

Federal Reserve Board

# Course Description for Foreign Banking Organizations Seminar (FBO)

Course Catalog Detail

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## Foreign Banking Organizations Seminar (FBO)

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### Type of Participant Targeted

FR System examiners and analysts involved in the supervision of foreign banking organizations (“FBOs”) will benefit from learning the elements of the FBO Program and Consolidated Supervision, which are designed to evaluate and provide supervisory oversight for the various forms of operations conducted by FBOs in the U.S. in the context of their global business strategies.

### Prerequisites

Participants should have between 1-2 years of safety and soundness examination experience. Pre-course reading consists of three Safety & Soundness Specialty Modules that are a part of the Examiner Orientation materials. Links are included to relevant AD and SR Letters and Manuals.

### Course Overview

Through in-class lectures and case study exercises, the 3 ½ day seminar presents the elements and analysis employed to evaluate and communicate the condition of an FBO’s U.S. operations, including the consolidated supervision process, the ROCA rating system, and the Strength of Support Assessment (“SOSA”) ranking. In addition, the seminar covers topics related to:

- The legal basis for FBO supervision
- The specific risks inherent in business lines such as trade finance, correspondent banking, private banking
- The FFIEC Bank Secrecy/AML Examination Manual
- Funding, liquidity and accounting considerations related to FBO structures

### Course Objectives

After completing this 3 ½ day course, the participants will be better prepared to:

- Successfully employ the components of the FBO supervisory program and better understand the skills and responsibilities of an EIC regarding risk-focused and consolidated supervision principles for global financial institutions.

- Analyze key information, prioritize and assess the risks related to an FBO's Strength of Support
- Develop an appropriate supervisory strategy for the entirety of the FBO's U.S. operations.
- Identify material findings and assign a ROCA rating to U.S. entities of the FBO.
- Communicate consolidated U.S. supervisory message and a Summary of Condition of the FBO's institution-wide U.S. operations to head office management and home country supervisors.

## Post-Course Intervention

None

## Overview of Curriculum

<u>Topic</u>	<u>Approx. Time</u>
Monday	
Regulation K	1.0 hour
Strength of Support Rankings & Assessments, Supervisory Strategies, Case Study, Case Debrief	4.5 hours
Tuesday	
ROCA Rating System (risk-focused supervision, review FBO Accounting, R (O) CA Operations)	2.0
hours	
Trade Finance	0.75 hours
Payment Systems	1.25 hours
RO(C) A Compliance	0.75 hours
Overview of FFIEC BSA/AML Exam Manual	0.75 hours
Enforcement Actions	0.50 hours
Operations & Compliance Case	2.00 hours
Wednesday	
Private Banking	1.00 hour
BSA Due Diligence, Correspondent & Private Banking	1.00 hour
ROC (A) Asset Quality	0.75 hour
(R)OCA Risk Management	2.00 hours
ROCA Composite	2.00 hours
Thursday	
Consolidated Supervision RFI	1.00 hour
Summary of US Operations and Supervisory Follow-Up	2.00 hours

July, 2009

## Learning Objectives

### Regulation K

- Recognize critical portions of Reg K
- List standards for approval

### Strength of Support Rankings and Assessments

- Recognize SOSA's role in FBO supervisory program
- Identify components of SOSA process
- Use assessment factors to assign SOSA
- Explain new SOSA developments

### ROCA Rating System

- Identify three branch components which represent the major activities of the branch that may raise supervisory concern

### Trade Finance

- Describe and evaluate the key players and instruments involved in the trade finance process and to recognize important control points within that process

### Payment Systems

- Explain the credit, liquidity, operational, and legal risks as institutions settle payments and securities transactions

### RO(C)A Compliance

- Identify key elements of a compliance program
- Discuss laws, regulations, and reporting requirements
- Distinguish between compliance and operational control issues

### Private Banking

- Define Private Banking
- Discuss Trends and Identify Risks

### ROC (A) Asset Quality

- Describe the credit review and classification process
- Calculate weighted classification ratio
- Evaluate the asset quality of a branch within the context of FBO

### (R)OCA Risk Management

- Explain an effective risk management environment

- Discuss aspects of risk assessment and management that are specific to FBOs

#### ROCA Composite

- Assess the relative importance of each component in determining a composite rating
- Explain the treatment of offshore operations under ROCA

#### Summary of US Operations

- Review contents of a Summary of Condition letter
- Formulate overall assessment rating for a U.S. operation

## **Class Size**

The minimum number of participants is 15 and the maximum is 24.

## **Instructors**

The FBO Seminar is taught by individuals highly experienced in international examinations, FBO analysis, or other FBO supervisory responsibilities. The instructors share skills developed to (1) comprehend and evaluate the complexity of the FBOs' U.S. operations within the context of their global business strategies, (2) develop and successfully implement effective supervisory oversight, (3) effectively convey supervisory concerns to head office management, and (4) structure meaningful relationships with home country regulators and among the various U.S. supervisors involved in FBO supervision.