



Supervision News Flash

August 7, 2014

Welcome to a new way to help you stay abreast of topics and trends affecting financial institutions in the Fifth Federal Reserve District. On a periodic basis we'll share insights on what our examiners, analysts and economists are seeing both within the Federal Reserve Bank of Richmond's portfolio as well as trends from across the entire System.

We hope you'll find these updates helpful. Please let us know of topics you want to hear about and don't hesitate to share these updates with your team and colleagues.

Can internal audit be outsourced to the external auditor?

To answer this question we need to look back a decade to supervisory guidance [SR Letter 03-5](#), *Amended Interagency Guidance on the Internal Audit Function and its Outsourcing*, which incorporates the elements of the Sarbanes-Oxley Act of 2002. This guidance prohibits the arrangement for all public companies as well as non-public companies with assets greater than \$500 million. Our System newsletter, [Community Banking Connections](#), recently addressed this issue as well as other internal audit outsourcing insights.

Capital Triggers are not Limits

Last fall, Senior Vice President Jennifer Burns of the Richmond Fed wrote the cover story for the Federal Reserve System's [Community Banking Connections](#) publication emphasizing the importance of capital planning for community banks. In the [article](#), she urged bankers to take a forward looking, proactive stance on capital planning. Specifically she wrote about how effective capital policies use early-warning

indicators or “triggers” that alert bank management and boards of directors to start talking about available options for maintaining appropriate capital levels.

Banks that have been examined by the Richmond Fed in the last 18-24 months have probably noticed...([continue reading](#))

Guidance Letter SR 14-7 (Revised)

The Board of Governors of the Federal Reserve System has revised the guidance letter SR 14-7 that was previously published on July 22nd. Please contact either of the Community and Regional Banking Vice Presidents, Richard Gilbert at (804) 697-2883 or Richard.Gilbert@rich.frb.org, or Joan Garton at (804) 697-7966 or Joan.Garton@rich.frb.org with any questions or concerns.

[SR 14-7 \(Revised 7/29/14\)](#): Loan Coverage Requirements for Safety and Soundness Examinations of Community Banks

Save the Dates!

Fifth District Community Bankers Forum

September 22-23, 2014

Beginning at 1 p.m.

The Federal Reserve Bank of Richmond is hosting a Districtwide Community Bankers Forum in Richmond, Va. [President Jeffrey Lacker](#) will speak during dinner on Sept. 22. **Mark Olson**, a former member of the Federal Reserve Board of Governors and a past president of the American Bankers Association, will deliver the breakfast keynote address on Sept. 23. The two-day forum will also include panel discussions, breakout sessions and presentations. Invitations will be sent via email soon with details on the required registration.

For more information or to ensure your contact information is up-to-date, please contact Sean O'Hara of the Richmond Fed at 804-697-8610 or sean.o'hara@rich.frb.org