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.
- 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 polices 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.

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[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/bankinforeg/reglisting.htm.*

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.

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