Federal Reserve Bank of Boston

Serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont

Large Banking Organization (LBO) Supervision

Jim Nolan

Vice President

LBO Supervision
Key Considerations

- Diverse business lines
- Multi-state, multi-regulator
- Complex risk profiles
- No two exactly alike

LBO Risk Focused Supervision

- Dedicated team of examiners
- Access to experts knowledgeable in best practice
- Continuous review of internal management reports and audit and loan review reports
- Regular discussions with management and other regulators

LBO Risk Focused Supervision

Emphasis on informed planning

- Institutional profile
- Risk assessments
- Supervisory plan
- Targeted exam activity
- CAMELS/BOPEC analysis

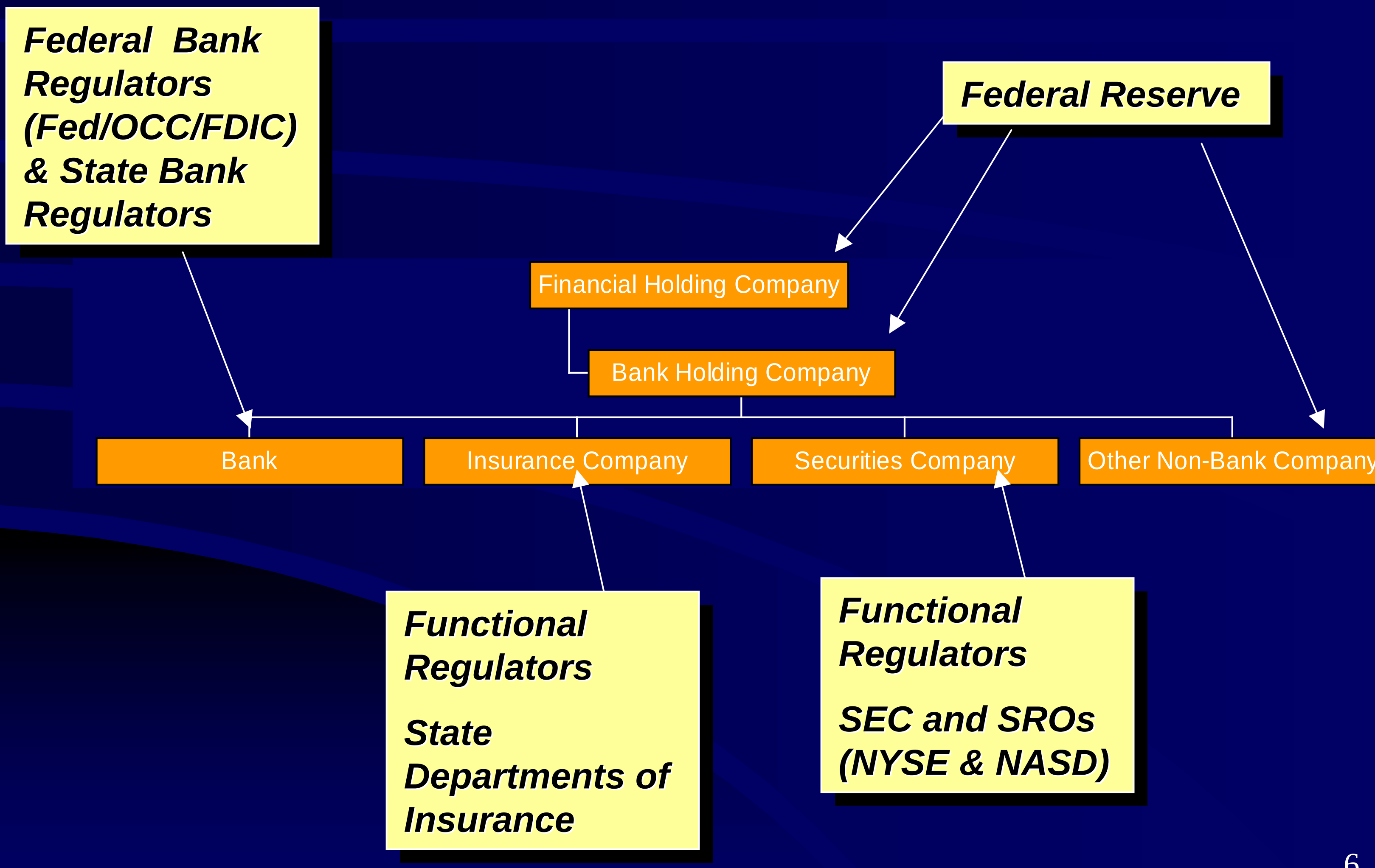
LBO Risk Focused Supervision

- Focus on assessing and testing management's processes for identifying, measuring, monitoring and controlling key risks:

- *Credit*	- *Operating*
- *Liquidity*	- *Legal*
- *Market*	- *Reputational*

- Benchmark against best practices among large bank peers

LBO Supervision Coordination



LBO Supervision Coordination

- Coordination of effort is a high priority
- Goal is to maximize our efficiency and minimize the burden on management
- How do we satisfy the obligation of all agencies with a minimum of redundancy?
  - Share plans, concerns and findings
  - Rely on each others' work
  - Engage in joint exam activities
  - Technology

LBO Supervision and the Central Bank

Continuous supervision better positions us to function in our role as the Central Bank

- Systemic events
  - Y2K
  - September 11
- Urgent information needs

LBO Issues 2002-2003

- Credit quality
  - “Fallen Angels”
  - Middle market
  - Loan loss reserves
- Credit risk management
- Special purpose entities
- USA Patriot Act
- Business Continuity

Questions?