Office of Inspector General
Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

Executive Summary, 2026-SR-B-011, July 22, 2026

The Board's and Reserve Banks' Practices for Following Up on Safety and Soundness Findings for Large and Foreign Banking Organizations

Finding

Federal Reserve System supervisory staff did not finalize validation of large and foreign banking organizations' (LFBO) remediation efforts for most horizontal findings we reviewed until several months after the institutions submitted their remediation materials. While guidance from the Board of Governors of the Federal Reserve System's Division of Supervision and Regulation (S&R) does not specify timing expectations for closing supervisory findings, we believe closing findings several months after institutions submit their remediation materials is untimely.

We primarily attribute the delays that our team detected to supervisory staff not finalizing their review of institutions' remediation efforts until the next annual horizontal review.

In October 2025, S&R issued principles limiting the circumstances in which horizontal reviews will occur. The Board also outlined when supervisory staff should rely on an institution's internal audit function to validate finding remediation instead of performing their own separate testing. Under the revised approach, supervisory staff will prioritize validating remediation activities for LFBOs with internal audit functions that do not have a satisfactory rating.

In addition, we identified a matter for management consideration related to challenges with the tracking and reporting capabilities in the system of record used to document supervisory findings and follow-up work.

Recommendations

We do not have any recommendations because of S&R's recent changes to its LFBO portfolio's supervisory approach. We describe those changes in our finding. Because our report does not contain recommendations, the Board chose not to provide an official management response.

Purpose

We assessed the effectiveness of the Board's and Federal Reserve Banks' practices for following up on supervisory findings that address safety and soundness issues in the LFBO portfolio. Our scope included (1) safety and soundness supervisory findings issued by the System from January 1, 2023, through December 31, 2024, to LFBOs with over $100 billion in consolidated assets and (2) all open supervisory findings issued to these institutions, regardless of issuance date, as of February 28, 2025.

Background

Reserve Banks assign a dedicated supervisory team to each institution in the LFBO portfolio. At the time of our review, supervisory staff performed idiosyncratic supervisory activities of individual LFBOs or horizontal reviews comparing practices across multiple LFBOs. During these reviews, supervisory staff may identify two types of findings: matters requiring attention and matters requiring immediate attention. Institutions must remediate supervisory findings, and Reserve Banks must follow up to assess institutions' progress and verify satisfactory remediation. Decisions to close findings generally involve supervisory staff, Reserve Bank management, and designated oversight groups.