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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

July 2003

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

The enclosed booklet, "Community Bank Supervision," replaces a similarly titled booklet issued in August 2001 as part of the *Comptroller's Handbook*. Bankers, examiners, and handbook subscribers should discard the 2001 booklet. The "Community Bank Consumer Compliance" booklet issued in November 2000 and the "Community Bank Fiduciary Activities Supervision" booklet issued in December 1998 have been incorporated into this booklet and should also be discarded.

This booklet provides updated guidance and procedures that examiners use when supervising community banks. The major revisions to this booklet include:

- Integrating risk-based consumer compliance and asset management assessments into the safety and soundness examination process.
- Allowing examiners maximum flexibility in determining the scope and timing of all supervisory activities they will complete throughout the supervisory cycle. This flexibility ensures that supervisory resources are focused on areas of higher risk.
- Stressing the importance of evaluating and validating a bank's audit and internal control functions by moving the assessment procedures into a separate section of the booklet. Based on these assessments, examiners then determine how much reliance can be placed on the functions and the effect that reliance will have on supervisory activities.

Overall, the revised booklet extends supervision by risk into all areas of community bank supervision and instructs examiners to develop distinct supervisory strategies for each community bank. These strategies integrate all examining areas, are specifically tailored to the bank's complexity and risk, and are updated throughout the supervisory cycle as needed.

If you have any questions regarding this booklet, please contact the Core Policy Division at (202) 874-5350.

To order additional copies of the booklet, please send your request and \$15 for each booklet to the Office of the Comptroller of the Currency, Comptroller of the Currency, ATTN: Accounts Receivable, 250 E Street, S.W., Mail Stop 4-8, Washington, D.C. 20219, or you can order online at the OCC's Web site at <http://www.occ.treas.gov>.