated below standard will be expected to have overall creditworthiness rated below standard. Usually, poor asset quality or operating losses will reduce capital to levels associated with a below standard rating and, as a result, the overall creditworthiness rating should be assigned accordingly. In situations in which an institution's capital ratios were below the regulatory standard but the rating for capital adequacy was adjusted upward based on other factors, the overall creditworthiness rating assigned should not be greater than adequate.

In addition, the overall rating for creditworthiness should be adjusted to reflect factors that could have a material impact on the institution's financial condition. Other factors that may contribute to the assignment of the overall rating might include the following:

- Major changes in the institution's management
- Material prospective losses or recoveries
- Depressed or materially improved economic conditions in the institution's primary operating location
- Political developments in foreign countries where the institution has considerable interests.

If the table A-2 indicates an overall creditworthiness rating of below standard, the institution does not qualify for a positive daylight overdraft cap and need not complete the remainder of the assessment.

Table A-2
Creditworthiness Self-Assessment Summary

PRIMARY MEASURE		
	CAPITAL ADEQUACY ASSESSMENT:	
KEY PERFORMANCE MEASURES		
	ASSET QUALITY ASSESSMENT:	
	EARNINGS STRENGTH ASSESSMENT:	
	LIQUIDITY ASSESSMENT:	
KEY PERFORMANCE MEASURES RATING:*		
CONDITION OF AFFILIATES ASSESSMENT:		

* (Equals the lowest of the ratings for the three performance measures.)

Capital adequacy	**Key performance measures**	**Condition of affiliates**	**Overall creditworthiness**
Well capitalized	Excellent	Neutral	**Excellent**
Adequately capitalized	Excellent	Neutral	**Very good**
Well capitalized	Very good	Neutral	**Very good**
Adequately capitalized	Very good	Neutral	**Very good**
Well capitalized	Adequate	Neutral	**Adequate**
Adequately capitalized	Adequate	Neutral	**Adequate**
Undercapitalized	Any rating	Any rating	**Below standard**
Significantly undercapitalized	Any rating	Any rating	**Below standard**
Critically undercapitalized	Any rating	Any rating	**Below standard**
Any rating	Below standard	Any rating	**Below standard**
Any rating	Any rating	Negative	**Below standard**

Overall Creditworthiness Rating:	

2. Assessment of Intraday Funds Management and Control

The purpose of the analysis of intraday funds management and control is to assess an institution's ability to fund its settlement obligations daily across all payment systems in which the institution participates. The analysis should include input from personnel in the funds management, credit, and operations areas and should involve a review of payment flows activity over time. The Payment Flows Worksheet (table A-3) is provided as a model to assist institutions in analyzing their intraday payment activity. To the extent that an institution uses other payment services that require large-dollar settlements, the worksheet should be expanded to include them.

	Yes	No
1. Do data for the institution's daily payment flows show that the institution is able to fund its positions on each payment system in which it participates even if a major counterparty, customer, correspondent, or participant in a clearing arrangement defaults?	_____	_____
2. Does the institution's system for monitoring its positions on payments systems capture:		
a. At least 95 percent of the dollar value of all payments processed at least every 15 minutes?	_____	_____
b. At least 80 percent of the dollar value of all payments processed at least every 30 minutes?	_____	_____
c. Less than 80 percent of the dollar value of all payments less than every 30 minutes?	_____	_____

Rating of Intraday Funds Management and Control:

- A strong rating is appropriate if the answers to questions 1 and 2a are yes.
- A satisfactory rating is appropriate if the answers to questions 1 and 2b are yes.
- An unsatisfactory rating results if the answer to question 1 is no or if the answer to question 2c is yes.

Intraday Funds Management and Control Rating:	

Table A-3
Payment Flows Worksheet
(Daily average dollar value)

Payment type	$ paid	% of total	$ rec'd	% of total
A. Federal Reserve account				
1. Fedwire				
a. Funds				
b. Book-entry securities				
2. Checks				
a. Through Federal Reserve				
b. Through clearinghouses[1]				
3. ACH transactions				
a. Through Federal Reserve				
i. Credit payments				
ii. Debit payments				
b. Through private ACH systems[1]				
4. Currency and coin				
5. Other				
Subtotal - Federal Reserve account activity				
B. Through correspondent accounts				
1. Check transactions				
2. Other transactions				
C. Privately operated networks[2]				
1. CHIPS				
2. DTC				
3. Other				
Total		**100%**		**100%**

[1] Daily average net settlement entry, net debit or net credit.
[2] If Fedwire funds transfers are used to settle obligations of private clearing and settlement arrangements, the value of those settlement transfers should be deducted from Fedwire funds transfer totals and entered in the appropriate category.

3. Assessment of Customer Credit Policies and Controls

3.A. Assessment of Credit Policies

		Yes	No
1.	Have formal, written credit policies been developed that articulate sound credit standards?	_____	_____
2.	Do the credit policies address interday and intraday credit extensions?	_____	_____
3.	Have the credit policies been approved by the institution's board of directors?	_____	_____
4.	Are the policies reviewed periodically?	_____	_____
5	Have the procedures been communicated to all employees charged with executing them?	_____	_____

Rating of Credit Policies:

- If the answers to questions 1 through 5 are yes, a satisfactory rating is appropriate.
- If the answer to any of the preceding five questions is no, an unsatisfactory rating should be assigned.

3.B. Assessment of Customer, Correspondent, and Counterparty Creditworthiness

		Yes	No
1.	Have credit assessments of customers, correspondents, and counterparties that result in the establishment of credit limits or limits on the institution's exposure been performed within the last 12 months?	_____	_____
2.	Do procedures ensure that significant changes in the financial condition of customers, correspondents, and counterparties are identified and considered in current credit limits?	_____	_____

Rating of Customer, Correspondent, and Counterparty Creditworthiness Assessments:

- A satisfactory rating is appropriate if the answers to questions 1 and 2 are yes.
- An unsatisfactory rating is appropriate if the answer to either question 1 or question 2 is no.

3.C. Monitoring Customer and Counterparty Intraday Payment Activity

	Yes	No
1. Do customer and counterparty monitoring systems		
a. Capture all significant transactions at least every 15 minutes?	_____	_____
b. Capture 80 percent of significant transactions at least every 30 minutes?	_____	_____
c. Capture less than 80 percent of significant transactions less than every 30 minutes?	_____	_____
2. If customers are required to pledge collateral for intraday extensions of credit:		
a. Do systems ensure that all intraday extensions of credit are fully secured?	_____	_____
b. Do procedures ensure that collateral reasonably reflects market values?	_____	_____
c. Do procedures ensure that only eligible collateral is used to support intraday extensions of credit?	_____	_____
3. Do monitoring systems reject or pend transactions when credit limits are breached or when collateral is insufficient?	_____	_____
4. Are such transactions only released for processing after approval by a credit officer?	_____	_____
5. If the institution participates in large-dollar clearing and settlement arrangements, is any transaction that would breach a bilateral credit limit pended or rejected?	_____	_____

Monitoring Customer and Counterparty Intraday Payment Activity-continued

Rating Customer Intraday Monitoring:

- If the answers to question 1a and questions 2a through 5 are yes, a strong rating is appropriate.
- If the answers to question 1b and questions 2a through 5 are yes, a satisfactory rating is appropriate.
- If the answer to question 1c is yes or the answer to any of questions 2a through 5 is no, the rating is unsatisfactory.

3.D. Monitoring Customer Interday Payment Activity

	Yes	No
1. Do interday monitoring systems for ACH credit transactions capture		
a. 100 percent of the value of ACH credit transactions originated by settlement date?	_____	_____
b. At least 80 percent of the value of ACH credit transactions originated by settlement date?	_____	_____
c. Less than 80 percent of ACH credit transactions originated by settlement date?	_____	_____
2. Do monitoring systems for ACH credit transactions pend or reject transactions in real time that would cause limits (including collateral) to be breached for customers that have been identified by a credit assessment to be in weak financial condition?	_____	_____
3. Do monitoring systems track return item exposure (check and ACH debit transactions) for financially weakened customers?	_____	_____

Rating Customer Interday Payment Activity:

- A strong rating is appropriate if the answers to questions 1a, 2, and 3 are yes.
- A satisfactory rating is appropriate if the answers to questions 1b, 2, and 3 are yes.
- An unsatisfactory rating results if the answer to question 1c is yes or the answer to question 2 or 3 is no.

3.E. Overall Rating: Customer Credit Policies and Controls

The matrix below should be used to combine the ratings for the sections of this component into an overall rating for the self-assessment.

Credit Policies	Customer & counterparty creditworthiness	Monitoring intraday payment activity	Monitoring interday payment activity	Overall customer credit policies and controls rating
Satisfactory	Satisfactory	Strong	Strong	**Strong**
Satisfactory	Satisfactory	Satisfactory	Strong	**Satisfactory**
Satisfactory	Satisfactory	Strong	Satisfactory	**Satisfactory**
Satisfactory	Satisfactory	Satisfactory	Satisfactory	**Satisfactory**
Unsatisfactory	Any rating	Any rating	Any rating	**Unsatisfactory**
Any rating	Unsatisfactory	Any rating	Any rating	**Unsatisfactory**
Any rating	Any rating	Unsatisfactory	Any rating	**Unsatisfactory**
Any rating	Any rating	Any rating	Unsatisfactory	**Unsatisfactory**

Overall Customer Credit Policies and Controls Rating:	

4. Assessment of Operating Controls and Contingency Procedures

Yes No

4. A. Internal Operating Controls

1. Are controls in place to prevent the unauthorized initiation of a transaction or the unauthorized payment of a transaction? _____ _____

Areas that should be considered in answering this question include the following:

- Are appropriate controls (for example, dialback, encryption, access cards) used for protecting sensitive data when dial-in mechanisms are used?
- Does the system software provide for implementation and enforcement of the data access rules and provide audit trails of all system access?
- Are user IDs or terminals shut down after a predetermined number of unsuccessful attempts to access the system?
- Are confidential passwords used and do they provide the basis for individual accountability or system use?
- Are password administration procedures defined and followed (for example, proper authorization of each new user, password suspension if user terminated, and so on)?

2. Are requests for off-line payment processing authenticated before transactions are processed? _____ _____

3. Are payment application programs logically secure and is update access restricted to authorized change management software? _____ _____

Areas that should be considered in answering this question include the following:

- Do controls exist that prevent unauthorized access to production data files, program libraries, and system libraries?

Internal Operating Controls - continued

- Are password files, authorization tables, communications software, and key application programs stored in protected areas or otherwise protected from read and write access?

4. Are steps taken to ensure the honesty and integrity of all involved staff members? _____ _____

Rating Internal Operating Controls:

- If the answers to questions 1 through 4 are yes, a satisfactory rating is appropriate.
- If the answer to one or more of questions 1 through 4 is no, an unsatisfactory rating is appropriate.

Internal Operating Controls Rating:	

4.B. Contingency Procedures

	Yes	No
1. Has senior management worked with automation management to establish a contingency plan?	_____	_____

Areas that should be considered in answering this question include the following:

- Does the contingency plan include participation from all relevant functional areas within the organization?
- Does the contingency plan incorporate a detailed notification procedure specifying who should be notified of emergencies?
- Does the plan categorize and provide specific procedures for different disasters?

2. Does the plan address moving to an off-site facility or have arrangements been made with a third-party for the continuation of vital operations during an outage?	_____	_____
3. Have backup considerations such as contingency site selection, contingency site hardware (computers, peripherals, terminals), and contingency site software (compatibility, storage, testing) been addressed?	_____	_____
4. Is the contingency plan periodically tested and does testing occur at least annually?	_____	_____

Rating Contingency Procedures:

- A satisfactory rating is appropriate if the answers to questions 1 through 4 are yes.
- An unsatisfactory rating is the result if the answer to any of the four preceding questions is no.

Contingency Procedures Rating:	

4.C. Overall Rating: Operating Controls and Contingency Procedures

If the rating for either internal operating controls or contingency procedures is unsatisfactory, then an unsatisfactory rating results for this overall component. Otherwise, the rating is satisfactory.

Operating Controls and Contingency Procedures Rating:	

5. Combining the Four Components

The individual component evaluations should be combined into an overall assessment using table A-4 below.

Table A-4
Combined Assessment of Cap Category

Credit-worthiness	**Intraday funds management & control**	**Customer credit policies & controls**	**Operating controls & contingency procedures**	**Overall assessment (cap category)**
Excellent	Strong	Strong	Satisfactory	**High**
Excellent	Strong	Satisfactory	Satisfactory	**Above average**
Excellent	Satisfactory	Strong	Satisfactory	**Above average**
Excellent	Satisfactory	Satisfactory	Satisfactory	**Above average**
Very good	Strong	Strong	Satisfactory	**Above average**
Very good	Strong	Satisfactory	Satisfactory	**Average**
Very good	Satisfactory	Strong	Satisfactory	**Average**
Very good	Satisfactory	Satisfactory	Satisfactory	**Average**
Adequate	Strong	Strong	Satisfactory	**Average**
Adequate	Strong	Satisfactory	Satisfactory	**Average**
Adequate	Satisfactory	Strong	Satisfactory	**Average**
Adequate	Satisfactory	Satisfactory	Satisfactory	**Average**
Below standard	Any rating	Any rating	Any rating	**Zero**
Any rating	Unsatisfactory	Any rating	Any rating	**Zero**
Any rating	Any rating	Unsatisfactory	Any rating	**Zero**
Any rating	Any rating	Any rating	Unsatisfactory	**Zero**

Overall Self-Assessment Rating:	