

Corporate & Financial Weekly Digest

March 9, 2012 by [Jeffrey M. Werthan](#)

Federal Reserve Issues Guidance On Upgrades for Supervisory Ratings

On March 2, the Federal Reserve Board's Division of Supervision and Regulation issued SR 12-4, which contains guidance "to ensure that supervisors apply consistent standards as they evaluate whether banking organizations ... are eligible for upgrades of supervisory ratings." The guidance was issued "to ensure that upgrades occur in a timely manner when the banking organizations have made the requisite progress in addressing any supervisory concerns that had prompted lower ratings." To be eligible for an upgrade, institutions "are expected to demonstrate, among other things, improvement in financial condition and risk management, as well as show that such improvement is likely to continue." This guidance applies to all institutions supervised by the Federal Reserve with total consolidated assets of \$10 billion or less, including state member banks and bank holding companies. In so stating, the Federal Reserve explained that "while the factors discussed below are particularly relevant for state member community banks with consolidated assets of \$10 billion or less and address situations encountered recently, they can be applied to other types of community institutions supervised by the Federal Reserve." The timing of the release is interesting, particularly given the legislation presently before Congress that would require modification of certain practices employed by bank examiners.

For more information, click [here](#).

Katten Muchin Rosenman LLP

Charlotte Chicago Irving London Los Angeles New York Washington, DC