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ANNEX B

Illustrative U.S. Bank Regulatory Driven Board or Board Committee Review and Approval Items

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This Annex B to *The Role of the Board of Directors in Promoting Effective Governance and Safety and Soundness for Large U.S. Banking Organizations* presents a high-level enumeration of the following types of items from Annex A, in each case, as published through December 31, 2015, organized by topic: (i) board or board committee review or approval items identified in federal banking laws, regulations and agency guidance statements, including in examination procedures or other examination guidance and (ii) reports that are required to be provided to the board or a board committee pursuant to U.S. statute or regulation. Citations are provided for those requirements contained in statute or regulation, and an asterisk (*) indicates that the applicable review or approval item is found in agency examination procedures. Whether or not a particular review or approval item enumerated herein is applicable to a particular institution depends on several different factors, including the specific character of the institution, and in some cases, its size and/or activities. Accordingly, this Annex B should not be treated as an enumeration of items applicable to any particular institution or type of institution. Moreover, it is not intended to serve as legal advice.

This Annex B does not include all of the items described in Annex A. For example, Annex A also includes requirements for the board or a board committee to “ensure” that management takes certain actions, or to “oversee” the implementation of certain items, among other requirements. Annex A also covers certain agency guidance statements that address board reporting that are not included as part of this Annex B.

Although certain review or approval items may relate to more than one of the categories listed above (for example, a requirement could conceivably be categorized as relating to Risk Management Governance as well as Market Risk Management), each item in this Annex B was included in only one of those categories.

In addition to federal banking laws and regulations, the following agency guidance statements were reviewed for inclusion in this Annex B. As noted below, certain of these sources of guidance have been designed for use by agency examiners in carrying out examination activities and generally indicate that examiners are given some discretion in how to apply them. Accordingly, their applicability may vary by institution.

- » Office of the Comptroller of the Currency (“OCC”):
 - The Director’s Book: The Role of a National Bank Director
 - Red Flags in Board Reports – A Guide for Directors
 - OCC Circulars, Bulletins, Handbooks and Journals
 - The Comptroller’s Handbook
 - *The Comptroller’s Handbook is a collection of booklets that contain the concepts and procedures established by the OCC for the examination of national banks. The Foreword to the Handbook states that “OCC examiners consider the risks posed by and the materiality of the areas under examination to decide the scope and additional procedures to be followed. Examiners tailor the examinations to fit the operations of specific banks while fulfilling OCC and statutory requirements.”*
- » Board of Governors of the Federal Reserve System (“FRB”):
 - Supervision and Regulation Letters
 - BHC Supervision Manual
 - *The Foreword to the Bank Holding Company Supervision Manual states that it “has been prepared by Federal Reserve supervision personnel to provide guidance to examiners as they conduct on-site inspections of bank holding companies (BHCs) and their nonbank subsidiaries.” Section 1030 (Use of the Manual) further states that “[e]xaminers may exercise a measure of discretion depending upon the characteristics of the organization under inspection.”*
 - Commercial Bank Examination Manual
 - *The Foreword to the Commercial Bank Examination Manual notes that the Manual’s goal is “to organize and formalize longstanding examination objectives and procedures that provide guidance to the examiner, and to enhance the quality and consistent application of*

examination procedures.” The Foreword further notes that “[t]he materiality and significance of a given area of bank operations are the examiner’s primary considerations in deciding the scope of the examination and the procedures to be performed.”

- Federal Reserve Policy on Payment System Risk
- » Federal Deposit Insurance Corporation (“FDIC”):
 - Pocket Guide for Directors
 - Statement Concerning the Responsibilities of Bank Directors and Officers
 - Financial Institution Letters
 - Risk Management Manual of Examination Policies
 - Section 1.1 of this Manual states that “[t]he primary purpose of this Manual is to provide policy guidance and direction to the field examiner that should be applied in the risk management examination process,” also noting that “[t]he exercise of examiner judgment to determine the scope and depth of review in each functional area is crucial to the success of the risk-focused supervisory process.”
- Credit Card Activities Manual
 - The Introduction to this Manual states that it “is intended to assist examiners in gaining a broad understanding of the unique characteristics of bank credit card operations,” also noting that “examination approaches necessary to assess credit card operations may require augmentation or modification beyond the approaches provided in this manual, depending on circumstances that arise.”
- Credit Card Securitization Manual
 - The Introduction to this Manual states that it “is intended to assist examiners in understanding and evaluating the credit card securitization process.”

- FDIC Compliance Manual
 - The Introduction to this Manual states that it is “designed as a reference tool for Compliance examination staff to use when conducting Compliance and Community Reinvestment Act (CRA) examinations and other supervisory activities. The detailed procedures presented in the Manual are not intended to replace sound judgment and discretion on the part of examination staff.”
- Privacy Rule Handbook
- » Consumer Financial Protection Bureau (“CFPB”):
 - Bulletins and Supervisory Highlights
 - CFPB Supervision and Examination Manual
- » Interagency and Federal Financial Institutions Examination Council (“FFIEC”):
 - Booklets that Comprise the FFIEC Technology Examination Handbook
 - The FFIEC’s “Handbook Overview” presentation notes that “[a]lthough the booklets are intended for use by a wide range of audiences, the content is written at a level appropriate for a midlevel IT examiner. Examiners will target the workprogram procedures based on the risk in specific examination environments.”
- BSA/AML Examination Manual
 - The Introduction to this Manual states that it “provides guidance to examiners for carrying out BSA/AML and Office of Foreign Assets Control (OFAC) examinations.” The Introduction further notes that “[i]n order to effectively apply resources and ensure compliance with BSA requirements, the [M]anual is structured to allow examiners to tailor the BSA/AML examination scope and procedures to the specific risk profile of the banking organization.”
- Interagency and FFIEC Guidance Policy Statements

I. Capital Adequacy and Management

A. FRB REGULATIONS AND GUIDANCE (BHC-LEVEL)

1. Review at least annually the effectiveness of, and approve, by the board or a designated committee thereof, the bank's advanced systems (12 C.F.R. Part 217, Subpart E).
2. Approve annually by the board or a designated committee thereof the BHC's capital plan prior to submission to the FRB; review the robustness of the BHC's process for assessing capital adequacy; and ensure that any deficiencies are appropriately remedied (12 C.F.R. 225.8, generally applicable to top-tier BHCs with \$50 billion or more in total assets).
3. Review and approve by the board or a committee thereof annually or as frequently as economic conditions or the condition of the institution may warrant, the policies and procedures of the institution's stress testing processes, if the BHC has greater than \$10 billion in total assets. (12 C.F.R. Part 252, subparts B and F).
4. Consider a number of factors when approving dividends, stock redemptions and stock repurchases (SR 09-4).
5. Review and approve amounts reported periodically for the provision of loan and lease losses and the ALLL (BHC Supervision Manual, Section 2065.4.1).
6. Review and periodically approve the capital planning process (SR 15-18/SR 15-19).
7. Review and approve mitigating steps to address capital planning process weaknesses (SR 15-18/SR 15-19).
8. Approve, and review annually, policies related to capital planning (SR 15-18/SR 15-19).

9. Approve capital planning activities and strategies (SR 15-18/SR 15-19).
10. Review model overlays in instances where the impact on pro forma results is material (SR 15-18/SR 15-19).

B. FRB REGULATIONS AND GUIDANCE (BANK-LEVEL)

11. Approve the transfer of capital surplus in excess of that required by law to the bank's undivided profits account, making the funds available for the payment of dividends. (12 C.F.R. 208.5).
12. Review at least annually the effectiveness of, and approve, by the board or a designated committee thereof, the bank's advanced systems (12 C.F.R. Part 217, Subpart E).

C. OCC REGULATIONS AND GUIDANCE

13. Review at least annually the effectiveness of, and approve, by the board or a designated committee thereof, the bank's advanced systems (12 C.F.R. 3.122(i)(2)).
14. Approve transfer of "surplus surplus" from capital surplus to undivided profits and thus made available to pay dividends (12 C.F.R. 5.64).
15. Review and approve by the board or a committee thereof annually or as frequently as economic conditions or the condition of the institution may warrant, the policies and procedures of the institution's stress testing processes, if the institution has greater than \$10 billion in total assets. (12 C.F.R. 46.6(c)(2)).

16. Review and approve at least annually the bank's ALLL policies and procedures (The Director's Book: The Role of a National Bank Director).
17. Review management's assessment and justification for the amounts estimated and reported each period for the ALLL and the provision for loan and lease losses (The Director's Book: The Role of a National Bank Director).
18. Review loan reports to monitor adverse trends in the loan portfolio and judge the adequacy of the ALLL (Detecting Red Flags in Board Reports – A Guide for Directors).
19. Review the following information to determine whether the ALLL is adequate: management's quarterly evaluation of the adequacy of the ALLL prepared as of call report dates; management's problem loan list; charge-off and recovery experience; a reconciliation of the ALLL for the current period and previous year-end; and any independent analysis of the ALLL (e.g., external loan review) (Detecting Red Flags in Board Reports – A Guide for Directors).
20. Review at least annually the capital planning process and capital goals (OCC 2012-16).
21. Approve by the board or senior management an analysis of the adequacy of the amount of capital supporting derivatives activities, as prompted by significant changes in the size or scope of the bank's activities (Comptroller's Handbook, Risk Management of Financial Derivatives).
22. Examination procedures include determining whether the board has adopted formal or informal capital and dividend policies that require a separation of duties between preparation of call reports and audits of the process; address the size of the institution and the nature of its activities to ensure an adequate level of capital is maintained as well as an appropriate level of dividends; require management approval regarding the risk weighting of unusual assets; and prohibit

the signing of blank stock certificates (Comptroller's Handbook, Capital Accounts and Dividends).*

D. FDIC REGULATIONS AND GUIDANCE

23. Approve any proposal (which must also receive approval from the FDIC) to reduce the amount or retire any part of the institution's common or preferred stock, or to retire any part of its capital notes or debentures (12 C.F.R. 303.241).
24. Review and approve by the board or a committee thereof annually or as frequently as economic conditions or the condition of the institution may warrant, the policies and procedures of the institution's stress testing processes, if the state nonmember bank has greater than \$10 billion in total assets (12 C.F.R. Part 325, Subpart C).
25. Review at least annually the effectiveness of, and approve, by the board or a designated committee thereof, the bank's advanced systems (12 C.F.R. Part 325, Appendix D).

E. FFIEC/INTERAGENCY GUIDANCE

26. Review and approve at least annually the institution's ALLL policies and procedures (Interagency Policy Statement on the Allowance for Loan and Lease Losses).
27. Review management's assessment and justification for the amounts estimated and reported each period for the provision for loan and lease losses and the ALLL (Interagency Policy Statement on the Allowance for Loan and Lease Losses).
28. Review and approve amounts reported each period for the provision for loan and lease losses and the ALLL (Interagency Policy Statement on the Allowance for Loan and Lease Losses).

II. Consumer Protection and Compliance

A. FRB REGULATIONS AND GUIDANCE (BANK-LEVEL)

29. Review by the board or a committee appointed by the board the basis on which service charges on dormant accounts are assessed (Commercial Bank Examination Manual, Section 3000.1).

B. OCC REGULATIONS AND GUIDANCE

30. Approve bank policies regarding the underwriting of deposit advance loan products (OCC 2013-40).
31. Receive periodic reports, including compliance reports and audit reports, on the bank's payday lending activities (AL 2000-10).
32. If the bank offers prepaid access devices to consumers, establish (in consultation with management) risk limits for the prepaid access program, and outline expectations for compliance and performance reporting (OCC 2011-27).
33. Adopt and periodically review (and reaffirm by the board or a board-designated committee at least annually or more frequently if warranted) the written program management statement on retail nondeposit investment products (Comptroller's Handbook, Retail Nondeposit Investment Products).
34. Approve the initial choice of a third party that may provide retail nondeposit investment products through bank distribution channels and approve the networking agreement between the bank and such third party (Comptroller's Handbook, Retail Nondeposit Investment Products).

35. Examination procedures include determining whether the board has approved, and reviewed annually, consumer loan policies (Comptroller's Handbook, Retail Lending Examination Procedures).*

C. FDIC REGULATIONS AND GUIDANCE

36. Review and update the retail nondeposit investment products statement whenever a material change to the program occurs, and if no material change to the program occurs, review the program at least annually (FIL-80-98).
37. Examination procedures include determining whether the board has adopted policies procedures with respect to compliance with the Children's Online Privacy Protection Act (FDIC Compliance Examination Manual, Section VIII.2.1).*

D. CFPB GUIDANCE

38. Adopt clear policy statements regarding consumer compliance (Supervisory Highlights: Summer 2013).
39. Approve a system of policies and procedures that addresses every consumer financial product or service offered by the entity (Supervisory Highlights: Summer 2013).
40. Review by the board or a committee of recurring reports of compliance risks, issues, and resolution, including with respect to HMDA, TILA, the Homeowners Protection Act, FCRA, TILA, and EFTA (CFPB Supervisory and Examination Manual 2.0).
41. Review by the board and senior management the results of periodic compliance audits (CFPB Supervisory and Examination Manual 2.0).

42. Establish an independent review of the HMDA/Reg C policies and procedures, and HMDA data, and be advised each year of the accuracy and timeliness of the financial institution's data submissions (CFPB Supervisory and Examination Manual 2.0).

E. FFIEC/INTERAGENCY GUIDANCE

43. Adopt and review periodically a written statement

that addresses the risks associated with the sales program of retail nondeposit investment products (Interagency Statement on Retail Sales of Nondeposit Investment Products).

44. Approve any written agreement with a third party through which the institution sells retail nondeposit investment products (Interagency Statement on Retail Sales of Nondeposit Investment Products).

III. Fiduciary and Investment Advisory Activities

A. FRB REGULATIONS AND GUIDANCE (BHC-LEVEL)

45. Approve overall fiduciary business strategies and policies, including those related to identifying, measuring, monitoring and controlling fiduciary risks (SR 96-10).
46. Review and approve periodically all major policies and procedures pertaining to advisory activities (SR 94-53).
47. Review and approve by the board or its designated committee written policies and procedures governing the acceptance of fees or other compensation from mutual fund providers as well as the use of proprietary mutual funds (SR 99-7).
48. Approve by the board or an appropriate board-designated committee any provision of financial support to affiliate-advised investment funds (BHC Supervision Manual, Section 2178.0).
49. Examination procedures include determining whether the board has reviewed periodically the conduct and operating results of investment or financial adviser activities (BHC Supervision Manual, Section 3130.1.3.2.2).*

50. Examination procedures include determining whether the board has approved, where necessary, appropriate written policies, strategic plans, and management reports relating to investment or financial adviser activities (BHC Supervision Manual, Section 3130.1.3.2.2.1).*

B. FRB REGULATIONS AND GUIDANCE (BANK-LEVEL)

51. Approve overall fiduciary business strategies and policies including those related to identifying, measuring, monitoring and controlling fiduciary risks (SR 96-10).
52. Review and approve periodically all major policies and procedures pertaining to advisory activities (SR 94-53).
53. Review and approve by the board or its designated committee written policies and procedures governing the acceptance of fees or other compensation from mutual fund providers as well as the use of proprietary mutual funds (SR 99-7).
54. Examination procedures include determining whether the board or a board committee has reviewed periodically insurance protection relating to investment or financial adviser activities (BHC Supervision Manual, Section 3130.1.3.2.2.1).*

C. OCC REGULATIONS AND GUIDANCE

55. Approve any officer or employee to retain any compensation for action as a co-fiduciary with the bank in the administration of a fiduciary account (12 C.F.R. 9.15).
56. Approve written plan pursuant to which the bank shall establish and administer a collective investment fund (12 C.F.R. 9.18).
57. Approve by the board or its designee collective investment fund plan amendments, and any delegation of collective investment fund responsibilities to an investment advisor (OCC-97-22).
58. Approve adequate safeguards and controls to maintain fiduciary assets off-premises, in accordance with 12 C.F.R. 9.13 (Comptroller's Handbook, Asset Management Operations and Controls).
59. Approve the acquisition of voting securities of a bank or BHC in good faith and acting in a fiduciary capacity in certain circumstances pursuant to 12 C.F.R. Part 225, Subpart B (Comptroller's Handbook, Asset Management Operations and Controls).
60. Adopt and review annually by the board or its designated committee(s) policies that promote sound risk management processes with respect to retirement plan products and services (Comptroller's Handbook, Retirement Plan Products and Services).
61. Oversee the development of asset management-related risk limits, approve new products or services, and monitor on-going business plans (Detecting Red Flags in Board Reports – A Guide for Directors).
62. Approve well-defined policies commensurate with the nature, size, and complexity of the bank's asset management activities, including those that set operational standards and risk limits (Comptroller's Handbook, Asset Management Operations and Controls).
63. Adopt strong written policies that closely govern the relationship between related parties and interests and fiduciary accounts (Comptroller's Handbook, Conflict of Interest).
64. Approve policies, procedures, and monitoring systems designed to ensure that a bank's asset management activities comply with applicable laws and regulations (Comptroller's Handbook, Asset Management Operations and Controls).
65. Examination procedures include determining whether the board or its designated committee has approved and periodically reviewed the strategic plan, strategic direction, and budgeting process for asset management operations (Comptroller's Handbook, Asset Management Operations and Controls).*
66. Examination procedures include determining whether the board or its designated committee has approved and periodically reviewed the organizational structure of the asset management business, including delegation of the asset management operational activities to designated persons or committees (Comptroller's Handbook, Asset Management Operations and Controls).*
67. If the bank holds shares of mutual funds or unit investment trusts, examination procedures include determining whether the board has adopted policies and procedures that include: specific provisions for purchases of mutual fund and unit investment trusts shares; requirements for prior approval of initial investment in investment companies; and procedures, standards and controls for managing such investments (Comptroller's Handbook, Investment Securities).*
68. Examination procedures include determining whether the board has adopted policies for asset management that incorporate internal controls, new product approvals, and audit (Comptroller's Handbook, Asset Management Operations and Controls).*

D. FFIEC/INTERAGENCY GUIDANCE

69. Review by the board or committee thereof the justification for the institution to continue to offer

fiduciary services even if the institution does not earn sufficient income to cover the expenses of providing those services (Uniform Interagency Trust Rating System).

IV. Human Resources, Personnel Development and Compensation

A. TITLE 12 OF THE U.S. CODE

70. If the institution has received TARP funds, the board compensation committee must review employee compensation plans (12 U.S.C. 5221(c), as implemented by 31 C.F.R. 30.4, generally applicable as long as TARP obligations remain outstanding).
71. The board of directors of a TARP recipient must establish a company-wide policy regarding excessive or luxury expenditures (12 U.S.C. 5221(d), as implemented by 31 C.F.R. 30.12, generally applicable as long as TARP obligations remain outstanding).

B. OCC REGULATIONS AND GUIDANCE

72. Approve by the board or its risk committee all decisions regarding the appointment or removal of the Chief Risk Executive(s) (including annual compensation and salary adjustments) (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).
73. Approve by audit committee all decisions regarding the appointment or removal and annual compensation and salary adjustment of the Chief Audit Executive (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).

74. Review and approve a written talent management program (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).
75. Establish and adhere to a formal, ongoing training program for all directors, which should include, as appropriate, training on: (1) complex products, services, lines of business, and significant risks; (2) laws, regulations, and supervisory requirements; and (3) other topics identified by the board of directors (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).
76. Review the performance of the CEO and other selected senior officers, as appropriate (The Director's Book: The Role of a National Bank Director).
77. Approve compensation programs involving senior executives, closely monitor payments relative to risk outcomes, and approve and document any material exceptions (The Director's Book: The Role of a National Bank Director).
78. Develop and review annually a management succession policy to address the loss of the CEO and other key executives (The Director's Book: The Role of a National Bank Director).
79. Review and closely monitor all insider incentive compensation arrangements (Comptroller's Handbook, Insider Activities).

80. Examination procedures include determining whether the board or senior management has reviewed and approved the incentive pay program prior to implementation (Comptroller's Handbook, Retail Lending Examination Procedures).*

C. FDIC REGULATIONS AND GUIDANCE

81. Review any formal written employee sharing agreement with an affiliate (Risk Management Manual of Examination Policies, Section 4.3).
82. Review and approve the vacation policy and the exceptions allowed when the vacation policy does not conform to the recommended two-week absence period (FIL-52-95).

D. FFIEC/INTERAGENCY GUIDANCE

83. Review relationship manager compensation reports, budget or target comparison reports, and risk management reports (Bank Secrecy Act/Anti-Money

Laundering Examination Manual).

84. Approve the incentive compensation arrangements for senior executives and any material exceptions or adjustments thereto (Interagency Guidance on Sound Incentive Compensation Policies).
85. Review regularly the design and function of incentive compensation arrangements (Interagency Guidance on Sound Incentive Compensation Policies).
86. Review annually an assessment by management of the effectiveness of the design and operation of the organization's incentive compensation system (Interagency Guidance on Sound Incentive Compensation Policies).
87. Review periodically simulation analysis of compensation on a forward-looking basis (Interagency Guidance on Sound Incentive Compensation Policies).
88. Review and approve annually by the audit committee budget and staffing levels (Supplemental Policy Statement on the Internal Audit Function and its Outsourcing).

V. Strategic Planning, Management and Internal Controls

A. TITLE 12 OF THE U.S. CODE

89. Review and certify by at least two directors the bank's call report (12 U.S.C. 1817(a)(3), applicable generally to insured depository institutions).
90. Review and certify by at least three directors the bank's call report (12 U.S.C. 161, applicable specifically to national banks).

B. FRB REGULATIONS AND GUIDANCE (BHC-LEVEL)

91. Approve a formal disclosure policy that addresses the approach for determining capital-related disclosures (including, if applicable, market risk disclosures) and that also addresses the associated internal controls and disclosure controls and procedures, if the BHC has total consolidated assets of \$50 billion or more

(whether or not it is an advanced approaches BHC) (12 C.F.R. Part 217, Subpart E).

92. Approve and periodically reevaluate overall business strategies and significant policies, including those related to managing and taking risks (SR 97-24).
93. Adopt long-range goals, intermediate-term objectives and budgets to insure centralized accountability as part of the consolidated planning process (BHC Supervision Manual, Section 2010.4).
94. Review, preferably annually, long-term goals, intermediate-term objectives and short-term goals (BHC Supervision Manual, Section 2010.4)
95. Review comprehensive MIS reports produced by senior management (SR 08-09).
96. Review by the board or the audit committee on a regular basis the effectiveness of internal audits and other control review activities (SR 97-24; SR 96-10; BHC Supervision Manual, Section 4070.1.1.4).
97. Approve proposed management actions to take corrective action with respect to a supervisory report as necessary (SR 13-13).
98. Examination procedures include determining whether the board has reviewed the audit reports, regulatory examination reports, and board minutes of subsidiaries (BHC Supervision Manual, Section 2010.0.3).*
99. Examination procedures include determining whether the board has reviewed and approved annually the audit program. (BHC Supervision Manual, Section 2060.1.4).*
100. Examination procedures include determining whether the board or its committee has reviewed audit and regulatory reports (including reviewing audit reports with management and the independent public accountants), litigation developments, earnings and

expense reports and changes to fee schedules relating to investment or financial adviser activities. (BHC Supervision Manual, Section 3130.1.3.2.2.1)*

C. FRB REGULATIONS AND GUIDANCE (BANK-LEVEL)

101. Review by the board of directors or audit committee the effectiveness of the internal audit system (12 C.F.R. Part 208, Appendix D-1).
102. Approve a formal disclosure policy that addresses the approach for determining capital-related disclosures (including, if applicable, market risk disclosures) and that also addresses the associated internal controls and disclosure controls and procedures, if the bank has total consolidated assets of \$50 billion or more (whether or not it is an advanced approaches bank) (12 C.F.R. Part 217, Subpart E).
103. Review and certify by at least three directors the bank's call report (Instructions for report forms FFIEC 031 and 041).
104. Review and approve from time to time the policies that govern and guide the day-to-day operations of the bank (Commercial Bank Examination Manual, Section 5000.1).
105. Approve overall business strategies and significant policies, including those related to managing and taking risks (SR 97-24).
106. Review regularly by the board or the audit committee the effectiveness of internal audits and other control review activities (SR 97-24; SR 96-10).

D. OCC REGULATIONS AND GUIDANCE

107. Approve a formal disclosure policy that addresses the

- approach for determining capital-related disclosures (including, if applicable, market risk disclosures) and that also addresses the associated internal controls and disclosure controls and procedures, if the national bank has total consolidated assets of \$50 billion or more (12 C.F.R. 3.62; 3.172; 3.212).
108. Review the OCC's exam report of the bank (12 C.F.R. 7.4000).
 109. Review by the board or audit committee the effectiveness of the internal audit system (12 C.F.R. Part 30, Appendix A).
 110. Receive by the audit committee communications and reports regarding significant changes to the audit plan; conclusions, material issues (including root causes) and recommendations from audit work carried out under the audit plan; and significant instances where front line units or independent risk management are not adhering to the risk governance framework (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).
 111. Review and approve by audit committee internal audit's charter and audit plans (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).
 112. Evaluate and approve annually the strategic plan and monitor management's efforts to implement the strategic plan (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).
 113. Perform periodically a self-assessment of the effectiveness of the board and its committees (The Director's Book: The Role of a National Bank Director).
 114. Review holding company policies that affect the bank to ensure that they adequately serve the bank (The Director's Book: The Role of a National Bank Director).
 115. Approve or record its lack of approval of holding company directives that affect the bank and then monitor those directives, notify the holding company to discuss modifications, and consider further appropriate actions if necessary (The Director's Book: The Role of a National Bank Director).
 116. Approve short-term business plans (The Director's Book: The Role of a National Bank Director).
 117. Review and approve any proposed departures from the bank's strategic and business plans before they take place (The Director's Book: The Role of a National Bank Director).
 118. Review policies periodically by the board or its designated committee, and oversee revisions as necessary to ensure that they remain consistent with the bank's goals and risk tolerance (The Director's Book: The Role of a National Bank Director).
 119. Review reports from management that contain key financial performance ratios and trends that facilitate effective monitoring of risk and financial performance (Detecting Red Flags in Board Reports – A Guide for Directors).
 120. Meet at least quarterly with the bank's internal auditor and review information on matters pertaining to the effectiveness of control systems and risk management processes and progress toward achieving the bank's overall audit objectives (Detecting Red Flags in Board Reports – A Guide for Directors).
 121. Review and approve by the audit committee audit strategies, policies, programs, and organizational structure, including selection/termination of external auditors or outsourced internal audit vendors (Comptroller's Handbook, Internal and External Audits).

122. Approve by the audit committee at least annually the overall audit plan (Comptroller's Handbook, Internal and External Audits).
123. Review by the audit committee audited financial statements and discuss with management (Comptroller's Handbook, Internal and External Audits).
124. Approve and review the business strategies and policies that govern the internal control system (Comptroller's Handbook, Internal Control).
125. Review in a timely manner internal control evaluations conducted by management, auditors, and examiners (Comptroller's Handbook, Internal Control).
126. Review periodically by the board of directors – or by the audit committee, risk committee, or both – the bank's strategy and risk limits (Comptroller's Handbook, Internal Control).
127. Approve plans to address the findings of the independent consultant in an enforcement action and to implement the board's responses (OCC 2013-33).
128. Establish the company's strategic direction, risk appetite and core values (Comptroller's Handbook, Large Bank Supervision).
129. Examination procedures include determining whether the board or its audit committee has reviewed and approved at least annually audit programs and policies (Comptroller's Handbook, Internal and External Audits).*
130. Examination procedures include determining whether senior management, the board (or a committee thereof) has verified and reviewed for objectivity and adequacy management's response to any material findings by any control group (including audit and loan review) (Comptroller's Handbook, Leveraged Lending).*

E. FDIC REGULATIONS AND GUIDANCE

131. Approve a formal disclosure policy that addresses the approach for determining capital-related disclosures (including, if applicable, market risk disclosures) and that also addresses the associated internal controls and disclosure controls and procedures, if the bank has total consolidated assets of \$50 billion or more (whether or not it is an advanced approaches bank) (12 C.F.R. Part 325, Appendix D).
132. Review by the audit committee items in connection with the reports required under Section 36 of the Federal Deposit Insurance Act and 12 C.F.R. Part 363, including management's internal controls report and the report of the independent public accountant (Appendix A to 12 C.F.R. Part 363).
133. Review by the board of directors or audit committee the effectiveness of the internal audit system (12 C.F.R. Part 364, Appendix A).
134. Carefully review at least annually the independent review reports of the risk management program and ensure that material exceptions are corrected (independent review findings should be reported directly to the board at least annually) (Risk Management Manual of Examination Policies, Section 3.3).
135. Approve annually expenses incurred by the bank in connection with nonbanking activities conducted on the bank's premises (Risk Management Manual of Examination Policies, Section 4.1).
136. Approve any intercompany tax allocation agreement. (Risk Management Manual of Examination Policies Section 5.1).
137. Preapprove by the board or audit committee all audit and non-audit services to be provided by the external auditor (FIL-17-2003).

138. Review the minutes of the committees appointed and authorized to perform specific tasks to carry out the board's functions (Risk Management Manual of Examination Policies, Section 4.1).
139. Review and approve major corporate actions and the institution's overall corporate strategies, business plans, performance objectives, risk policies and risk tolerances (Risk Management Manual of Examination Policies, Section 4.3).
140. Review appropriate regulatory and audit reports (Risk Management Manual of Examination Policies, Section 4.3).
141. Review any reports of examination or other supervisory activity, and any other correspondence from the institution's supervisors (Pocket Guide for Directors).
142. Establish, with management, the institution's long- and short-term business objectives, and adopt operating policies to achieve these objectives in a legal and sound manner (Pocket Guide for Directors).
143. Adopt policies that establish guidelines for management and periodically review management's performance (Risk Management Manual of Examination Policies, Section 3.3).

F. FFIEC/INTERAGENCY GUIDANCE

144. Review and approve by the board or its audit committee audit strategies (including policies and programs) (Audit Booklet, FFIEC Information Technology Examination Handbook).
145. Review by audit committee written guidelines on the use of risk assessment tools and risk factors developed by auditors; review and approve annually by the audit committee overall risk-assessment methodology (Supplemental Policy Statement on the Internal Audit Function and its Outsourcing).
146. Review periodically by the board and senior management the business impact analysis. (Business Continuity Planning Booklet, FFIEC Information Technology Examination Handbook).
147. Review all of the provisions in the audit engagement letter before agreeing to sign. (Interagency Advisory on the Unsafe and Unsound Use of Limitation of Liability Provisions in External Audit Engagement Letters).
148. Review by the board or audit committee at least annually the risks inherent in particular activities to determine the scope of its external auditing program; review and approve by audit committee internal audit's control risk assessment and the scope of the audit plan. (Interagency Policy Statement on External Audits of Banks With Less Than \$500 Million in Total Assets).
149. Review periodically internal audit's adherence to the audit plan (Interagency Policy Statement on Internal Audit and Internal Audit Outsourcing).
150. Approve by the audit committee the internal audit charter that describes the purpose, authority, and responsibility of the internal audit function (Supplemental Policy Statement on the Internal Audit Function and its Outsourcing).
151. Review and approve annually by the audit committee budget and staffing levels (Supplemental Policy Statement on the Internal Audit Function and its Outsourcing).
152. Approve tax allocation agreements between the holding company and its subsidiary institution(s) (Interagency Policy Statement on Income Tax Allocation in a Holding Company Structure).

VI. Compliance Risk Management and Risk Management Governance

A. TITLE 12 OF THE U.S. CODE

153. Approve by the board or the loan committee an agreement which tends to diminish or defeat the interest in an asset of the FDIC as conservator or receiver. (12 U.S.C. 1823(e), applicable to insured depository institutions).
154. Approve the purchase of an asset from, or sale of an asset to, an executive officer, director, or principal shareholder of the institution, or any related interest of such person, if the transaction represents more than 10% of the capital stock and surplus of the institution (12 U.S.C. 1828(z), applicable to insured depository institutions).
155. Receive reports of certain loans to executive officers of the bank (12 U.S.C. 375a, applicable to member banks, and made applicable to state non-member banks by 12 U.S.C. 1828(j)).

B. FRB REGULATIONS AND GUIDANCE (BHC-LEVEL)

156. Approve annually the BHC's resolution plan prior to submission each year to the FRB and the FDIC, if the BHC has \$50 billion or more in total assets (12 C.F.R. 243.3(e)).
157. Approve by the board or an appropriate committee a written Volcker Rule compliance program (12 C.F.R. Part 248, Appendix B).
158. Review the effectiveness of the Volcker Rule compliance program (12 C.F.R. Part 248, Appendix B).

159. Approve and periodically review, by the risk committee, the risk-management policies of the BHC's global operations, for publicly traded BHCs with total assets of \$10 billion or more, and BHCs (whether or not publicly traded) with total assets of \$50 billion or more (12 C.F.R. 252.22; 252.33).
160. Review by the risk committee quarterly reports from the chief risk officer, for BHCs with \$50 billion or more in total assets (whether or not publicly traded) (12 C.F.R. 252.22; 252.33).
161. Approve all significant policies relating to the management of risks throughout the organization; reevaluate periodically by the board or a delegated committee business strategies and major risk-management policies and procedures, emphasizing the organization's financial objectives and risk tolerances (SR 93-69; BHC Supervision Manual, Sections 2125.0.1.1).
162. Approve by the board, a designated subcommittee of the board or high level senior management overall business strategies and significant policies that govern risk-taking in the organization's futures commission merchant ("FCM") activities. In particular, the board or a committee thereof should approve policies that identify authorized activities and managerial oversight and articulate risk tolerance and exposure limits of FCM activities (BHC Supervision Manual, Section 3250.0.2.1).
163. Review periodically by directors and senior management information that is sufficiently detailed and timely to allow them to understand and assess the various risks involved in FCM activities (BHC Supervision Manual, Section 3250.0.2.1).

164. Approve and review annually by the board or its delegates model risk management policies to ensure consistent and rigorous practices across the organization (SR 11-7).
165. Review and approve key elements of the organization's compliance risk management program and oversight framework, including firm-wide compliance policies, compliance risk management standards, and roles and responsibilities of committees and functions with compliance oversight responsibilities (SR 08-08).
166. Review at least annually a report on the effectiveness of the compliance program (SR 08-08).
167. Review and approve periodically risk exposure limits (SR 97-24).
168. Approve by the board and senior management policies to limit and manage legal risks (SR 93-69).
169. Review and approve periodically by the board or a senior officer level committee, a list that controls the allocation of brokerage business (SR 91-4).
170. Approve the scope of, and written policies and procedures for, the insurance or annuity sales program (BHC Supervision Manual, Section 3950.0.4.1).
171. Approve by the board or board committee agreements regarding sales efforts by third parties in an insurance or annuity sales program (BHC Supervision Manual, Section 3950.0.4.1.2).
172. Examination procedures include determining whether the board has reviewed and approved "in house" exposure limits relating to securitization activities (BHC Supervision Manual, Section 2128.02.10).*
173. Examination procedures include determining whether the board has adopted, and reviewed at least quarterly to determine their adequacy in light of

changing conditions, written securities underwriting/trading policies and has reviewed periodically whether the underwriting/trading department is in compliance with such policies (BHC Supervision Manual, Section 3240.0.13.2).*

174. Examination procedures include determining whether the board has approved written policies summarizing the firm's FCM activities (BHC Supervision Manual, Section 3250.0.10.2).*
175. Examination procedures include determining whether the board has reviewed and approved appropriate policies to limit risks inherent in the institution's lending, investing, trading, trust, fiduciary and other significant activities or products (SR 97-24).*

C. FRB REGULATIONS AND GUIDANCE (BANK-LEVEL)

176. Receive by the board or a committee a notice whenever a bank files a suspicious activity report (12 C.F.R. 208.62(h)).
177. Approve (and note in the relevant board meeting minutes) a written program for compliance with the Bank Secrecy Act. (12 C.F.R. 208.63(b); 12 C.F.R. 211.5(m) (1) for Edge and agreement corporations).
178. Approve extensions of credit granted to the executive officers, directors or principal shareholders of the bank or an affiliate, or to related interests of those persons if the aggregate amount of such credit would exceed certain amounts prescribed by regulation (12 C.F.R. 215.4(b)).
179. Receive reports of any extension of credit to an executive officer of the bank (12 C.F.R. 215.5(d)).
180. Receive annually from each executive officer or director reports of the outstanding amount of any credit

extended to that person that is secured by shares of the bank or BHC, if the bank or BHC, respectively, is not publicly traded (12 C.F.R. 215.10; 225.4).

181. Approve transactions under certain exemptions from the requirements of Sections 23A or 23B of the Federal Reserve Act (including with respect to the renewal of a participation in a problem loan originated by an affiliate, certain internal corporate reorganization transactions, and the purchase of as security underwritten by an affiliate) (12 C.F.R. 223.15(b), 223.41, 223.53).
182. Approve by the board or an appropriate committee a written Volcker Rule compliance program (12 C.F.R. Part 248, Appendix B).
183. Review the effectiveness of the Volcker Rule compliance program (12 C.F.R. Part 248, Appendix B).
184. Understand, review and approve by the board and senior management adequate risk-tolerance limits across all established product lines (Commercial Bank Examination Manual, Section 2030.1).
185. Review, and modify when deemed necessary, agricultural loan policies (Commercial Bank Examination Manual, Section 2140.1).
186. Approve proposed management actions to take corrective action with respect to a supervisory report as necessary (SR 13-13).
187. Approve and review annually by the board or its delegates model risk management policies to ensure consistent and rigorous practices across the organization (SR 11-7).
188. Review and approve key elements of the organization's compliance risk management program and oversight framework, including firm-wide compliance policies, compliance risk management standards, and roles and responsibilities of committees and functions with

compliance oversight responsibilities (SR 08-08).

189. Review at least annually a report on the effectiveness of the compliance program (SR 08-08).
190. Review and approve periodically risk exposure limits (SR 97-24).
191. Approve by the board and senior management policies to limit and manage legal risks (SR 93-69).
192. Approve all significant policies relating to the management of risk arising from securitization activities (Commercial Bank Examination Manual, Section 4030.1).
193. Examination procedures include determining whether the board has reviewed and approved appropriate policies to limit risks inherent in the institution's lending, investing, trading, trust fiduciary and other significant activities or products (SR 97-24).*
194. Examination procedures include determining whether the board has reviewed and approved periodically risk exposure limits to conform with any changes in the institution's strategies, and address new products and react to changes in market conditions (SR 97-24).*

D. OCC REGULATIONS AND GUIDANCE

195. Receive by the board, or a committee of the directors, or executive officers designated by the board, a notice whenever a bank files a suspicious activity report (12 C.F.R. 21.11(h)(1)).
196. Approve (and note in the relevant board meeting minutes) a written program for compliance with the Bank Secrecy Act (12 C.F.R. 21.21).
197. Approve by the board or its risk committee a formal,

- written risk governance framework and monitor compliance therewith (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).
198. Review and approve annually by the board or its risk committee the risk appetite statement (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).
 199. Receive by the board or its risk committee communications and reports specified in 12 C.F.R. Part 30, Appendix D (generally applicable to national banks with \$50 billion or more in total assets), including with respect to material risks identified by independent risk management and significant instances where a front line unit or the CEO is not adhering to the risk governance framework.
 200. Receive at least quarterly by the board or its risk committee reports on the monitoring by independent risk management of the institution's risk profile relative to its risk appetite and compliance with concentration risk limits (12 C.F.R. Part 30, Appendix D, generally applicable to national banks with \$50 billion or more in total assets).
 201. Approve extensions of credit granted to the executive officers, directors or principal shareholders of the bank or an affiliate, or to related interests of those persons if the aggregate amount of such credit would exceed certain amounts prescribed by regulation (12 C.F.R. 31.2).
 202. Approve by the board or an appropriate committee a written Volcker Rule compliance program (12 C.F.R. Part 44, Appendix B).
 203. Review the effectiveness of the Volcker Rule compliance program (12 C.F.R. Part 44, Appendix B).
 204. Approve and periodically review policies that set standards for the nature and level of risk the bank is willing to assume (The Director's Book: The Role of a National Bank Director).
 205. Review and approve by the board of directors and/or an appropriate board committee a list of securities firms with whom the bank is authorized to do business (Detecting Red Flags in Board Reports – A Guide for Directors; Comptroller's Handbook, Investment Securities).
 206. The board of directors may want to consider prohibiting those employees who are directly involved in purchasing and selling securities for the bank from engaging in personal securities transactions with the same securities firm the bank uses for its transactions without specific board approval and periodic review. Such prohibition could be included in the bank's code of ethics or code of conduct. The board also may want to adopt a policy applicable to directors, officers, or employees concerning receipt of gifts, gratuities, or travel expenses from approved dealer firms and their personnel (Detecting Red Flags in Board Reports – A Guide for Directors).
 207. Review and approve periodically policies governing the bank's international activities to ensure that they are appropriate and consistent with the bank's strategic plans, goals, risk tolerance, and strength of capital and management (Comptroller's Handbook, Country Risk Management).
 208. Approve and review annually by the board or its delegates model risk management policies to ensure consistent and rigorous practices across the organization (OCC 2011-12).
 209. Adopt and review annually OREO policies (Comptroller's Handbook, Other Real Estate Owned).
 210. Endorse risk management policies in respect of FCM activities, and significant changes thereto; approve at least annually aggregate risk-taking limits in respect of FCM activities (Comptroller's Handbook, Futures Commission Merchant Activities).

211. Approve by the board or a committee thereof at least annually key FCM policy statements, particularly those related to risk tolerance limits (Comptroller's Handbook, Futures Commission Merchant Activities).
212. Formulate policies and procedures when purchasing commemorative coins, including those that set dollar limits on coin inventories consistent with safe and sound banking practices (BC-58(Rev), Sup. 1).
213. Formally authorize the program for any coin and bullion activities, and establish policies and procedures governing those activities prior to commencement (BC-58(Rev)).
214. Adopt and enforce strong written insider policies governing the bank's relationship to insiders and their related interests and adopt similar policies to cover bank officers and employees (The Director's Book: The Role of a National Bank Director; Comptroller's Handbook, Insider Activities).
215. Review periodically the effectiveness of the compliance management system (Comptroller's Handbook, Compliance Management System).
216. Adopt an appropriate program management plan to guide the bank's insurance activities (Comptroller's Handbook, Insurance Activities).
217. Approve an action plan that is submitted to the OCC within 30 days of receipt of a formal written communication from the OCC if management is unable to provide an action plan during the examination (OCC 2014-52).
218. Examination procedures include determining whether the board has approved any bank premises transactions involving insiders or affiliates (Comptroller's Handbook, Bank Premises and Equipment).*
219. Examination procedures include determining whether the board has reviewed at least quarterly the securities

underwriting/trading policies to determine their adequacy in light of changing conditions and has reviewed periodically that the underwriting/trading department is in compliance with the board's policies (Comptroller's Handbook, Bank Dealer Activities).*

220. Examination procedures include determining whether the board or a board designated committee has reviewed and approved the bank's policies relating to risks of litigation and other legal matters (Comptroller's Handbook, Litigation and Other Legal Matters).*
221. Examination procedures include determining whether a bank's board has adopted a written policy statement that clearly defines a highly leveraged transaction, as well as the bank's overall philosophy and objectives in financing highly leveraged transactions (EC-245).*
222. Examination procedures include determining whether the board has adopted formal/informal policies adequate to control the risks from consigned items and other customer services (Comptroller's Handbook, Consigned Items and Other Customer Services).*

E. FDIC REGULATIONS AND GUIDANCE

223. Approve release of the report of an examination conducted in whole or in part by the FDIC to a majority shareholder (12 C.F.R. 309.6).
224. Approve (and note in the relevant board meeting minutes) a written program for compliance with the Bank Secrecy Act. (FDIC. 12 C.F.R. 326.8).
225. Approve extensions of credit granted to the executive officers, directors or principal shareholders of the bank or an affiliate, or to related interests of those persons if the aggregate amount of such credit would exceed certain amounts prescribed by regulation (12 C.F.R. 337.3).

226. Approve by the board or an appropriate committee a written Volcker Rule compliance program (12 C.F.R. Part 351, Appendix B).
227. Review the effectiveness of the Volcker Rule compliance program (12 C.F.R. Part 351, Appendix B).
228. Receive by the board or a committee a notice whenever a bank files a suspicious activity report (12 C.F.R. 353.3).
229. Approve by the board or its loan committee certain securitization agreements relating to the transfer of financial assets. (12 C.F.R. 360.6).
230. Approve annually the institution's resolution plan prior to submission each year to the FDIC, if the institution has \$50 billion or more in total assets (12 C.F.R. 360.10(c)(3)).
231. Approve annually the BHC's resolution plan prior to submission each year to the FRB and the FDIC, if the BHC has \$50 billion or more in total assets (12 C.F.R. 381.3(e)).
232. Review periodically by the board or a designated board committee all authority levels for significant matters (such as lending and investment authorities) and material actions (Risk Management Manual of Examination Policies, Section 4.2).
233. Review annually the bank's risk and insurance management program and determine the maximum loss the bank is willing and able to assume (Risk Management Manual of Examination Policies, Section 4.4).
234. Review and approve annually the Bank Secrecy Act compliance policy (Risk Management Manual of Examination Policies, Section 8.1).
235. Review annually the asset-liability management and investment policies (FIL-46-2013).
236. Adopt and approve written policies addressing off-balance sheet activities, if the bank has a material level of contingent liabilities (Risk Management Manual of Examination Policies, Section 3.8).
237. Adopt policies that address authorized employees' personal relationships, including securities transactions, with the bank's approved securities broker/dealers; the board may also adopt policies that address the circumstances under which directors, officers, and employees may accept gifts, gratuities, or travel expenses from securities broker/dealers and associated personnel (Risk Management Manual of Examination Policies, Section 3.3).
238. Adopt by the full board written charters delineating each board committee's functions (Risk Management Manual of Examination Policies, Section 4.3).
239. Examination procedures include determining whether the board has reviewed and updated written policies and procedures for the bank's insurance sales program (FDIC Compliance Examination Manual, Section IX-2.1).*
240. Examination procedures include determining whether the board and senior management have received and reviewed sufficient information to provide appropriate direction and control of insurance sales (FDIC Compliance Examination Manual, Section IX-2.1).*

F. CFPB GUIDANCE

241. Establish a compliance function, allocating sufficient resources to that function, commensurate with the entity's size, organizational complexity, and risk profile (Supervisory Highlights: Summer 2013).

G. FFIEC/INTERAGENCY GUIDANCE

242. Approve a written customer identification program,

which must be incorporated into the institution's Bank Secrecy Act/Anti-Money Laundering Program (E-Banking Booklet, FFIEC Information Technology Examination Handbook).

243. Approve standards and guidelines regarding whether or not to close a bank account once a SAR has been filed (Interagency Interpretive Guidance on the Provision of Banking Services to Money Services Businesses Operating in the United States).
244. With respect to the protection of sensitive information, review annually a written report, prepared by management, regarding the financial institution's actions toward Gramm-Leach-Bliley Act compliance (Management Booklet, FFIEC Information Technology Examination Handbook).
245. Approve policies that establish appropriate risk limits that reflect the board's risk tolerance (Joint Policy

Statement on Interest Rate Risk).

246. Establish standards and guidelines regarding establishing a new account for a foreign government, embassy or political figure (Interagency Guidance on Establishing Accounts for Foreign Governments, Embassies and Political Figures).
247. The board may wish to adopt policies prohibiting employees who are directly involved in purchasing and selling securities for the institution from securities dealers from engaging in personal securities transactions with these same securities firms without specific prior board approval; the board may also wish to adopt a policy applicable to directors, officers, and employees restricting or prohibiting the receipt of gifts, gratuities, or travel expenses from approved securities dealer firms and their representatives (FFIEC Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities).

VII. Credit Risk Management

A. FRB REGULATIONS AND GUIDANCE (BHC-LEVEL)

248. Approve all significant policies relating to the management of risk arising from secondary-market credit activities and ensure that the risk exposures are fully incorporated in board reports and risk-management reviews (SR 97-21).
249. Approve a list of appraisers as part of the loan or appraisal policy (SR 97-25; SR 95-51).
250. Review and approve at least annually real estate lending policies (SR 93-1).
251. Establish standards for the review and approval of exception loans (SR 93-1).
252. Review and approve at least annually the institution's lending policies (BHC Supervision Manual, Section 2010.2.1).
253. Approve at least annually the scope of loan reviews (BHC Supervision Manual, Section 2065.3.1.5.2).
254. Approve by the board or board committee country exposure limits (BHC Supervision Manual, Section 4090.0.2.6).
255. Approve all significant policies relating to the management of risk arising from secondary-market credit activities and ensure that the risk exposures

are fully incorporated in board reports and risk-management reviews (BHC Supervision Manual, Section 2029.05.4.1).

256. Examination procedures include determining whether the board of directors has adopted written offsetting repurchase transaction policies (BHC Supervision Manual, Section 3240.0.13.2).*

B. FRB REGULATIONS AND GUIDANCE (BANK-LEVEL)

257. Review and approve annually written policies and procedures to prevent excessive exposure to any individual correspondent (12 C.F.R. 206.3).

258. Review and approve the general assessment or selection criteria used by another party, if a bank intends to rely on the other party to assess the financial condition of or select a correspondent (12 C.F.R. 206.3).

259. Review and approve annually the bank's real estate lending policies (including, among other things, the bank's real estate appraisal and evaluation program) (12 C.F.R. 208.51 and 12 C.F.R. Part 208, Appendix C).

260. Review and adopt policies and procedures that establish and maintain an effective, independent real estate appraisal and evaluation program (Commercial Bank Examination Manual, 2100.1).

261. Review overdrafts as the board would review any other extension of credit (Commercial Bank Examination Manual, Section 3000.1).

262. Approve a list of appraisers as part of the loan or appraisal policy (SR 97-25; SR 95-51).

263. Approve all significant policies relating to the management of risk arising from secondary market

credit activities (SR 97-21).

264. Establish standards for the review and approval of exception loans (SR 93-1).

265. Review annually the internal policies and procedures that evaluate the credit and liquidity risks, including operational risks, in selecting correspondents and terminating those relationships (Commercial Bank Examination Manual, Section 2015.1).

266. Examination procedures include determining whether the board has adopted written commercial loan policies (Commercial Bank Examination Manual, Section 2080.4).*

267. Examination procedures include determining whether the board has adopted, and reviewed at least annually, written floor plan loan policies (Commercial Bank Examination Manual, Section 2110.4).*

268. Examination procedures include determining whether the board has adopted, and reviewed at least annually, written direct lease financing policies (Commercial Bank Examination Manual, Section 2120.4).*

269. Examination procedures include determining whether the board has adopted written installment-loan policies (Commercial Bank Examination Manual, 2130.4).*

270. Examination procedures include determining whether the board has adopted written accounts receivable financing policies (Commercial Bank Examination Manual, Section 2160.4).*

271. Examination procedures include determining whether the board or its designee has adopted and reviewed at least annually written policies for due from bank accounts in light of changing conditions (Commercial Bank Examination Manual, Section 2010.4).*

272. Examination procedures include determining whether

the board has adopted written loan policies that establish standards for determining broker and dealer credit lines and establish minimum standards for documentation (Commercial Bank Examination Manual, Section 2170.4).*

273. Examination procedures include determining whether the board, consistent with its duties and responsibilities, has adopted, and reviewed at least annually, written factoring policies (Commercial Bank Examination Manual, Section 2180.4).*

C. OCC REGULATIONS AND GUIDANCE

274. Approve any use of supplemental lending limits for residential real estate, small business, and small farm loans (12 C.F.R. 32.7).
275. Review and approve annually the bank's real estate lending policies (including, among other things, the bank's real estate appraisal and evaluation program) (12 C.F.R. 34.62 and 12 C.F.R. Part 34, Appendix A to Subpart D).
276. Receive at least quarterly reports on the aggregate amount of loans in excess of supervisory loan-to-value limits (12 C.F.R. 34.62 and 12 C.F.R. Part 34, Appendix A to Subpart D).
277. Receive individual reports of exception loans of a significant size (12 C.F.R. 34.62 and 12 C.F.R. Part 34, Appendix A to Subpart D).
278. Review regularly leading indicators of credit risk and asset quality for signs of increasing credit risk (Detecting Red Flags in Board Reports – A Guide for Directors).
279. Review and approve annually agricultural loan policies (Comptroller's Handbook, Agricultural Lending).
280. Review and approve at least annually real estate lending policies (Comptroller's Handbook, Commercial Real Estate Lending).
281. Review and approve periodically floor plan lending policies and procedures as appropriate for the bank's floor plan lending activities and review periodically appropriate management information system reports regarding the institution's floor plan lending activities (Comptroller's Handbook, Floor Plan Lending).
282. Adopt formal leveraged lending policies (Comptroller's Handbook, Leveraged Lending).
283. Receive from management an analysis of the risk posed by oil and gas lending activities as well as risks correlated to the oil and gas industry and their potential effect on the bank's asset quality, earnings, capital and liquidity (Comptroller's Handbook, Oil and Gas Production Lending).
284. Approve risk limits as a percentage of total capital pertaining to oil and gas lending (Comptroller's Handbook, Oil and Gas Production Lending).
285. Update and approve annually oil and gas lending policies (Comptroller's Handbook, Oil and Gas Production Lending).
286. Approve the credit risk rating system and assign clear responsibility and accountability for the risk rating process. The board should receive sufficient information to oversee management's implementation of the process (Comptroller's Handbook, Rating Credit Risk).
287. Approve annually subprime residential real estate lending or servicing policies, procedures and internal controls (Comptroller's Handbook, Residential Real Estate Lending).
288. Approve annually the bank's portfolio credit risk management process for home equity portfolios (Comptroller's Handbook, Residential Real Estate Lending).

289. Adopt and review by the board or designated committee policies and procedures that establish an effective real estate appraisal and evaluation program (Comptroller's Handbook, Residential Real Estate Lending).
290. Approve the allocation of economic or regulatory capital to control and manage country exposure (Comptroller's Handbook, Country Risk Management).
291. Review and approve at least annually, or more frequently when concerns about a particular country arise, country risk limits (Comptroller's Handbook, Country Risk Management).
292. Examination procedures include determining whether the board has adopted and reviewed at least annually policies for due from bank accounts (Comptroller's Handbook, Due from Banks).*
293. Examination procedures include determining whether the board has approved the use of dollar repos and authorize particular individuals to conduct dollar repos, if the bank is engaged in dollar repos or rolls (Comptroller's Handbook, Investment Securities).*
294. Examination procedures include determining whether the board has adopted written offsetting repurchase transaction policies (Comptroller's Handbook, Bank Dealer Activities).*
295. Examination procedures include determining whether the board has reviewed stress-testing policies with respect to the entire agricultural loan portfolio and on individual related segments of the portfolio (Comptroller's Handbook, Agricultural Lending).*
296. Examination procedures include determining whether the board or a committee thereof has approved, and reviewed annually, deposit-related credit policies (Comptroller's Handbook, Deposit-Related Credit).*
297. Examination procedures include determining whether the board has adopted a policy applicable to small businesses for underwriting new deposit-related credit accounts, or determining eligibility criteria for overdraft protection (Comptroller's Handbook, Deposit-Related Credit).*
298. Examination procedures include determining whether the board has reviewed and approved at least annually commercial lending policies (Comptroller's Handbook, Commercial Loans).*
299. Examination procedures include determining whether the board has established adequate procedures for ensuring compliance with applicable laws and regulations related to floor plan lending (Comptroller's Handbook, Floor Plan Lending).*
300. Examination procedures include determining whether the board has approved annually installment lending policies and has evaluated existing installment loan policies to determine if they are compatible with changing market conditions and laws and regulations (Comptroller's Handbook, Installment Loans).*
301. Examination procedures include determining whether the board has reviewed and approved periodically the bank's lease financing policies (Comptroller's Handbook, Lease Financing).*
302. Examination procedures include determining whether the board has adopted effective lease financing policies and practices (Comptroller's Handbook, Lease Financing).*
303. Examination procedures include determining whether the board or an appropriate credit committee has reviewed annually leveraged lending policies and underwriting guidance (Comptroller's Handbook, Leveraged Lending).*
304. Examination procedures include determining whether the board has reviewed at least annually a written policy statement defining a highly leveraged transaction (EC-245).*

305. Examination procedures include determining whether the board has approved a separate policy for approving and reporting on highly leveraged transactions that supplements policies used in the normal credit process (EC-245).*
306. Examination procedures include determining whether the board has reviewed the following reports to assess loan quality: risk rating reports, problem loan reports, rating migration reports, past-due and nonaccrual reports, renegotiated and restructured loan reports, OREO reports, exception reports, and concentration reports (Detecting Red Flags in Board Reports – A Guide for Directors).
307. Examination procedures include determining whether the board has reviewed and approved all loans charged off (Comptroller’s Handbook, Allowance for Loan and Lease Losses).*
308. Examination procedures include determining whether credit card lending policies were approved by the board of directors at inception and included in annual policy reviews thereafter (Comptroller’s Handbook, Credit Card Lending).*
309. Examination procedures include determining whether the board or a board committee (depending on the risk profile of the bank), consistent with its duties and responsibilities, has adopted (and reviewed at least annually) written policies that establish procedures for reviewing credit card applications; standards for determining credit lines; minimum standards for documentation; standards for collection procedures; and third-party relationship management (Comptroller’s Handbook, Credit Card Lending).*
310. If the bank relies on another party (such as its holding company, a bank rating agency, or another correspondent) to provide financial analysis of a correspondent, examination procedures include determining whether the board has reviewed and approved the assessment criteria used by that party

(OCC Comptroller’s Handbook, Liquidity).*

311. If the bank relies on another party to select or monitor its correspondents or relies on a correspondent to choose other correspondents to whom the bank lends federal funds, examination procedures include determining whether the board has reviewed and approved the selection criteria used (OCC Comptroller’s Handbook, Liquidity).*

D. FDIC REGULATIONS AND GUIDANCE

312. Review and approve annually the bank’s real estate lending policies (including, among other things, the bank’s real estate appraisal and evaluation program) (12 C.F.R. 365.2 and 12 C.F.R. Part 365, Appendix A to Subpart A).
313. Approve and periodically review written lending policies (Risk Management Manual of Examination Policies, Section 3.2).
314. Establish standards for reviewing and approving exceptions to the loan policy (FIL-110-98).
315. Review and approve at least annually the written loan review policy (Risk Management Manual of Examination Policies, Section 3.2).
316. Approve country exposure limits (Risk Management Manual of Examination Policies, Section 11.1).
317. Approve policy guidelines regarding exit strategies with defined trigger points to effect the reduction of exposure in a given country portfolio when conditions warrant. Once exit strategies are employed, monthly or quarterly reporting should be provided to the bank’s board of directors to update the board on the ongoing nature of exposure and progress towards reducing and/or limiting risk (Risk Management Manual of Examination Policies, Section 11.1).

318. Approve by the board of a bank engaged in international lending a formal statement of policy, which would most often include a summary of management's basic credit standards, a statement of the bank's international lending objectives, a description of its system for credit approval, a recital of loan processing procedures, and establishment of specific personnel lending authorities (Risk Management Manual of Examination Policies, Section 11.1).
319. Examination procedures include determining whether the board has approved a policy for the validation of residual interest values in respect of credit card securitizations and reviewed the policy for adequacy; and whether the board or audit committee has reviewed reports of management's validation process at least annually (Credit Card Securitization Manual, Chapter VIII).*
320. Examination procedures include determining whether the board and management have established policies for leveraged finance that minimize the risks posed by potential legal issues and conflicts of interest (Risk Management Manual of Examination Policies, Section 3.2).*
- E. FFIEC/INTERAGENCY GUIDANCE**
321. Adopt and review policies and procedures that establish an effective real estate appraisal and evaluation program (Interagency Appraisal and Evaluation Guidelines).
322. Establish policy guidelines and approve an overall CRE lending strategy (Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices).
323. Review information that identifies and quantifies the nature and level of risk presented by CRE concentrations (Interagency Policy Statement on the Allowance for Loan and Lease Losses).
324. Review and approve periodically CRE risk exposure limits and appropriate sublimits (for example, by nature of concentration) (Interagency Policy Statement on the Allowance for Loan and Lease Losses).
325. Review and approve at least annually real estate lending policies (Interagency Credit Risk Management Guidance for Home Equity Lending).
326. Approve subprime lending policies, procedures and internal controls (Interagency Guidance on Subprime Lending).
327. Review management's assessment and justification that the loan review system is sound and appropriate for the size and complexity of the institution (Interagency Policy Statement on the Allowance for Loan and Lease Losses).
328. Review and approve at least annually a written policy to evidence the board's support of and commitment to maintaining an effective loan review system (Interagency Policy Statement on the Allowance for Loan and Lease Losses).
329. With respect to counterparty credit risk management, review annual reports from internal audit and model validation or review (Interagency Supervisory Guidance on Counterparty Credit Risk Management).
330. Approve policies that articulate risk tolerance for counterparty credit risk, including a framework for establishing limits on individual counterparty exposures and concentrations of exposures.
331. Approve the institution's risk appetite with regard to leveraged lending, establish written procedures to handle pipeline management, and establish a procedure for pipeline transactions that have not been sold according to their original distribution plan (Interagency Guidance on Leveraged Lending).

332. Establish limits on investments in mortgage-banking assets, and evaluate and monitor such investment concentrations (on the basis of

both asset and capital levels) on a regular basis (Interagency Advisory on Mortgage Banking).

VIII. Liquidity Risk Management

A. FRB REGULATIONS AND GUIDANCE (BHC-LEVEL)

333. Approve annually the BHC's liquidity risk tolerance (12 C.F.R. Part 252, Subpart D, generally applicable to BHCs with \$50 billion or more in total assets).

334. Review at least semiannually information provided by senior management to determine whether the BHC is operating in accordance with its established liquidity risk tolerance (12 C.F.R. Part 252, Subpart D, generally applicable to BHCs with \$50 billion or more in total assets).

335. Approve and periodically review the liquidity risk management strategies, policies, and procedures established by senior management (12 C.F.R. Part 252, Subpart D, generally applicable to BHCs with \$50 billion or more in total assets).

336. Approve at least annually by the risk committee the contingency funding plan and any material revisions thereto (12 C.F.R. Part 252, Subpart D, generally applicable to BHCs with \$50 billion or more in total assets).

337. Receive at least quarterly by the board or risk committee reports regarding the BHC's liquidity risk profile and liquidity risk tolerance (12 C.F.R. Part 252, Subpart D, generally applicable to BHCs with \$50 billion or more in total assets).

338. Receive by the board or risk committee from the independent review function reports of material liquidity risk management issues for corrective action,

to the extent permitted by applicable law (12 C.F.R. Part 252, Subpart D, generally applicable to BHCs with \$50 billion or more in total assets).

339. Approve and review periodically significant policies and procedures relating to asset-backed commercial paper (BHC Supervision Manual, Section 2128.03.4).

B. FRB REGULATIONS AND GUIDANCE (BANK-LEVEL)

340. Approve those elements of liquidity-risk management policies that articulate the institution's general strategy for managing liquidity risk, and establish acceptable risk tolerances (Commercial Bank Examination Manual, Section 4020.1).

341. Examination procedures include determining whether the board has adopted a written policy on borrowed funds and reviewed the policy at least annually (Commercial Bank Examination Manual, Section 3010.4).*

C. OCC REGULATIONS AND GUIDANCE

342. Review regularly a complement of liquidity risk measurement tools, including forward-looking risk measures (Detecting Red Flags in Board Reports – A Guide for Directors).

D. FDIC REGULATIONS AND GUIDANCE

343. Understand the nature and level of the institution's liquidity risk, establish the institution's tolerance for liquidity risk, and approve significant policies related to liquidity management (Risk Management Manual of Examination Policies, Section 6.1).
344. Review and approve at least annually appropriate liquidity policies; and establish by management and the board (and periodically reevaluate) meaningful risk limits (Risk Management Manual of Examination Policies, Section 6.1).
345. Review periodically and formally approve the assumptions used by management in measuring liquidity risk and cash flow projections, and review by the board and management of the assumptions used to assess the liquidity risk of complex assets, liabilities and off-balance sheet positions (Risk Management Manual of Examination Policies, Section 6.1).
346. Examination procedures include determining whether

the board has approved written policies and procedures for day-to-day liquidity management, as well as MIS adequate to measure, monitor, control and report liquidity risk (Credit Card Activities Manual, Chapter XV).*

E. FFIEC/INTERAGENCY GUIDANCE

347. Establish, approve and review at least annually liquidity management strategies, policies and procedures (Interagency Policy Statement on Funding and Liquidity Risk Management).
348. Review periodically information necessary to maintain understanding of the nature of the liquidity risks of the institution (Interagency Policy Statement on Funding and Liquidity Risk Management).
349. Review periodically the institution's contingency funding plans for handling potential adverse liquidity events (Interagency Policy Statement on Funding and Liquidity Risk Management).

IX. Market Risk Management

A. FRB REGULATIONS AND GUIDANCE (BHC-LEVEL)

350. Approve prudent written policies and establish appropriate limitations, if a BHC or nonbank subsidiary that engages in futures, forward and option contracts on U.S. government and agency securities and money market instruments is taking or intends to take positions in financial contracts; and review periodically (at least monthly) by the board, a duly authorized board committee or the internal auditors of all financial contract positions to ensure conformity with such policies and limits (12 C.F.R. 225.142).

351. Approve merchant banking portfolio objectives, overall investment strategies, and general investment policies that are consistent with the institution's financial condition, risk profile, and risk tolerance (BHC Supervision Manual, Section 3909.0.2.1).
352. Approve equity investment policies that specify lines of authority and responsibility for both acquisitions and sales of investments (BHC Supervision Manual, Section 3909.0.2.1).
353. Approve limits on aggregate investment and exposure amounts, the types of investments (for example, direct

and indirect mezzanine financing, start-ups, or seed financing), and appropriate diversification-related aspects of equity investments such as industry, sector, and geographic concentrations (BHC Supervision Manual, Section 3909.0.2.1).

- 354. Define and approve the institution's general investment standards, review and selection responsibilities (SR 91-4).
- 355. Examination procedures include determining whether the board has reviewed and approved "in house" exposure limits relating to securitization activities (BHC Supervision Manual, 2128.02.10).*

B. FRB REGULATIONS AND GUIDANCE (BANK-LEVEL)

- 356. Approve investment portfolio objectives, overall investment strategies, and general investment policies (Commercial Bank Examination Manual, Section 2020.1).
- 357. Approve policies that specify lines of authority and responsibility for both acquisitions and sales of investments (Commercial Bank Examination Manual, Section 2020.1).
- 358. Approve limits on aggregate investment and exposure amounts (Commercial Bank Examination Manual, Section 2020.1).
- 359. Approve the types of the institution's equity investments (for example, direct and indirect, mezzanine financing, start-ups, seed financing) (Commercial Bank Examination Manual, Section 2020.1).
- 360. Approve appropriate diversification-related aspects of equity investments such as industry, sector, and geographic concentrations (Commercial Bank Examination Manual, Section 2020.1).

- 361. Approve market-risk exposure limits. Exposure limits should specify percentage changes in the economic value of capital and, where applicable, in the projected earnings of the institution under various market scenarios (Commercial Bank Examination Manual, Section 2020.1).
- 362. Approve business strategies and significant policies that govern or influence interest-rate risk ("IRR") (Commercial Bank Examination Manual, Section 4090.1).
- 363. Review periodically significant IRR management policies and procedures, as well as overall business strategies that affect the institution's IRR exposure (Commercial Bank Examination Manual, Section 4090.1).
- 364. Approve policies and procedures that identify lines of authority and responsibility for managing IRR exposures (Commercial Bank Examination Manual, Section 4090.1).
- 365. Monitor the performance and IRR profile of the institution and review periodically information to allow directors to understand and assess IRR (Commercial Bank Examination Manual, Section 4090.1).

C. OCC REGULATIONS AND GUIDANCE

- 366. Receive by the board and management periodic reports regarding interest rate risk, periodic asset reports, and periodic earnings reports (12 C.F.R. Part 30, Appendix A).
- 367. Review the investment portfolio as necessary (at least annually) to confirm that the risk level remains acceptable and consistent with previously approved portfolio objectives (Detecting Red Flags in Board Reports – A Guide for Directors).
- 368. Review reports that measure the bank's current interest rate risk position relative to earnings at risk and capital at risk limits (Detecting Red Flags in Board Reports – A Guide for Directors).

369. Review interest rate risk gap reports, simulation models, and economic value sensitivity models (Detecting Red Flags in Board Reports – A Guide for Directors).
370. Review risk reports with respect to financial derivatives and off-balance sheet activities, confirm compliance with policy limits, and determine that the bank uses these products for approved purposes (Detecting Red Flags in Board Reports – A Guide for Directors).
371. Review by the board or a committee thereof, at least annually, the bank's key behavioral and pricing assumptions and their impact with respect to interest rate risk (Comptroller's Handbook, Interest Rate Risk).
372. Review at least annually investment policies to determine if they are compatible with changing market conditions (Comptroller's Handbook, Investment Securities).
373. Review by the board at least annually and review by senior management at least quarterly the international investment portfolio to assure adherence to written policies and procedures (Comptroller's Handbook, Investment Securities).
374. Review and endorse on an ongoing basis by the board or an appropriate committee significant changes in derivatives activities (Comptroller's Handbook, Risk Management of Financial Derivatives).
375. Approve by the board of a designated committee at least annually key policy statements and risk limits with respect to derivatives activities (Comptroller's Handbook, Risk Management of Financial Derivatives).
376. Review the bank's risk management framework for investment risks and confirm that it provides appropriate controls over the current level of risk (OCC 2002-19).
377. Approve and enforce by the board or a board committee policies to control foreign currency risks, if a national bank chooses to hold foreign currency denominated investment securities (Comptroller's Handbook, Investment Securities).
378. Review by the board, a duly authorized board committee, or the bank's internal auditors periodically (at least monthly) contract positions to ascertain conformance with such limits.
379. Approve changes to policies and practices that permit increased risk tolerance in investment portfolios limits (Detecting Red Flags in Board Reports – A Guide for Directors).
380. Endorse specific written policies in authorizing futures, forward, and standby contract activities, and establish trading limits (Comptroller's Handbook, Investment Securities).
381. Establish investment portfolio strategic direction and risk tolerance limits, review portfolio activity, assess risk profile, evaluate performance, and monitor management's compliance with authorized risk limits (Detecting Red Flags in Board Reports – A Guide for Directors).
382. Approve policies and procedures appropriate to the size and complexity of the bank's investment portfolios (Comptroller's Handbook, Concentrations of Credit).
383. Review by the board or a committee thereof at least annually emerging market activity policies and emerging market exposure risk-taking limits (Comptroller's Handbook, Emerging Market Country Products and Trading Activities).
384. Examination procedures include determining whether the board has approved written policies regarding nonhedging futures contract strategies, if the bank is engaged in financial futures contract trading activity (Comptroller's Handbook, Investment Securities).*

- 385. Examination procedures include determining whether the board or its investment committee has ratified purchases, exchanges and sales of securities and open contractual commitments (Comptroller's Handbook, Investment Securities).*
- 386. Examination procedures include determining whether the board has adopted written policies for private placements (Comptroller's Handbook, Foreign Exchange).*
- 387. Examination procedures include determining whether the board has adopted written policies governing trading limits; segregation of duties among traders, bookkeepers, and confirmation personnel; accounting and revaluation procedures; and management accounting procedures (Comptroller's Handbook, Trade Finance and Services).*
- 388. Examination procedures include determining whether the board has adopted policies to control and monitor the foreign-exchange transaction and translation risk arising from discounting foreign-currency denominated drafts and acceptances and foreign operations (Comptroller's Handbook, Trade Finance and Services).*
- 389. Examination procedures include determining whether the board has adopted written investment securities policies (Comptroller's Handbook, Investment Securities).*
- 392. Adopt major investment and risk management policies (Risk Management Manual of Examination Policies, Section 3.3).
- 393. Adopt comprehensive written investment policies that clearly express the board's investment goals and risk tolerance (Risk Management Manual of Examination Policies, Section 3.3).
- 394. Review management's reports, including an investment activity summary, portfolio risk and performance measures, and independent review findings to identify broad weaknesses with respect to investment activities (Risk Management Manual of Examination Policies, Section 3.3).
- 395. Approve any delegation of investment authority to a third party (Risk Management Manual of Examination Policies, Section 3.3).
- 396. Review at least quarterly by the board or an appropriate board committee sensitivity to market risk information (Risk Management Manual of Examination Policies, Section 7.1).
- 397. With respect to investment activities, review and consider each policy exception to internal policies, scrutinizing recurring exceptions and taking strong action when management fails to seek prior approval for an unauthorized activity (Risk Management Manual of Examination Policies, Section 3.3).

D. FDIC REGULATIONS AND GUIDANCE

- 390. Approve the bank's purchase of any securities not permissible for a national bank under 12 U.S.C. 24 (Seventh) that are underwritten by a majority-owned subsidiary in existence prior to November 12, 1999 (12 C.F.R. 362.4).
- 391. Approve the bank's risk limits to effectively oversee investment activities.

E. FFIEC/INTERAGENCY GUIDANCE

- 398. Oversee by the board or its delegated board committee the establishment, approval, implementation and annual review of IRR management strategies, policies, procedures and limits (or risk tolerances) (Interagency Advisory on Interest Rate Risk Management).
- 399. Approve major policies for conducting investment activities, including the establishment of risk limits

(FFIEC Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities).

400. Review at least annually by the board and senior management the appropriateness of investment strategies, policies, procedures, and limits (FFIEC Supervisory Policy Statement on Investment Securities

and End-User Derivatives Activities).

401. Review portfolio activity and risk levels, and require management to demonstrate compliance with approved risk limits (FFIEC Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities).

X. Operational Risk Management

A. FRB REGULATIONS AND GUIDANCE (BHC-LEVEL)

402. Review by the board or a designated committee reports on operational risk exposures and the effectiveness of the controls supporting the bank's advanced systems (12 C.F.R. Part 217, Subpart E).
403. Approve by the board or an appropriate committee an initial written program designed to detect, prevent, and mitigate identity theft in connection with covered accounts (12 C.F.R. 222.90; 12 C.F.R. Part 222, Appendix J).
404. Approve by the board or an appropriate committee of the board the bank's written information security program and receive reports at least annually on the status of the program and compliance with the information security guidelines (12 C.F.R. Part 225, Appendix F).
405. Approve by the board or an executive committee of the board policies relating to outsourced activities and service provider risk management (SR 13-19).
406. Consider, periodically review, and provide for insurance protection; review annually insurance coverage to assure the continuing adequacy of the coverage (SR 91-4).
407. Examination procedures include determining whether

the board has established policies and implemented procedures in respect of any split-dollar life insurance arrangement with a subsidiary (BHC Supervision Manual, Section 2020.9).*

B. FRB REGULATIONS AND GUIDANCE (BANK-LEVEL)

408. Appoint a security officer and approve a written security program developed and administered by the security officer (12 C.F.R. 208.61).
409. Receive a report at least annually the effectiveness of the bank's security program (12 C.F.R. 208.61(d)).
410. Approve by the board or an appropriate committee of the board the bank's written information security program and receive reports at least annually on the status of the program and compliance with the information security guidelines (12 C.F.R. Part 208, Appendix D-2).
411. Review by the board or a designated committee reports on operational risk exposures and the effectiveness of the controls supporting the bank's advanced systems (12 C.F.R. Part 217, Subpart E).

412. Approve by the board or an appropriate committee an initial written program designed to detect, prevent, and mitigate identity theft in connection with covered accounts (12 C.F.R. 222.90; 12 C.F.R. Part 222, Appendix J).
413. If the institution incurs daylight overdrafts in its Federal Reserve account, the board must either (i) review, at least once in each 12-month period, the institution's self-assessment (of its own creditworthiness, intraday funds management and control, customer credit policies and controls, and operating controls and contingency procedures) and approve the cap determination; or (ii) approve, at least once in each 12-month period the institution's use of intraday credit up to 40 percent of its capital measure, in order for the institution to incur daylight overdrafts of up to 40 percent of its capital measure without performing a self-assessment (Federal Reserve Policy on Payment System Risk).
414. Review and approve the institution's self-assessment and recommended net debit cap category at least once each 12-month period (Commercial Bank Examination Manual, Section 4125.2).
415. Approve by the board or an executive committee of the board policies relating to outsourced activities and service provider risk management (SR 13-19).
418. Appoint a security officer and approve a written security program developed and administered by the security officer (12 C.F.R. 21.2).
419. Receive a report at least annually on the effectiveness of the bank's security program (12 C.F.R. 21.4).
420. Approve by the board or an appropriate committee of the board the bank's written information security program and receive reports at least annually on the status of the program and compliance with the information security guidelines (12 C.F.R. Part 30, Appendix B).
421. Approve by the board or an appropriate committee an initial written program designed to detect, prevent, and mitigate identity theft in connection with covered accounts (12 C.F.R. 41.90(e)(1) and 12 C.F.R. Part 41, Appendix J).
422. Receive at least annually by the board, a board committee or designated senior management employee a report regarding compliance of the identity theft program with regulatory requirements (12 C.F.R. 41.90(e)(1) and 12 C.F.R. Part 41, Appendix J).
423. Review and approve annually adequate disaster recovery and business continuity plans (The Director's Book: The Role of a National Bank Director, "Oversee information technology activities").

C. OCC REGULATIONS AND GUIDANCE

416. Review by the board or a designated committee reports on operational risk exposures and the effectiveness of the controls supporting the bank's advanced systems (12 C.F.R. 3.122).
417. Review and schedule the bank's banking hours (12 C.F.R. 7.3000).
424. Review and approve annually the bank's contingency plans (Comptroller's Handbook, Asset Management Operations and Controls).
425. Review and approve by the board or a designated committee an appropriate environmental risk management program (Comptroller's Handbook, Commercial Real Estate Lending).
426. Review, approve, and monitor by the board and senior management technology projects that may have a

significant impact on the bank's operations, earnings or capital (OCC Bulletin 98-3).

427. Review, approve, and monitor Internet banking technology-related projects (Detecting Red Flags in Board Reports – A Guide for Directors).
428. Approve risk-based policies that govern the third-party risk management process and identify critical activities (OCC 2013-29).
429. With respect to the use of third parties that involve critical activities, review and approve management plans; approve contracts; and review the summary of due diligence results, management's recommendations and the results of management's ongoing monitoring (OCC 2013-29).
430. Review results of periodic independent reviews of the bank's third-party risk management process (OCC 2013-29).
431. Establish the bank's overall business strategy and risk limits for its Automated Clearing House ("ACH") program; adequate policies and procedures generally include board-approved risk tolerances that outline the types of activities the bank may conduct and the types of businesses approved for ACH transactions (OCC 2006-39).
432. Approve the policy governing merchant processing, and approve at least annually the analysis of capital allocated for merchant processing activities (Comptroller's Handbook, Merchant Processing).
433. Receive by the board and management regularly reports that enable them to gauge the merchant processing department's risk and reports on any collateral obligations for merchant processing activity (Comptroller's Handbook, Merchant Processing).
434. Approve policies that set operational standards and risk limits (Comptroller's Handbook, Asset

Management Operations and Controls).

435. Examination procedures include determining whether the board has reviewed the merchant processing department's bonding needs (Comptroller's Handbook, Merchant Processing).*
 436. Examination procedures include determining whether the board has adopted a policy for underwriting new independent sales organizations or member service providers (Comptroller's Handbook, Merchant Processing).*
- ## D. FDIC REGULATIONS AND GUIDANCE
437. Review by the board or a designated committee reports on operational risk exposures and the effectiveness of the controls supporting the bank's advanced systems (12 C.F.R. Part 325, Appendix D).
 438. Appoint a security officer and approve written security program developed and administered by the security officer (12 C.F.R. Part 326).
 439. Receive a report at least annually on the effectiveness of the bank's security program (12 C.F.R. 326.4).
 440. Approve by the board or an appropriate committee an initial written program designed to detect, prevent, and mitigate identity theft in connection with covered accounts (12 C.F.R. 334.90; 12 C.F.R. Part 334, Appendix J).
 441. Approve by the board or an appropriate committee of the board the bank's written information security program and receive reports at least annually on the status of the program and compliance with the information security guidelines (12 C.F.R. Part 364, Appendix B).
 442. Review and approve an environmental risk program

(FDIC Risk Management Manual of Examination Policies, Section 3.2).

443. Approve by the board or appropriate committee thereof an acquisition of bank-owned life insurance in an amount that results in an aggregate cash surrender value in excess of 25 percent of the institution's Tier 1 capital, or any lower internal limit (FDIC Risk Management Manual of Examination Policies, Section 3.7).
444. Approve arrangements with third parties to provide services that the bank would normally provide (FDIC Risk Management Manual of Examination Policies, Section 3.2).
445. Adopt and implement an effective risk management strategy with respect to the risks associated with the institution's outsourcing relationships with foreign-based third party service providers (FIL-52-2006)
446. Examination procedures include determining whether the board has approved the written agreement that controls the networking arrangement through which retail insurance sales are conducted by a third-party vendor (FDIC Compliance Examination Manual, Section IX-2.1).*

E. FFIEC/INTERAGENCY GUIDANCE

447. Review and approve at least annually by the board or a committee thereof and senior management the pandemic plan (Interagency Statement on Pandemic Planning).
448. Review and approve an IT strategic plan that aligns with the overall business strategy and includes an information security strategy to protect the institution from ongoing and emerging threats, including those related to cybersecurity (FFIEC Information Technology Examination Handbook, Management Booklet).
449. Approve policies to escalate and report significant security incidents to the board of directors, steering

committee, government agencies, and law enforcement, as appropriate (FFIEC Information Technology Examination Handbook, Management Booklet).

450. Approve policies for the enterprise-wide business continuity program and approve annually the program itself (FFIEC Information Technology Examination Handbook, Management Booklet).
451. Receive from management on an annual basis a written report on the overall status of the business continuity program and the results of testing of the plan and backup systems (FFIEC Information Technology Examination Handbook, Management Booklet).
452. Review business continuity strategies to ensure the plans are consistent with the firm's overall business objectives, risk management strategies, and financial resources (Interagency Paper on Sound Practices To Strengthen the Resilience of the U.S. Financial System).
453. Approve by the board or an appropriate committee the written information security program (Interagency Guidelines Establishing Information Security Standards).
454. Approve by the board or a committee technology project management methodologies (FFIEC Information Technology Examination Handbook, Development and Acquisition Booklet).
455. Approve by the board or senior management plans, policies, and significant expenditures; and review by the board or senior management periodic performance and risk management reports on the implementation and ongoing operation of remote deposit capture systems and services (FFIEC – Risk Management of Remote Deposit Capture).
456. Review, approve, and monitor e-banking technology-related projects that may have significant impact on the financial institution's risk profile (FFIEC Information Technology Examination Handbook, E-Banking Booklet).

457. Approve an e-banking strategy (FFIEC Information Technology Examination Handbook, E-Banking Booklet).

458. Review periodically the institution's daylight overdraft activity to ensure the institution operates within the established guidelines (FFIEC Information Technology Examination Handbook, Retail Payment Systems Booklet).

459. Establish by the board and management dual controls and separation of duties for funds transfer systems,

and monitor and log access (FFIEC Information Technology Examination Handbook, Wholesale Payment Systems Booklet).

460. Develop and adopt appropriate policies, practices or procedures covering management's responsibilities and controls for all areas of client/server computing activities (Interagency Statement on the Risks to Financial Institutions Involving Client/Server Computer Systems).