



Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

Executive Summary, 2019-SR-B-013, September 25, 2019

The Board Can Enhance Its Internal Enforcement Action Issuance and Termination Processes by Clarifying the Processes, Addressing Inefficiencies, and Improving Transparency

Findings

We found that the Board of Governors of the Federal Reserve System (Board) and the Reserve Banks have implemented some effective practices to support the enforcement action issuance and termination processes; however, we identified opportunities for the Board to enhance these processes.

Specifically, we found that the Board can clarify certain aspects of these internal processes, such as the steps in these processes, the Board stakeholders' roles and responsibilities, and the Board members' involvement. In addition, we found that the Board can (1) improve the timeliness and efficiency of its enforcement action issuance and termination processes and (2) increase transparency with respect to the status of ongoing enforcement actions.

Recommendations

Our report contains recommendations designed to enhance the efficiency and effectiveness of the Board's enforcement action issuance and termination processes. In its response to our draft report, the Board concurs with our recommendations and outlines actions to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

Purpose

We conducted this evaluation to assess the efficiency and effectiveness of the Board's and the Reserve Banks' enforcement action issuance and termination processes and practices. This evaluation focused on enforcement actions against institutions within the community banking organization and the large and foreign banking organization portfolios. Specifically, our scope included certain types of formal and informal enforcement actions that address safety and soundness or Bank Secrecy Act/Anti-Money Laundering matters.

Background

The Board plays a significant role in supervising and regulating U.S. financial institutions. It delegates to each Reserve Bank the authority to supervise certain financial institutions, such as community banking organizations and large and foreign banking organizations, within the Reserve Bank's district. The Board's Division of Supervision and Regulation oversees the Reserve Banks' execution of these responsibilities. If the Board or a Reserve Bank identifies significant concerns through the supervisory process or other means, supervision staff can use various enforcement tools to compel an institution's management to address the issues.