

March 25, 2020

Federal Reserve Issues Statement on Adjustments to Its Supervisory Approach in Light of the COVID-19 National Emergency

Regulator Outlines Adjustments Designed to Assist Financial Institutions in Deploying Resources While Continuing to Support Customers and Local Economies; Confirms No Delay in April 6 CCAR Capital Plan Submission Deadline

On March 25, 2020, the Federal Reserve issued a statement to all institutions supervised by the Federal Reserve (the “supervised financial institutions”) in order to detail changes to its supervisory approach in light of the COVID-19 National Emergency.¹ The statement noted that the Federal Reserve’s actions are designed to assist supervised financial institutions in efficiently deploying their resources and meeting the challenges of the current situation, while continuing to support both their customer and their local economies in a prudent and fair manner.

The Federal Reserve, with reference to earlier statements, reiterated that it encourages supervised financial institutions to work with customers who may have difficulty meeting payment obligations due to the COVID-19 National Emergency.² According to the statement, in the examination context, so long as it is done in a safe and sound manner, the Federal Reserve will not criticize a supervised financial institution for mitigating “credit risk through prudent actions that are consistent with safe and sound practices.”

The Federal Reserve noted that during this uncertain period, for all supervised financial institutions, it will increase its focus on monitoring of liquidity, capital, asset quality, and impact on consumers, with particular focus on understanding the challenges and risks that the ongoing situation presents for supervised financial institutions with respect to their operations, financial condition, customers, and staff. This monitoring will

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include the risks to financial stability for the largest supervised financial institutions as well as operational resiliency and potential impacts on broader financial stability for all large supervised financial institutions. These efforts are being undertaken in coordination with other primary federal regulatory agencies as well as other relevant stakeholders.

The Federal Reserve noted that it is reducing its focus on examinations and investigations at this time and all examination activities will be conducted remotely until both the supervised financial institutions and the Reserve Banks resume normal operations. The overall approach to examinations will differ between smaller and larger supervised financial institutions.

With respect to smaller supervised financial institutions—those with less than \$100 billion in total consolidated assets—the intention is to only continue with regular examination work where such work is critical. For these purposes, the Federal Reserve defined critical to include, among other things, “exams of less-than-satisfactorily rated state member banks or institutions where a Reserve Bank is aware of liquidity, asset quality, consumer protection, or other issues that are an immediate threat to an institution’s ability to operate or to consumers, or Reserve Bank monitoring identifies an unusual circumstance.” This approach will be reassessed in the final week of April.

With respect to supervised financial institutions with assets greater than \$100 billion, the intention is to defer most examination activity on a facts-and-circumstances basis. In making this determination, the Federal Reserve will assess the burden of the planned activity on a supervised financial institution against the benefit to the Federal Reserve’s understanding of the firm in general and consumer protection and financial stability, specifically.

Supervised financial institutions may continue to receive examination reports with respect to recently completed or close-to-completed examinations. However, supervised financial institutions have been granted an extra 90 days to remediate existing supervisory findings, unless notified by the Federal Reserve that a shorter time period applies.

Finally, the Federal Reserve announced that the deadline for the submission of capital plans in connection with Comprehensive Capital Analysis and Review, or CCAR, will not be extended past the existing April 6, 2020 deadline.

The full Federal Reserve statement can be found [here](#).

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ENDNOTES

- ¹ Supervised financial institutions include state member banks, bank holding companies, savings and loan holding companies, Edge Act Corporations, and the U.S. operations of foreign banking organizations.
- ² Please see our March 22, 2020 [memorandum](#) entitled “Interagency Statement on Loan Modifications and Reporting” for a full discussion of this interagency guidance.

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