Nationwide
State/Federal
Supervisory Agreement

November 14, 1996
NATIONWIDE STATE/FEDERAL SUPERVISORY AGREEMENT

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.

I. Statement Of Purpose

A. Goals

The Parties recognize that state-chartered banks will establish interstate branches creating a compelling need for enhanced cooperation among Federal and State regulatory 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 organization’s risk; and (3) minimize regulatory burden and cost.

B. Responsibilities

1. The State Supervisory Authorities that are parties to this Agreement (collectively the “State Supervisory Authorities”) have endorsed the Nationwide Cooperative Agreement, dated November 13, 1996, which governs the supervisory responsibilities among the State Supervisory Authorities for Multi-State Banks in such states.

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 Home State Supervisor to coordinate the involvement of Host State Supervisors in the supervision and examination of Multi-State Banks, as set forth in the CSBS Interstate Banking and Branching Supervisory Protocol dated April 20, 1995.

3. The State Supervisory Authorities, the Board of Governors and the FDIC have endorsed the State/Federal Supervisory Protocol, (the "State/Federal Protocol"), which is attached as Exhibit 1, and which outlines the responsibilities of the Responsible Federal Agency and Home State Supervisor for a Multi-State Bank. This Agreement between the Parties implements the
State/Federal Protocol and sets forth the procedures to fulfill its goals and terms.

II. Supervision And Examination Process

The Parties agree to adopt and implement the procedures for the supervision and examination of Multi-State Banks as set forth in the State/Federal Protocol and, at a minimum, to take the following steps:

A. Within 30 days of the date of this Agreement, the Responsible Federal Agencies and the Home State Supervisors will identify the Multi-State Banks covered by the supervisory program set forth in the State/Federal Protocol and this Agreement. On a quarterly basis, this list will be reviewed and, as needed, updated.

B. Within 60 days of the date of this Agreement, the Responsible Federal Agency and the Home State Supervisor will each designate a Primary Contact Person for each of the subject Multi-State Banks. Among other things, these individuals will jointly coordinate the supervisory and examination responsibilities of their respective agencies according to the principles of the State/Federal Protocol and this Agreement. The Responsible Federal Agency and the Home State Supervisor and the Primary Contact Persons, in particular, will take the necessary steps to ensure that the goals of the State/Federal Protocol and this Agreement, including a risk-focused, seamless supervisory process, are achieved.

C. The Primary Contact Persons will develop and, as needed, update a written comprehensive supervisory plan that covers an agreed upon period and provides for an effective and efficient supervision process tailored to the Multi-State Bank’s organizational structure and risk profile. In developing and updating the comprehensive supervisory plan, the Responsible Federal Agency and the Home State Supervisor will consider the views of the Local Federal Reserve Banks, the Local FDIC Regional Offices and the Host State Supervisors, as appropriate. The comprehensive supervisory plan will include:

1. A risk assessment of the organization;

2. The examination plan described in Section II.D. of this Agreement;
3. Schedules for examination planning meetings;

4. Estimated resource requirements for conducting on-site examinations;

5. Review and assessment of pending issues, such as the status of applications and compliance with enforcement actions;

6. Off-site monitoring plans; and

7. Such other matters as are necessary to promote the safety and soundness of the organization.

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 examinations. The examination plan will take into consideration the risk profile of the organization, its structure, and managerial preferences concerning certain aspects of the examination process (i.e., a preference for a series of target examinations versus a preference for all on-site examinations to be conducted simultaneously), and each agency's on-site examination cycle mandates. In tailoring the supervisory program, the examination plan will take into consideration the organization's internal control/compliance functions, as well as the external audit, as appropriate.

E. Safety and soundness examinations will generally be conducted on a joint basis. A joint examination will be conducted by an examination team comprised of representatives from both agencies which will issue a single examination report.

F. Notwithstanding the above provisions, the Responsible Federal Agency or the Home State Supervisor may conduct independent or special examinations in exceptional circumstances. The regulator

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2. This is not intended to supersede existing Alternate Examination Programs ("AEP"). An AEP examination will be conducted by either the Responsible Federal Agency or the Home State Supervisor, which will also issue the examination report.

3. For example, where there is significant safety and soundness risk.
initiating the independent or special examination will make every effort to provide appropriate notice to the other regulators prior to commencing the examination.

G. The Responsible Federal Agency and the Home State Supervisor may agree to have one examiner-in-charge (the "EIC") or may each assign a co-EIC to manage the on-site, joint examination. All necessary steps will be taken to ensure that all aspects of the examination process are fully coordinated and that duplication is avoided.4

The Primary Contact Persons and/or the EICs, as appropriate, will meet to:

1. Develop the examination focus and scope;

2. Develop procedures for compiling off-site and on-site examination-related information;

3. Develop a joint entry 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. Determine appropriate staffing levels and assign responsibilities for examination staff;

5. Develop procedures for coordinating information requests during the examination;

6. Schedule meetings with management; and

7. Determine a format for the examination report and assign responsibilities for writing and processing the examination report, including timeframes for completion, as required by Sections II.H. and II.I of this Agreement.

H. All examiners involved in an examination will perform the responsibilities assigned and promptly report the findings, conclusions

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4 Steps will also be taken to avoid duplication in specialty examinations. The procedures described herein will apply when appropriate.
and recommendations in the form requested, together with supporting papers to the EIC or their agency's co-EIC.

I. The examination report will be prepared using an agreed-upon format and will be forwarded to the institution within 45 calendar days from the close of the examination, which is the date of the exit interview with management. The exit interviews will take place within 15 calendar days from the close of all on-site activities.

III. Supervisory Actions

A. The Parties will, in all cases, consult one another regarding investigations and supervisory actions involving a Multi-State Bank.

B. When the Responsible Federal Agency and the Home State Supervisor jointly deem that a follow-up supervisory action against a Multi-State Bank is warranted, both agencies will consult one another and coordinate the drafting and implementation.

IV. Supervisory Information

A. Consistent with the goal of seamless supervision, any information provided by a 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. The Responsible Federal Agency may disclose to Local Federal Reserve Banks or Local FDIC Regional Offices confidential supervisory information obtained from Home State Supervisors if such disclosure is directly related to the Local Federal Reserve Banks' or Local FDIC Regional Offices' responsibilities. Similarly, Home State Supervisors may disclose to the Host State Supervisors confidential supervisory information obtained from Responsible Federal Agencies if such disclosure is directly related to the Host State Supervisors' supervisory responsibilities.

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, the Party will promptly notify the providing Party. Except as provided in Section IV.B. of this Agreement, and unless the providing Party consents to the disclosure or the disclosure is required by law, regulation, court order or other legal process, no Party will disclose to another person, agency or entity (other than the subject organization) confidential supervisory information obtained from the other Party without furnishing prior notice to the providing Party. 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.

V. Applications

A. The Responsible Federal Agency and the Home State Supervisor have primary responsibility for processing any application submitted by a bank as required under Federal and State law, respectively.

1. When available, similar (if not identical) applications forms will be used for applications required by both Federal and State law.

2. For applications required by both Federal and State law, the Responsible Federal Agency or the Home State Supervisor will promptly exchange copies of any applications received. Whenever a Multi-State Bank has submitted an application only to the Responsible Federal Agency or the Home State Supervisor, the party receiving the application will promptly provide a copy of the application to the other party. Where appropriate, the Responsible Federal Agency and the Home State Supervisor 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 Federal Agency and the Home State Supervisor 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 Federal Agency has authority for all applications required by Federal law, and will promptly furnish the Home State Supervisor with a copy of the decision.

C. The Home State Supervisor has responsibility for the coordination of all applications required by State law, and will promptly furnish the Responsible Federal Agency with a copy of any Home or Host State decision.

VI. Resolution Of Significant Differences

A. The Parties will make every effort to resolve any significant differences concerning the supervision of Multi-State Banks.

B. In those matters where, despite their best efforts, the Primary Contact Person cannot resolve a significant difference concerning the supervision of Multi-State Banks, the matters will immediately be referred to the appropriate senior officials of the Responsible Federal Agencies and the Home State Supervisor.

VII. Miscellaneous

A. Whenever this Agreement provides for a notice to be given to a Party, the notice will be given in writing.

B. A Party may terminate this Agreement by giving notice to the other Party. The terminations shall be effective 90 days after the date of the notice.

C. This Agreement may be amended only by a written instrument signed by each of the Parties.

D. This Agreement may be executed in counterparts and shall become effective when all parties have executed the original or a counterpart signature page.

E. This Agreement is not intended to be limited to the original signatories and other Parties may sign after the initial execution of this document.
VIII. Definitions

- "Home State" means the state where a state-chartered, Multi-State Bank is chartered.
- "Host State" means a state other than the Home State of a Multi-State Bank where the bank maintains a branch.
- "Host State Supervisor" means the bank supervisory agency of a Host State of a Multi-State Bank.
- "Local FDIC Regional Office" means a FDIC regional office other than the region of the Responsible FDIC Regional Office where a nonmember, Multi-State Bank maintains a branch.
- "Local Federal Reserve Bank" means a Federal Reserve district other than the Responsible Reserve Bank’s district where a member Multi-State Bank maintains a branch.
- "Multi-State Bank" means a state-charter bank that operates a branch or branches in a state other than its Home State.
- "Party" and "Parties" means the signatories to this Agreement. With respect to Sections IV and VI of this Agreement the terms "Party" and "Parties" include the Federal Reserve Banks.
- "Responsible FDIC Regional Office" means the FDIC regional office with responsibility for coordinating the FDIC’s supervision process for a state nonmember bank.
- "Responsible Federal Reserve Bank" means the Federal Reserve Bank with responsibility for coordinating the Federal Reserve’s supervision process for a state member bank.
- "Responsible Federal Agency" means either the Responsible Federal Reserve Bank or Responsible FDIC Regional Office for member or nonmember Multi-State Banks, respectively.
Signatures:
Signed:

Of:  Date:

Federal Deposit Insurance Corporation  11-14-96
Federal Reserve System  11/14/96
Alabama  11-14-96
Alaska  11-14-96
Arizona  11-14-96
Arkansas  11-14-96
California  11-14-96
Colorado  11-14-96
Connecticut  11-14-96
Delaware  11-14-96
District of Columbia  11/21/96
Florida  11/14/96
Signed:

Steven D. Bridges

Of:

Georgia

Guam

Hawaii

Idaho

Illinois

Indiana

Iowa

Kansas

Kentucky

Louisiana

Maine

Maryland

Massachusetts

Date:

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<td>W. Curtis Smith</td>
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<td>Michael Thomas</td>
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<td>John R. Clay</td>
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<td>Egbert R. Cooper</td>
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<td>James N. Lindsey</td>
<td>Virginia</td>
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Signed:

John J. Bailey
Sharon J. Rice
Michael J. Martin

Of:
Virgin Islands
Washington
West Virginia
Wisconsin
Wyoming

Date:
11-14-96
11-20-96
11/14/96
11/14/96
State/Federal Supervisory Protocol
STATE/FEDERAL SUPERVISORY PROTOCOL

Statement of Purpose and Applicability

The overall purpose of this Protocol is to outline a basic framework for supervising state-chartered banks with interstate branches. Accordingly, the goals and guiding principles of this Protocol apply to any multi-state, state chartered bank.¹ The extent to which the specific elements will apply depends upon the size and complexity of the subject bank; all elements would normally apply to interstate banks with total assets over $1 billion.

I. Goals and Guiding Principles

A. The goals of the Board of Governors of the Federal Reserve System (the "Board"), the Federal Deposit Insurance Corporation (the "FDIC") and the State Banking Departments are to promote the safety and soundness of financial institutions; to supervise and examine in a seamless, flexible and risk-focused manner; to minimize regulatory burden and expense; and to foster consistency, coordination, and communication among the appropriate Federal and State regulators.

B. To achieve these goals, the Board, the FDIC and the State Banking Departments resolve to:

1. Coordinate the supervisory process to achieve a seamless and flexible regulatory program for state-chartered banks with a multi-state presence.

   a. Recognize the Home State Supervisor² as the single point of state contact for a particular interstate bank consistent with the CSBS Protocol adopted April 20, 1995. The Responsible Federal Reserve Bank and the

¹ The most fundamental objectives of the Protocol, i.e. coordination, flexibility, and consistency, would apply to any state chartered bank.

² See appendix for definitions.
Responsibility for regional coordination, respectively, will coordinate primarily with the Home State Supervisor for state member banks and state nonmember banks.  

2. Develop a supervisory program that is tailored to a bank’s condition and risk profile and that specifically recognizes and addresses its unique characteristics.

3. Coordinate fully the applications process by promoting consistency in approach and developing common forms.

4. Provide information to a multi-state bank as to the laws and regulations governing its operations and the general regulatory policies and standards applicable to its supervision process.

II. Supervisory Process

A. Supervisory Plan

1. The Home State Supervisor and Responsible Federal Agency will each identify a specific individual responsible for developing and coordinating the supervisory process for each state chartered bank operating in more than one state. These individuals will, among other things, serve as the liaison with bank management and will ensure that the principles of this Protocol are achieved.

2. The Home State Supervisor and Responsible Federal Agency will jointly develop and update, as needed, a comprehensive supervisory plan covering an agreed upon planning horizon for each bank. This plan will take into consideration the bank’s organizational structure and risk profile. It will address the scheduling and timing for safety and soundness and specialty examinations and/or targeted reviews, off-site monitoring programs, and meetings with bank management.

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3. In bank holding companies with multiple state-chartered subsidiary banks, the Responsible Federal Reserve Bank for the holding company will coordinate with the appropriate parties to ensure the principles of this Protocol are applied on a consolidated basis.

4. In developing the risk based supervisory plan, consideration will be given to the degree of reliance that can be placed on the institution’s internal control/compliance functions, as well as external audit, as appropriate.

5. For example, Trust, Information Systems and Consumer Affairs/CRA Examinations.
3. The Home State Supervisor and Responsible Federal Agency will take all necessary steps to implement the supervisory plan and will coordinate with Host States and Local Federal Reserve Banks or Local FDIC Regional Offices.

B. Examinations

1. The over-riding goal of this Protocol is to minimize regulatory burden and maximize efficiency by conducting joint or alternating examinations.  

2. The scope of on-site examinations will be jointly developed during the pre-examination period for joint examinations. The Home State Supervisor and Responsible Federal Agency will consult, as appropriate, on the scope of alternate examinations. The scoping process will focus on ensuring examinations are risk-focused.

3. Based on this planning, the Home State Supervisor and Responsible Federal Agency will prepare a single joint entry letter for joint examinations. With an emphasis on reducing regulatory burden, entry 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 Home State Supervisor and Responsible Federal Agency will coordinate off-site and on-site examination work and will make every effort to avoid duplicative information requests. Examiners will coordinate requests for critical information related to centralized functions, such as risk management or credit review, that cross legal entity lines.

5. For joint examinations, the Home State Supervisor and Responsible Federal Agency will prepare a joint examination report that clearly and concisely identifies supervisory issues and any required corrective action.

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6 Joint examinations will normally be used for the larger, more complex organizations; alternate examinations are generally reserved for small organizations.

7 For examinations conducted under the alternating program, the agency conducting the examination will prepare the examination report.
C. Supervisory Actions

1. The Home State Supervisor and Responsible Federal Agency will, in all cases, consult one another regarding supervisory actions.

2. When the Home State Supervisor and Responsible Federal Agency jointly deem that a follow-up supervisory action is warranted, both agencies will take any necessary steps to develop and implement a joint action.

III. Communications

A. The individuals designated by the Home State Supervisor and Responsible Federal Agency as responsible for a particular bank will take all necessary steps to facilitate clear communication and information sharing in order to reduce burden on the institution and to keep each other informed of developments pertinent to supervision of the bank.  

B. Nothing in this Protocol preempts any statutory or regulatory obligation of a bank to provide specific information or file required reports with a Federal or State supervisor.

IV. Applicable Law

A. The Board, the FDIC and the State Banking Departments recognize they may not necessarily be empowered to waive provisions of Home or Host State law directly applicable to multi-state banks or their branches in Host States. However, to assist multi-state, state-chartered institutions and their counsel in resolving issues of applicable law, the Board, the FDIC and the State Banking Departments agree that these issues may be addressed using the following general principles.

1. Host State law shall apply generally to the operations of a branch of a multi-state bank in the Host State including: (i) antitrust law and deposit concentration limits; (ii) community reinvestment and similar laws; (iii) consumer protection laws.

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As appropriate, the Responsible Federal Agency and Home State Supervisor will take any necessary steps to communicate with Local Federal Reserve Banks/FDIC Regional Offices and Host State Supervisors, respectively.
including lending and usuary laws to the extent that laws or court decisions regarding the exportation of interest rates are inapplicable; (iv) fair lending or equal credit laws; and (v) other operational matters where competitive equality with host state banks may be an issue.

2. Home State law shall apply generally to the corporate structure and internal policies and procedures of a multi-state bank including: (i) charter and bylaws; (ii) incorporation and dissolution; (iii) board of directors and management; (iv) capital; (v) loans, lending limits and investments; (vi) common trust funds; (vii) dividends; (viii) indemnification of directors and officers; (ix) stock and debt; and (x) structure of bank subsidiaries.

3. These provisions are not intended to supersede any cooperative agreements between the states.

V. Applications

A. The Home State Supervisor and the Responsible Federal Agency will closely coordinate on all applicable applications matters.

1. The Home State Supervisor and the Responsible Federal Agency will take all appropriate actions to ensure that applications filed by multi-state banks are processed in a coordinated and timely fashion by their respective agencies.

2. Common applications forms and applications requirements, such as concurrent processing periods, will be developed to the extent practicable under State and Federal law.

3. To the extent that applications forms differ, the Home State Supervisor and the Responsible Federal Agency will accept needed information contained on the other agency’s forms, where practicable.
Definitions and Abbreviations

- "Home State" means the state where a state-chartered, multi-state bank is chartered.
- "Host State" means a state other than the Home State of a bank where the bank maintains a branch.
- "Local FDIC Regional Office" means an FDIC regional office, other than the Responsible FDIC regional office, where a state nonmember bank maintains a branch.
- "Local Federal Reserve Bank" means a Federal Reserve district, other than the Responsible Reserve Bank's district, where a member Multi-State Bank maintains a branch.
- "Responsible FDIC Regional Office" means the FDIC regional office with responsibility for coordinating the FDIC's supervision process for a state nonmember bank.
- "Responsible Federal Reserve Bank" means the Federal Reserve Bank with responsibility for coordinating the Federal Reserve's supervision process for a state member bank.
- "Responsible Federal Agency" means either the Responsible Federal Reserve Bank or Responsible FDIC Regional Office for state member banks and state nonmember banks, respectively.