



## Office of Inspector General

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

Executive Summary, 2020-SR-B-006, March 18, 2020

# The Board Can Enhance Certain Aspects of Its Enforcement Action Monitoring Practices

## Finding

We found that the Federal Reserve Banks in our sample have implemented some effective practices for monitoring enforcement actions; however, we identified opportunities for the Board of Governors of the Federal Reserve System to enhance certain aspects of these practices.

Specifically, we found that the Reserve Banks in our sample use different information systems for monitoring enforcement actions against institutions in the community banking organization (CBO) portfolio. We learned that the Board currently has an initiative underway to develop a common technology platform for supervisory activities across the Federal Reserve System for institutions with less than \$100 billion in total assets, including CBOs. We believe that implementing a common platform may result in more consistency and enhanced transparency into the Reserve Bank monitoring practices for this portfolio. Further, we believe that a common platform that includes CBO portfolio reporting capabilities could help the Board's oversight efforts by streamlining the process to view portfolio-level information on enforcement actions.

We also identified certain instances of Reserve Bank staff not posting supervised institutions' progress reports describing their enforcement action remediation efforts to the required system of record. Although the Reserve Banks in our sample were able to locate or provide a rationale for the missing progress reports, we believe that Reserve Banks should be consistently posting progress reports or documentation of the decision to waive progress reports to the required system of record. Doing so would facilitate retrieval of this information, enhance transparency, and support the Board's oversight efforts.

## Recommendation

Our report contains a recommendation designed to enhance the effectiveness of the Board's enforcement action monitoring practices. In its response to our draft report, the Board concurs with our recommendation and outlines actions to address the recommendation. We will follow up to ensure that the recommendation is fully addressed.

## Purpose

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

## Background

The Board delegates to each Reserve Bank the authority to supervise certain financial institutions within its District, with oversight by the Board's Division of Supervision and Regulation. 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 the institution's management to address the issues. Each Reserve Bank is responsible for monitoring compliance with all enforcement actions and recommending termination or modification of the actions within its District's purview.