Banking and Finance Law Daily Wrap Up, TOP STORY—Fed announces adjustments to supervisory approach due to COVID-19, (Mar. 25, 2020)

Banking and Finance Law Daily Wrap Up

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The Federal Reserve Board will change its supervisory approach due to the COVID-19 pandemic to focus primarily on monitoring and outreach. It will temporarily reduce examination activity, including eliminating all non-critical examination activity at small financial institutions.

The Federal Reserve Board of Governors announced it has provided information to financial institutions on how its supervisory approach is being adjusted due to COVID-19. It will focus on monitoring and outreach and will temporarily reduce examination activities, with the greatest reduction in activities occurring at the smallest banks. Large banks should still submit capital plans developed as part of the Comprehensive Capital Analysis and Review (CCAR) exercise by April 6. Additional time will be granted for resolving non-critical existing supervisory findings.

The Federal Reserve's March 24, 2020 Statement on Supervisory Activities acknowledges that the COVID-19 situation is evolving. It builds on previous statements, including a March 9, 2020, statement in which banking agencies encouraged financial institutions to begin preparing for the financial implications of the COVID-19 outbreak (see *Banking and Finance Law Daily*, March 10, 2020). The Fed continues to urge financial institutions, as described in a March 22 interagency statement (see *Banking and Finance Law Daily*, March 23, 2020), to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19.

The Fed's focus in the immediate future will be on monitoring efforts, including analysis of operations, liquidity, capital, asset quality, and impact on consumers. It will cease all non-critical examination activity for supervised institutions with less than $100 billion in total consolidated assets. "Critical activity" could include exams of less-than-satisfactorily rated state member banks or institutions where a Federal 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. For supervised institutions with assets greater than $100 billion, the Fed will defer a significant portion of planned examination activity. Firms should submit the capital plans that they have developed for the CCAR exercise by April 6, 2020. The plans will be used to monitor how firms are managing their capital in the current environment, planning for contingencies, and positioning themselves to continue lending to creditworthy households and businesses. The examination approach will be reassessed in the last week of April.

Finally, time periods for remediating existing supervisory findings are extended by 90 days.

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