



**NATIONWIDE STATE/FEDERAL
FOREIGN BANKING ORGANIZATION
SUPERVISION AND EXAMINATION
COORDINATION AGREEMENT**

The “STATE/FEDERAL AGREEMENT”

November 20, 1998

I. Definitions

For the purposes of this Agreement:

1. An “emergency” shall include, but not be limited to, the existence of conditions or circumstances which, if allowed to continue, can be reasonably expected to result in harm to the public.
2. An “Entry Letter” also known as a “First Day Letter,” means a pre-examination request for information.
3. “Foreign Banking Organization” or “FBO” means a bank chartered or organized in a foreign country with banking operations in the United States.
4. “Foreign Banking Organization (or ‘FBO’) with multi-state operations” means a bank chartered or organized in a foreign country with banking operations in more than one state in the United States.
5. “Federal bank supervisory agency” means the Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation
6. “Party” and “Parties” mean the signatories to this Agreement, which with respect to the Board of Governors of the Federal Reserve, shall also include the Federal Reserve Banks.
7. “Responsible Reserve Bank” means the Federal Reserve Bank designated by the Board of Governors of the Federal Reserve System as being responsible for the coordination of supervision of a Foreign Banking Organization in the United States.
8. The “State Coordination Agreement” means the Nationwide Foreign Banking Organization Supervision and Examination Coordination Agreement, dated September 15, 1998.
9. “State Coordinator” means the State bank supervisory agency primarily responsible for coordination of the supervision and examination strategy of the state-licensed and chartered operations of a Foreign Banking Organization in the United States and, to the extent applicable, for coordination of the release of supervisory

information, and for resolution of consumer complaints related to the Foreign Banking Organization.

10. "State Supervisor" means the State bank supervisory agency that licenses or charters a foreign bank office or subsidiary bank or trust company in that state.
11. "Supervisory action" means any action, whether civil, criminal, administrative, or equivalent action, to enforce federal or state banking, or any other applicable laws or regulations including those for the correction of unsafe or unsound conditions or practices.
12. "Supervisory information" means all information and reports compiled or drafted in the ordinary course of supervising and examining an office or subsidiary of a foreign bank, including supervision memoranda, reports of examination and information relating to applications, complaints, and supervisory actions, or copies thereof.

II. Statement Of Purpose

A. Goals

The Parties recognize that Foreign Banking Organizations (FBOs) have established operations in multiple states creating a compelling need for enhanced cooperation among Federal and State bank supervisory agencies. The goals of the Parties to this Agreement are to: (1) provide for a seamless supervisory process; (2) ensure that supervision is flexible and commensurate with the FBO's risk; (3) minimize regulatory burden and cost; and (4) foster consistency, coordination, and communication among the appropriate Federal and State bank supervisory agencies with respect to the supervision of these operations.

The goals of this Agreement apply to the U.S. operations of all FBOs with multi-state operations. The extent to which the specific elements of this Agreement will apply depends upon the size and complexity of the U.S. operations.

B. Responsibilities

1. The State Supervisory Authorities that are parties to this Agreement (collectively the State Supervisors) have endorsed the State Coordination Agreement, which governs the supervisory responsibilities among the State Supervisors for FBOs with multi-state operations.
2. The Board of Governors of the Federal Reserve System (the "Board of Governors") and the Federal Deposit Insurance Corporation (the "FDIC") recognize the responsibility of the State Coordinator to coordinate the involvement of State Supervisors in the supervision and examination of multi-state operations of FBOs as set forth in the State Coordination Agreement.

To achieve the goals stated in Section II.a of this Agreement, the Board of Governors, the FDIC and the State Supervisors resolve to coordinate the supervisory process to achieve a seamless and flexible supervisory program for FBOs with multi-state operations by:

- A. Recognizing the State Coordinator as the single point of state contact for the coordination of the supervision and examination of the state-licensed and chartered operations of a particular Foreign Banking Organization. Federal bank supervisory agencies will coordinate primarily with the State Coordinator in supervising and examining the U.S. operations of FBOs.
- B. Developing a supervisory program that is tailored to the financial condition and risk profile of the U.S. operations of an FBO, and that specifically recognizes and addresses its unique characteristics.
- C. Coordinating fully the applications process by promoting consistency in approach and developing common terms.
- D. Providing information to an FBO with multi-state operations as to the laws and regulations governing its operations and the general regulatory policies and standards applicable to its supervision.

III. Supervision and Examination Process

The Parties agree to adopt and implement the procedures for the supervision and examination of FBOs with multi-state operations as set forth in the State Coordination Agreement and, at a minimum, to take the following steps:

- A. Within 30 days of the date of this Agreement, the State Supervisors will identify a State Coordinator for each FBO with multi-state operations covered by the supervisory program set forth in the State Coordination Agreement and this Agreement.
- B. Within 60 days of the date of this Agreement, the Responsible Federal Reserve Bank, the State Coordinator, and where applicable, the FDIC, will each designate a Primary Contact Person for each FBO with multi-state operations. Among other things, these individuals will jointly develop and coordinate the supervisory process of their respective bank supervisory agencies according to the principles of the State Coordination Agreement and this Agreement, and will serve as the liaison with management of the FBO. The Responsible Reserve Bank, the State Coordinator, and where applicable the FDIC, through their Primary Contact Persons, will take the necessary steps to ensure that the goals of the State Coordination Agreement and this Agreement, including a risk-focused, seamless supervisory process, are achieved.
- C. The Primary Contact Persons selected by the State Coordinator, the Responsible Reserve Bank, and where applicable the FDIC, will jointly develop and update, as needed, a written comprehensive supervisory plan that covers an agreed-upon period and provides for an effective and efficient supervision process tailored to the organizational structure and risk profile of the FBO's multi-state operations. In developing and updating the comprehensive supervisory plan, the Responsible Reserve Bank, the State Coordinator, and where applicable the FDIC, will consider the views of other State supervisors, as appropriate. The comprehensive supervisory plan will include the five items listed in Article 4, Section 4.1 of the State Coordination Agreement.
- D. The Primary Contact Persons will ensure that, as part of the comprehensive supervisory plan, a written examination plan is developed that details the type, timing and location of on-site safety

and soundness and specialty^{1[1]} examinations. The written examination plan will contain all elements of an examination plan as described in Article 4, Section 4.1 of the Coordination Agreement.

- E.
1. In order to minimize regulatory burden and maximize efficiency, examinations may be conducted on a joint basis or on an alternate year basis between participating State and Federal bank supervisory agencies to the extent permitted under applicable law and regulation.
 2. The scope of on-site examinations will be developed jointly during the pre-examination period for joint examinations. The State Coordinator, the Responsible Reserve Bank, and where applicable the FDIC, will consult, as appropriate, on the scope of alternate year examinations. The process will focus on ensuring that examinations are risk-focused and that functions or activities affecting more than one U.S. office are not covered repeatedly.
 3. Based on the planning phase, the State Coordinator, the Responsible Reserve Bank, and where applicable the FDIC, will prepare entry letter(s)^{2[2]} for joint examinations. With an emphasis on reducing regulatory burden, first day letters for both joint and alternate examinations will request information critical to the examination process or off-site evaluation, thereby minimizing on-site efforts.
 4. The State Coordinator, Responsible Reserve Bank, and where applicable the FDIC, will coordinate off-site and on-site examination work and will make a special effort to avoid duplicative information requests. Examiners will coordinate requests for critical information related to centralized functions where they exist. All participating state and federal supervisors should rely on the analyses of centralized functions performed by other participating state or federal supervisors.
 5. For joint examinations, the State Supervisor and Federal bank supervisory agency will prepare a joint examination report that clearly and concisely identifies supervisory issues and any required corrective action.
 6. Each State Coordinator, the Responsible Reserve Bank and where applicable the FDIC, will furnish a copy of the proposed written examination plan to other participating State and Federal bank supervisory agencies for their review and comment.

^{1[1]} For example, Trust, Information Systems, and Consumer Affairs/CRA Examinations.

^{2[2]} *i.e.*, pre-examination request for information, also known as a “First Day Letter.” Where practicable a single letter covering all the offices being examined will be prepared.

- F. Notwithstanding the above provisions, any applicable State or Federal bank supervisory agency may conduct independent or special examinations in exceptional circumstances.^{3[3]} The bank supervisor initiating the independent or special examination will make a special effort to provide appropriate notice to the other bank supervisors prior to commencing the examination.
- G. To execute the requirement of Section III.E. of this Agreement, the Responsible Reserve Bank, the State Coordinator, and where applicable, the FDIC, will agree to have one examiner-in-charge (the "EIC") or will each assign a co-EIC to manage the joint on-site examination. In this connection, the Primary Contact Persons and/or the EICs, as appropriate, will coordinate the following:
1. Development of the examination focus and scope;
 2. Development of procedures for compiling off-site and on-site examination-related information;
 3. Development of a joint first day letter to be sent in a timely manner prior to the start of the examination that requests essential information and materials, preferably internal bank reports, for off-site review, thereby minimizing on-site efforts and their associated burden;
 4. Determination of appropriate staffing levels and assignment of responsibilities for examination staff;
 5. Development of procedures for coordinating information requests during the examination;
 6. Scheduling of meetings with management; and
 7. Determination of a format for the reporting of examination findings, recommendations and conclusions and assignment of responsibilities for writing and processing of this information.

^{3[3]} For example, where there is significant safety and soundness risk.

- H. All participating examiners will perform the responsibilities assigned and promptly report the findings, recommendations and conclusions in the form requested, together with supporting documentation, to the EIC or their bank supervisory agency's co-EIC.

IV. Supervisory Actions

- A. The Parties will, in all cases to the greatest extent practicable, consult one another regarding investigations and supervisory actions involving an FBO with multi-state operations.
- B. When the Responsible Reserve Bank and the State Coordinator jointly deem that a follow-up supervisory action affecting an FBO's offices in more than one state is warranted, both agencies will take the necessary steps to develop and implement such supervisory action. If such action relates to an insured branch or state non-member bank or trust company, the FDIC will also be involved.

V. Emergency Actions

Notwithstanding any other section of this Agreement, any State or Federal supervisor may in an emergency take any supervisory action against an office of a Foreign Banking Organization permitted under that State's or Federal law. Any State supervisor doing so will notify the State Coordinator and any other Federal supervisor will notify the Responsible Reserve Bank as soon as practicable. The State Coordinator and/or the Responsible Reserve Bank will communicate notice of such action to all other appropriate State and Federal supervisors.

Nothing in this Agreement is meant to interfere with a State or Federal supervisor's enforcement authority or ability to make a referral to a law enforcement or prosecutorial authority without having to notify or coordinate with other State or Federal supervisors.

VI. Supervisory Information

- A. Consistent with the goal of seamless supervision, any information provided by one Party to another Party will be treated as confidential supervisory information, unless otherwise specified by the providing Party, and will remain the property of the providing Party. A Party

will use confidential supervisory information only for purposes directly related to its supervisory responsibilities.

- B. Any Federal bank supervisory agency participating in this agreement may disclose to any other Federal bank supervisory agency, confidential supervisory information obtained from State supervisors if such disclosure is directly related to their respective responsibilities. Similarly, State supervisors may disclose to each other confidential supervisory information obtained from Federal bank supervisory agencies if such information is directly related to the supervisory responsibilities of the receiving State supervisor.
- C. Whenever a Party receives an access request from another Federal or State administrative agency, or a subpoena, discovery request or other legal process that would require the disclosure of confidential information obtained from the other Party, that Party will promptly notify the providing Party. All notices under this provision shall be made to the person(s) designated by the providing party to receive such notices.
- D. No Party shall disclose information of a providing party, except with the consent of the providing party communicated through its authorized representative, or in accordance with applicable regulations of the providing party and any other applicable law.

It is understood, in this connection, that applicable regulations of the FDIC, the Board of Governors and other Federal supervisory agencies requires requestors to exhaust administrative remedies before such agencies and to seek to compel such disclosure, if at all, through process directed to such agencies rather than to examined institutions or other bank supervisors lawfully in possession of the information.

It is understood further that many state laws prohibit or regulate the disclosure of confidential supervisory information that is the property of State bank supervisors. As appropriate, the Parties will cooperate in the preparation of any memoranda or pleading deemed desirable by the Parties to protect the confidentiality of the information.

It is also understood that in any State court action in which information belonging to a Federal bank supervisory agency is sought, the appropriate Federal agency reserves its right to intervene

in any state court action and remove the matter to Federal court in order to preserve the confidentiality of its information.

VII. Communications

- A. The Primary Contact Persons designated by the State Coordinator, the Responsible Reserve Bank, and where applicable the FDIC, will take all necessary steps to facilitate clear communication and information sharing in order to reduce burden on the FBO and to keep each other informed of developments pertinent to supervision of the FBO.
- B. Nothing in this Agreement preempts any statutory or regulatory obligation of an FBO to provide specific information or file required reports with a Federal or State supervisor.

VIII. Applicable Laws

This Agreement recognizes that a State's law governs the operations of a foreign bank office within that state's borders and that applicable Federal law governs all of an FBO's operations within the US.

IX. Applications

- A. The Responsible Reserve Bank, the State Coordinator, and where applicable the FDIC, will coordinate closely on all application matters affecting the multi-state operations of an FBO.
 - 1. Common application forms and application requirements, such as concurrent processing periods, will be developed to the extent practicable under State and Federal law. To the extent that application forms differ, all participating Federal and State supervisors will accept needed information contained on the other agency's forms, where practicable.
 - 2. The State Coordinator, the Responsible Reserve Bank and, where applicable the FDIC, will take all appropriate actions to ensure that applications involving the multi-state operations of FBOs are processed in a coordinated and timely fashion by their respective agencies and any other State supervisory agencies involved in such applications. In this regard, when applications are required by both Federal and State law, the Responsible Reserve Bank, the State

Coordinator, and where applicable, the FDIC, will promptly exchange copies of any applications received. Whenever an FBO with multi-state operations has submitted an application only to the Responsible Reserve Bank, the State Coordinator, or where applicable, the FDIC, the Party receiving the application will promptly provide a copy of the application to the other involved Parties. Where appropriate, the Responsible Reserve Bank, the State Coordinator, and where applicable, the FDIC, will jointly coordinate any requests for additional information from the applicant and will share any changes to the application submitted by the applicant.

3. The Responsible Reserve Bank, the State Coordinator, and where applicable, other State supervisors and/or the FDIC, will each reach a decision regarding their respective application and will communicate this decision to the applicant and to each other in a timely manner.
- B. The Responsible Reserve Bank, and/or where applicable the FDIC, will promptly furnish the State Coordinator with a copy of all decisions on applications required by Federal law.
 - C. The State Coordinator has responsibility for the coordination of all applications involving the multi-state operations of an FBO required by State law, and will promptly furnish the Responsible Reserve Bank, and where applicable the FDIC, with a copy of decisions made by any State Supervisors.

X. Resolution Of Significant Differences

- A. The Parties will make every effort to resolve any significant differences concerning the supervision of FBOs with multi-state operations.
- B. In those matters where, despite their best efforts, the Primary Contact Persons cannot resolve a significant difference concerning the supervision of an FBO with multi-state operations, the matters will be referred to the appropriate senior officials of the Responsible Reserve Bank and the State Coordinator, and where applicable the FDIC.

XI. Miscellaneous

- A. This Agreement is made and entered into by and between the Parties. It is not intended to prevent the Parties from entering into other agreements or arrangements regarding the subject matter of the Agreement.
- B. Whenever this Agreement provides for a notice to be given to a Party, the notice will be given in writing.
- C. A Party may terminate this Agreement by giving notice to the other Parties. The termination shall be effective 90 days after the date of the notice.
- D. This Agreement may be amended only by a written instrument signed by each of the Parties.
- E. This Agreement may be executed in counterparts and shall become effective when all parties have executed the original or a counterpart signature page.
- F. This Agreement is not intended to be limited to the original signatories and other Parties may sign after the initial execution of this document.
- G. If any provision of this Agreement or the application thereof to any person or circumstances is held invalid or illegal, such invalidity or illegality shall not affect other provisions or applications of this Agreement which can be given effect without the invalid or illegal provision or application, and to this end, the provisions of this Agreement are declared to be severable.
- H. Captions in this Agreement are for convenience of reference only, do not constitute a part of this Agreement, and shall not affect the meaning or construction of any provision of this Agreement.