



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

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To: Chief Executive Officers of National Banks, All Examining Personnel, and Comptroller's Handbook Subscribers

The enclosed "Related Organizations" booklet is part of the ongoing update and revision to the *Comptroller's Handbook*. This booklet updates and replaces Section 407, "Related Organizations," dated March 1990, of the *Comptroller's Handbook for National Bank Examiners*.

This revised booklet has been restructured and reorganized to emphasize and clarify the OCC's expectations for robust corporate practices and risk management systems governing related organizations. Improperly managed relationships with related organizations can cause serious problems for a bank.

The major revisions to this booklet include:

- Adding financial subsidiaries to the types of related organizations and discussing the "functional regulation" framework introduced by the Gramm-Leach-Bliley Act of 1999.
- Updating the discussion of transactions with affiliates to include Regulation W and the discussion of community development investments in the revised Part 24.
- Revising examiner guidance for chain bank reviews to provide the supervisory office more flexibility in implementing a risk-based strategy for chain bank reviews.

The OCC's supervision by risk approach takes into account the activities of related organizations, including subsidiaries and affiliates, in assessing the overall financial condition of the bank. The OCC views a bank and its operating subsidiaries as a single economic entity and, as such, unless otherwise provided by law or OCC regulation, the terms and conditions on national banks' activities are the same whether those activities are conducted directly or through an operating subsidiary. The results of operations of operating subsidiaries are consolidated with those of its parent for purposes of applying statutory or regulatory limits, such as lending limits or dividend restrictions

This booklet should be used in conjunction with other OCC booklets, such as "Large Bank Supervision" and "Community Bank Supervision." Examiners will exercise judgment when determining which of the procedures in this booklet are appropriate for a particular bank based on the bank's risk profile and the quality of its risk management processes. Examiners will

supplement the procedures in this booklet, as needed, with expanded procedures found in other booklets of the *Comptroller's Handbook*. For example, examiners will use appropriate procedures contained in the "Mortgage Banking Activities" booklet to review a bank's operating subsidiary that conducts mortgage activities.

Any questions regarding this booklet should be directed to the Operational Risk Policy Division at (202) 874-5190.

To order additional copies of this booklet, please send your request and \$25 for each booklet to the Office of the Comptroller of the Currency, ATTN: Accounts Receivable, 250 E Street SW, Mail Stop 4-8, Washington, DC 20219, or you can order online at the OCC's Web site and <http://www.occ.treas.gov>.