

FEDERAL DEPOSIT INSURANCE CORPORATION**FEDERAL RESERVE SYSTEM**

[Docket No. OP-1369]

DEPARTMENT OF THE TREASURY**Office of the Comptroller of the Currency**

[Docket ID OCC-2009-0013]

DEPARTMENT OF THE TREASURY**Office of Thrift Supervision**

[Docket ID OTS-2009-20016]

Correspondent Concentration Risks

AGENCY: Federal Deposit Insurance Corporation (FDIC); Board of Governors of the Federal Reserve System (the Board), Office of the Comptroller of the Currency, Treasury (OCC); and Office of Thrift Supervision, Treasury (OTS).

ACTION: Proposed guidance and request for comment.

SUMMARY: The FDIC, Board, OCC, and OTS (the Agencies) request comment on proposed guidance on correspondent concentration risks (Proposed Guidance). The Proposed Guidance outlines the Agencies' expectations for financial institutions with respect to identifying, monitoring, and managing correspondent concentration risks between financial institutions, and performing appropriate due diligence on all credit exposures to and funding transactions with other financial institutions. The Agencies expect financial institutions to identify, monitor, and manage the totality of the institution's aggregate credit and funding exposures to other institutions on a standalone basis, and take into account exposures to other institutions' affiliates. In addition, the institution should be aware of exposures of its affiliates to other institutions and their affiliates.

DATES: Comments must be submitted on or before October 26, 2009.

ADDRESSES: Comments should be directed to:

FDIC: You may submit comments by any of the following methods:

- *Agency Web Site:* <http://www.fdic.gov/regulations/laws/federal>. Follow instructions for submitting comments on the Agency Web Site.

- *E-mail:* Comments@FDIC.gov. Include "Proposed Guidance on Correspondent Concentration Risks" in the subject line of the message.

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

- *Mail:* Robert E. Feldman, Executive Secretary, Attention: Comments, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

- *Hand Delivery/Courier:* Guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m. (EST).

Public Inspection: All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal> including any personal information provided. Comments may be inspected and photocopied in the FDIC Public Information Center, 3501 North Fairfax Drive, Room E-1002, Arlington, VA 22226, between 9 a.m. and 5 p.m. (EST) on business days. Paper copies of public comments may be ordered from the Public Information Center by telephone at (877) 275-3342 or (703) 562-2200.

FRB: You may submit comments, identified by Docket No. [____], by any of the following methods:

- *Agency Web site:* <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.

- *E-mail:* regs.comments@federalreserve.gov. Include the docket number in the subject line of the message.

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

- *Fax:* (202) 452-3819 or (202) 452-3102.

- *Mail:* Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

Public Inspection: All public comments are available from the Board's Web site at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed in electronic or paper form in Room MP-500 of the Board's Martin Building (20th and C Streets, NW) between 9 a.m. and 5 p.m. on weekdays.

OCC: You may submit comments by any of the following methods:

- *E-mail:* regs.comments@occ.treas.gov.

- *Fax:* (202) 874-5274.

- *Mail:* Office of the Comptroller of the Currency, 250 E Street, SW., Mail Stop 2-3, Washington, DC 20219.

- *Hand Delivery/Courier:* 250 E Street, SW., Attn: Public Information Room, Mail Stop 2-3, Washington, DC 20219.

Instructions: You must include "OCC" as the agency name and "Docket ID OCC-2009-0013" in your comment. In general, OCC will enter all comments received into the docket without change, including any business or personal information that you provide such as name and address information, e-mail addresses, or phone numbers. Comments, including attachments and other supporting materials, received are part of the public record and subject to public disclosure. Do not enclose any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

You may review comments and other related materials by any of the following methods:

Viewing Comments Personally: You may personally inspect and photocopy comments at the OCC, 250 E Street, SW., Washington, DC. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 874-4700. Upon arrival, visitors will be required to present valid government-issued photo identification and submit to security screening in order to inspect and photocopy comments. You may also view or request available background documents and project summaries using the methods described above.

OTS: You may submit comments, identified by docket number ID OTS-2009-XXXX, by any of the following methods:

- *E-mail:* regs.comments@ots.treas.gov. Please include ID OTS-2009-XXXX [____] in the subject line of the message and include your name and telephone number in the message.

- *Fax:* (202) 906-6518.

- *Mail:* Regulation Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, Attention: ID OTS-2009-XXXX.

- *Hand Delivery/Courier:* Guard's Desk, East Lobby Entrance, 1700 G Street, NW., from 9 a.m. to 4 p.m. on business days, Attention: Regulation Comments, Chief Counsel's Office, Attention: ID OTS-2009-XXXX.

Instructions: All submissions received must include the agency name and docket number for this notice. All comments received will be entered into

the docket without change, including any personal information provided. Comments including attachments and other supporting materials received are part of the public record and subject to public disclosure. Do not enclose any information in your comments or supporting materials that you consider confidential or inappropriate for public disclosure.

Viewing Comments On-Site: You may inspect comments at the Public Reading Room, 1700 G Street, NW., by appointment. To make an appointment for access, call (202) 906-5922, send an e-mail to public.info@ots.treas.gov, or send a facsimile transmission to (202) 906-6518. (Prior notice identifying the materials you will be requesting will assist us in serving you.) We schedule appointments on business days between 10 a.m. and 4 p.m. In most cases, appointments will be available the next business day following the date we receive a request.

FOR FURTHER INFORMATION CONTACT:

FDIC: Beverlea S. Gardner, Senior Examination Specialist, Division of Supervision and Consumer Protection, (202) 898-3640; or Mark G. Flanigan, Counsel, Legal Division, (202) 898-7426.

FRB: Barbara J. Bouchard, Associate Director, (202) 452-3072; or Craig A. Luke, Supervisory Financial Analyst, Supervisory Guidance and Procedures, 202-452-6409. For users of Telecommunications Device for the Deaf ("TDD") only, contact (202) 263-4869.

OCC: Fred D. Finke, Liaison, Midsize-Community Bank Supervision, (202) 874-4468; or Kurt S. Wilhelm, Director, Financial Markets Group, (202) 874-4479.

OTS: Lori J. Quigley, Managing Director, Supervision, (202) 906-6265; or William J. Magrini, Senior Project Manager of Credit Policy, (202) 906-5744.

SUPPLEMENTARY INFORMATION:

I. Background

Concentration risks can occur in correspondent relationships when an institution engages in a significant volume of activities with another financial institution. A financial institution's relationship with a correspondent may result in credit (asset) and funding (liability) concentration risks.

Credit risk is the potential that an obligation will not be paid in a timely manner or in full. Credit risk arises whenever an institution advances or commits funds to another financial institution, as the advancing

institution's assets are at risk of loss if the recipient institution fails. Some institutions conceivably could have a credit concentration arising from the need to maintain large due from balances with the correspondent to facilitate account clearing activities.

Funding risk arises when an institution depends heavily on the liquidity provided by a limited number of other institutions to meet its funding needs. Funding risk can create an immediate threat to an institution's viability if the advancing entity suddenly reduces the institution's access to liquid funds. Institutions might abruptly limit the availability of liquid funding sources as part of a prudent program for limiting credit exposure or as required by regulation when the financial condition of either counterparty declines rapidly.

II. Proposed Guidance

The Agencies developed this Proposed Guidance to outline their expectations for financial institutions with respect to identifying, monitoring, and managing correspondent concentration risks between financial institutions; and for performing appropriate due diligence on all credit exposures to and funding transactions with other financial institutions. Correspondent concentrations represent a lack of diversification that adds a dimension of risk that management should consider when formulating strategic plans and internal risk limits. The Proposed Guidance focuses on the risks in credit and funding exposures inherent in interbank activities and how those exposures should be calculated.

The Agencies generally consider credit exposures arising from direct and indirect obligations owed by individual borrowers, a small interrelated group of individuals, or a single repayment source greater than 25 percent of Tier 1 capital as concentrations. The Proposed Guidance clarifies that to assist management in assessing how significant economic events or abrupt deterioration in a correspondent's risk profile might affect their financial condition, institutions should identify the totality of the institution's aggregate credit and funding exposure to other institutions on a standalone basis, and take into account exposures to other institutions' affiliates.¹ In addition, the

¹ Institutions should monitor all direct or indirect relationships with the other institution and its subsidiaries, any parent bank holding companies of the other institution, and other entities controlled by that parent company. An institution should also take into account exposures of its own affiliates to the same institution (including that same institution's affiliates), and how those may affect

the institution's exposure. While each institution is responsible for monitoring its own credit and funding exposures, bank holding companies with exposures in more than one entity should be managing the organization's concentration risk on a consolidated basis. In situations where there are no parent bank holding companies, institutions should monitor all direct or indirect relationships with that institution and its subsidiaries and any other entities that are under common control.

institution should be aware of exposures of its affiliates to other institutions and their affiliates. The credit exposure of the advancing institution and its organization represents a funding exposure to the recipient organization. While the Agencies have not established a liability concentration threshold, the Agencies have seen instances where funding exposures as low as 5 percent of an institution's total liabilities have posed an elevated risk to the recipient. An example of how these interbank correspondent risks can become concentrated is illustrated below:

Respondent Institution (RI) has \$500 million in total assets and is Well Capitalized with \$40 million (8 percent) of Tier 1 capital. RI maintains \$10 million in its due from account held at Correspondent Bank (CB) and sold \$20 million in unsecured overnight Federal funds to CB. These relationships collectively result in RI having an aggregate risk exposure of 75 percent of its Tier 1 capital to CB. CB, which has \$2 billion in total assets, \$1.8 billion in total liabilities, and is Well Capitalized with \$200 million (10 percent) Tier 1 capital, has 20 respondent banks (RB) with the same credit exposures as RI. The 20 RBs' \$600 million aggregate relationship represents one-third (33 percent) of CB's total liabilities. These relationships could create significant funding risk for CB if three or more of the RBs withdraw their funds in close proximity of each other.

These relationships also could threaten the viability of the 20 RBs. The loss of all or a significant portion of the RBs' due from balances and the unsecured Federal funds sold to CB could deplete a significant portion of their capital base, resulting in multiple failures. The RBs' viability also could be jeopardized if CB, in turn, had sold a significant portion of the Federal funds from the RBs to another financial institution that abruptly failed. In addition, the financial institutions that rely on CB for account clearing services may find it difficult to quickly transfer processing services to another provider.

Although these interbank exposures may comply with regulations governing individual relationships, collectively they pose significant correspondent concentration risks that need to be

the institution's exposure. While each institution is responsible for monitoring its own credit and funding exposures, bank holding companies with exposures in more than one entity should be managing the organization's concentration risk on a consolidated basis. In situations where there are no parent bank holding companies, institutions should monitor all direct or indirect relationships with that institution and its subsidiaries and any other entities that are under common control.

monitored and managed consistent with the institutions' overall risk-management policies and procedures. The following discussion summarizes the major components of the Proposed Guidance.

Identifying Correspondent Concentrations

The Proposed Guidance details the Agencies' expectations that institutions implement procedures for identifying correspondent concentrations on a standalone basis, as well as taking into account exposures to the other institution's affiliates. These procedures should include all assets advanced or committed to another organization, as these credit exposures are at risk of loss. The Proposed Guidance specifies that institutions should calculate both gross and net credit exposures. Exposures are reduced to net positions to the extent they are secured by the net realizable proceeds from readily marketable collateral.

Monitoring Correspondent Concentrations

The Board's Regulation F mandates that an institution's policies and procedures must require periodic reviews of a correspondent's financial condition and must take into account any deterioration in the correspondent's financial condition.² In monitoring correspondent relationships, the Proposed Guidance details the Agencies' expectation that institutions specify what information, ratios, and trends management will review for each correspondent on an ongoing basis. The Proposed Guidance also stresses that an institution's policies should include procedures that ensure ongoing, timely reviews of correspondent relationships, establish documentation requirements for the reviews, and specify when relationships that meet or exceed internal criteria are to be reported to the Board of Directors or the appropriate management committee for an assessment of risk and risk reducing strategies.

Managing Correspondent Concentrations

The Proposed Guidance discusses an institution's obligation to establish prudent correspondent concentration limits, as well as ranges or tolerances for each factor being monitored, consistent with the Board's Regulation F and sound banking practice. Prudent risk management of correspondent concentrations should include

procedures for reducing concentrations that meet or exceed established limits, ranges, or tolerances in an orderly manner over reasonable timeframes. Contingency plans for managing risk when these limits, ranges, or tolerances are met or exceeded, either on an individual or collective basis, should provide for a variety of actions that can be considered relative to changes in the correspondent's financial condition.³ Contingency plans should not rely on temporary deposit insurance programs for mitigating concentration risk.

Performing Appropriate Due Diligence

The Proposed Guidance also reinforces the Agencies' ongoing expectation that financial organizations with credit or funding exposures to other financial organizations have effective risk management programs for these credit and funding activities. Credit or funding exposures may include, for example, due from bank accounts, Federal funds sold as principal, direct or indirect loans (including participations and syndications), and trust preferred securities, subordinated debt, and stock purchases of the correspondent, its holding company, or any affiliated entity. An institution that maintains or contemplates entering into any credit or funding transaction with another financial institution should have written investment, lending, and funding policies and procedures, including appropriate limits, that govern these activities. In addition, these procedures should ensure the institution conducts an independent analysis of credit transactions prior to committing to engage in the transactions. The terms for all such credit and funding transactions should strictly be on an arm's length basis, conform to sound investment, lending, and funding practices, and avoid potential conflicts of interest.

III. Request for Comment

The Agencies are requesting public comment on all aspects of the Proposed Guidance. The Agencies also request comment on the appropriateness of aggregating all credit and funding

exposures that an institution or its organization has advanced or committed to another financial institution or its affiliated entities when calculating concentrations. In particular, should some types of advances or commitments be excluded?

The Agencies further request comment on the types of factors institutions should consider when assessing correspondents' financial condition. The Agencies also seek comment on the need to establish internal limits as well as ranges or tolerances for each factor being monitored. In addition, the Agencies request comment on the types of actions that should be considered for contingency planning and the timeframes for implementing those actions to ensure concentrations that meet or exceed organizations' established internal limits, ranges, or tolerances are reduced in an orderly manner. Finally, the Agencies seek comment on whether there are operational issues the Agencies should consider when finalizing the Proposed Guidance. For example, do institutions anticipate that operational issues will arise in light of the Board's policy to limit eligible institutions to participation in one excess balance account (EBA)?⁴ If so, identify the issues that could arise in managing correspondent concentration risks while subject to the single EBA limitation.

The text of the Proposed Guidance, entitled *Correspondent Concentration Risks*, is as follows:

Correspondent Concentration Risks

A financial institution's relationship with a correspondent may result in credit (asset) and funding (liability) concentrations. On the asset side, a credit concentration represents a significant volume of credit exposure that a financial institution has advanced or committed to one entity or affiliated group. On the liability side, a funding concentration exists when an institution

⁴ The Board recently amended its Regulation D (12 CFR Part 204) to authorize Federal Reserve Banks to offer EBAs to eligible institutions. 74 FR 25620 (May 29, 2009). These accounts were intended to permit eligible institutions to earn interest on their excess balances without significantly disrupting established business relationships with their correspondents. Under the terms of the EBA account agreement, an eligible institution is permitted to participate in one EBA at a Federal Reserve Bank. Each EBA Participant, however, can choose each day whether to sell funds in the Federal funds market through any number of correspondent institutions, to place the funds at a Federal Reserve Bank through their single EBA agent, or to select a combination of the two. As a result, EBA Participants may maintain relationships with more than one correspondent notwithstanding the fact that an EBA Participant participates in only one EBA at a Reserve Bank.

² 12 CFR Part 206. All depository institutions insured by the FDIC are subject to the Board's *Limitation on Interbank Liabilities* (Regulation F).

³ Regulation F requires institutions' policies and procedures to limit exposure to the correspondent, either by the establishment of internal limits or by other means, when the correspondent's financial condition and the form or maturity of the bank's exposure create a significant risk that payment will not be made in full or in a timely manner. Regulation F also requires institutions to reduce credit exposure to below 25 percent of total capital within 120 days after the date when the current Report of Condition or other relevant report normally would be available if the correspondent is no longer at least adequately capitalized. More information on Regulation F is available at: <http://www.federalreserve.gov/bankinforeg/reglisting.htm>.

depends on one or a small group of institutions for a disproportionate share of its total funding. Correspondent concentrations represent a lack of diversification, which adds a dimension of risk that management should consider when formulating strategic plans and internal risk limits.

The Agencies have generally considered credit exposures greater than 25 percent of Tier 1 capital as concentrations. While the Agencies have not established a liability concentration threshold, the Agencies have seen instances where funding exposures as low as 5 percent of an institution's total liabilities have posed an elevated liquidity risk to the recipient institution. The Agencies expect financial institutions to identify, monitor, and manage both asset and liability correspondent concentrations and implement procedures to perform appropriate due diligence on all credit exposures to and funding transactions with other financial institutions.¹

Identifying Correspondent Concentrations

Institutions should implement procedures for identifying correspondent concentrations with other financial organizations. Accordingly, an institution should have procedures that encompass the totality of the institution's aggregate credit and funding exposures to the other institution on a standalone basis, as well as taking into account exposures to the other institution's affiliates. In addition, the institution should be aware of exposures of its affiliates to the other institution and its affiliates.²

Credit Concentrations

Credit exposures can consist of a variety of assets. For example, an institution (either a client bank or a

correspondent) could have due from bank accounts, Federal funds sold on a principal basis, and direct or indirect loans to or investments in another institution, its holding company, or an affiliated entity. These assets represent credit exposures to the institution that advanced them, as they are at risk of loss. The Agencies realize some exposures meet certain business needs or purposes, such as a credit concentration arising from the need to maintain large due from balances to facilitate accounting clearing activities. In identifying credit concentrations, institutions should aggregate all exposures, including, but not limited to:

- Due from bank accounts (demand deposit accounts (DDA) and certificates of deposit (CD)),
- Federal funds sold on an as principal basis,
- The over-collateralized amount on repurchase agreements,
- The under-collateralized portion of reverse repurchase agreements,
- Current positive fair value on derivatives contracts,
- Unrealized gains on unsettled securities transactions,
- Direct or indirect loans to or for the benefit of the correspondent, its holding company, or any affiliated entity, and
- Investments, such as trust preferred securities, subordinated debt, and stock purchases, in the correspondent, its holding company, or any affiliated entity.

Funding Concentrations

Conversely, asset accounts such as those noted above represent funding sources to the recipient institution or correspondent. The primary risk of a funding concentration is that an institution will have to replace those advances on short notice. This risk may be more pronounced if the funds are credit sensitive, and the advancing institution's financial condition has deteriorated.

The percentage of liabilities or other measurements that may constitute a concentration of funding is likely to vary depending on the type and maturity of the funding, and the structure of the receiving institution's sources of funds. For example, a concentration in overnight unsecured funding from one institution likely would warrant a much lower concentration threshold than unsecured term funding, assuming compliance with covenants and diversification with short and long-term maturities. Similarly, assuming the same, term funding in the form of senior or subordinated debt may not present a funding concentration risk.

Calculating Credit and Funding Exposures

When identifying credit and funding exposures, institutions should calculate both gross and net exposures. Exposures are reduced to net positions to the extent they are secured by the net realizable proceeds from readily marketable collateral. For example, \$10 million in Federal funds sold to a correspondent with \$3 million secured by U.S. Treasury notes represents a \$10 million gross exposure, but a \$7 million net exposure after consideration of the pledged collateral.

Monitoring Correspondent Relationships

The Federal Reserve Board's Regulation F requires institutions to establish and maintain written policies and procedures to prevent excessive exposure to any individual correspondent in relation to the correspondent's financial condition.³ In cases where an institution's exposure to a correspondent is significant, Regulation F mandates that an institution's policies and procedures must require periodic reviews of the correspondent's financial condition and must take into account any deterioration in the correspondent's financial condition.⁴

Regulation F provides that such monitoring efforts must take into account the correspondent's capital level, level of nonaccrual and past-due loans and leases, level of earnings, and other factors affecting its financial condition. While not specified, these other factors could include, but are not limited to:

- Deteriorating trends in its capital base or asset quality.
- Reaching certain target ratios established by management, e.g., aggregate of nonaccrual and past due loans and leases as a percentage of gross loans and leases.
- Increasing level of other real estate owned.
- Experiencing a downgrade in its credit rating, if publicly traded.
- Being placed under a public enforcement action.

In monitoring correspondent relationships for risk-management purposes as well as for compliance with Regulation F, institutions should specify what information, ratios, or trends will be reviewed for each correspondent on an ongoing basis. Institutions' policies should include procedures that ensure

¹ The Agencies consist of the Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System (Board), Office of the Comptroller of the Currency, Treasury (OCC), and Office of Thrift Supervision, Treasury (OTS) (collectively, the Agencies).

² Institutions should monitor all direct or indirect relationships with the other institution and its subsidiaries, any parent bank holding companies of the other institution, and other entities controlled by that parent company. An institution should also take into account exposures of its own affiliates to the same institution (including that same institution's affiliates), and how those may affect the institution's exposure. While each institution is responsible for monitoring its own credit and funding exposures, bank holding companies with exposures in more than one entity should be managing the organization's concentration risk on a consolidated basis. In situations where there are no parent bank holding companies, institutions should monitor all direct or indirect relationships with that institution and its subsidiaries and any other entities that are under common control.

³ 12 CFR part 206. All depository institutions insured by the FDIC are subject to the Board's *Limitations on Interbank Liabilities* (Regulation F).

⁴ 12 CFR 206.3.

ongoing, timely reviews of correspondent relationships. Such reviews should be conducted on a quarterly basis at a minimum and more frequently when appropriate. The procedures also should establish documentation requirements for the reviews conducted. In addition, the procedures should specify when relationships that meet or exceed internal criteria are to be brought to the attention of the Board of Directors or the appropriate management committee.

Managing Correspondent Concentrations

Pursuant to Regulation F, institutions should establish prudent correspondent concentration limits, as well as ranges or tolerances for each factor being monitored. Institutions should develop plans for managing risk when these limits, ranges or tolerances are met or exceeded, either on an individual or collective basis. Consistent with the requirements of Regulation F, contingency plans should provide a variety of actions that can be considered relative to changes in the correspondent's financial condition.⁵

Contingency plans should not rely on temporary deposit insurance programs for mitigating concentration risk. Prudent risk management of correspondent concentrations should include procedures for reducing exposures that meet or exceed established limits, ranges, or tolerances in an orderly manner over reasonable timeframes. Such actions could include, but are not limited to:

- Reducing the volume of uncollateralized/uninsured funds.
- Transferring excess funds to other financial institutions rather than the correspondent after conducting appropriate reviews of their financial condition.
- Requiring the correspondent to serve as agent rather than as principal for Federal funds sold.
- Establishing limits on asset and liability purchases from and investments in correspondents.

⁵ Regulation F requires institutions' policies and procedures to limit exposure to the correspondent, either by the establishment of internal limits or by other means, when the correspondent's financial condition and the form or maturity of the bank's exposure create a significant risk that payment will not be made in full or in a timely manner. Regulation F also requires institutions to reduce credit exposure to below 25 percent of total capital within 120 days after the date when the current Report of Condition or other relevant report normally would be available if the correspondent is no longer at least Adequately Capitalized. More information on Regulation F is available at: <http://www.federalreserve.gov/bankinfo/reglisting.htm>.

- Specifying reasonable timeframes to meet targeted reduction goals for different types of advances.

Examiners will review correspondent relationships during examinations to ascertain whether an institution's policies and procedures identify and monitor correspondent concentrations on an organization-wide basis. Examiners also will review the adequacy and reasonableness of institutions' contingency plans to manage correspondent concentrations.

Performing Appropriate Due Diligence

The Agencies expect financial organizations that maintain credit exposures in or provide funding to other financial organizations to have effective risk management programs for these activities. For this purpose, credit or funding exposures may include, but are not limited to, due from bank accounts, Federal funds sold as principal, direct or indirect loans (including participations and syndications), and trust preferred securities, subordinated debt, and stock purchases of the correspondent, its holding company, or any affiliated entity.

An institution that maintains or contemplates entering into any credit or funding transactions with another financial institution should have written investment, lending, and funding policies and procedures, including appropriate limits, that govern these activities. In addition, these procedures should ensure the institution conducts an independent analysis of credit transactions prior to committing to engage in the transactions. The terms for all such credit and funding transactions should strictly be on an arm's length basis, conform to sound investment, lending, and funding practices, and avoid potential conflicts of interest.

This concludes the text of the Proposed Guidance.

Dated at Washington, DC, the 18th day of September 2009.

By order of the Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

By order of the Board of Governors of the Federal Reserve System, September 18, 2009.

Jennifer J. Johnson,

Secretary of the Board.

Dated: September 8, 2009.

Office of the Comptroller of the Currency.

John C. Dugan,

Comptroller of the Currency.

Dated: September 17, 2009.

By the Office of Thrift Supervision.

John E. Bowman,

Acting Director.

[FR Doc. E9-23208 Filed 9-24-09; 8:45 am]

BILLING CODE 6714-01-P, 6210-01-P, 4810-33-P, 6720-01-P

FEDERAL DEPOSIT INSURANCE CORPORATION

Notice of Agency Meeting

Pursuant to the provisions of the "Government in the Sunshine Act" (5 U.S.C. 552b), notice is hereby given that the Federal Deposit Insurance Corporation's Board of Directors will meet in open session at 10 a.m. on Tuesday, September 29, 2009, to consider the following matters:

Summary Agenda: No substantive discussion of the following items is anticipated. These matters will be resolved with a single vote unless a member of the Board of Directors requests that an item be moved to the discussion agenda.

Disposition of minutes of previous Board of Directors' Meetings.

Discussion Agenda: Memorandum and resolution re: Deposit Insurance Fund Restoration Plan, Assessments, and Funding.

The meeting will be held in the Board Room on the sixth floor of the FDIC Building located at 550 17th Street, NW., Washington, DC.

This Board meeting will be Webcast live via the Internet and subsequently made available on-demand approximately one week after the event. Visit <http://www.vodium.com/goto/fdic/boardmeetings.asp> to view the event. If you need any technical assistance, please visit our Video Help page at: <http://www.fdic.gov/video.html>.

The FDIC will provide attendees with auxiliary aids (e.g., sign language interpretation) required for this meeting. Those attendees needing such assistance should call (703) 562-6067 (Voice or TTY), to make necessary arrangements.

Requests for further information concerning the meeting may be directed to Mr. Robert E. Feldman, Executive Secretary of the Corporation, at (202) 898-7043.

Dated: September 22, 2009.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

[FR Doc. E9-23212 Filed 9-24-09; 8:45 am]

BILLING CODE 6714-01-P