Decision of the

Supervision Appeals Review Committee

In the matter of ***

<u>Case No. 2018-05</u>

The *** ("Bank") made business decisions regarding the management of its liquidity risk profile after considering alternative approaches. In this regard, Bank management took steps to adapt its funds management practice to the chosen liquidity risk profile, including through regular Board engagement on the topic.

Even with the Bank's management focus on liquidity, the FDIC concluded in its 2018 supervisory examination that the Bank's liquidity risk management practices required a liquidity component rating of "3" because of reduced liquidity buffers, increased dependence on high-rate liabilities, and risk management practices that needed improvement. The Bank requested a review of this rating by the Director of the Division of Risk Management Supervision ("RMS"), who sustained the rating, and the Bank then timely appealed to the Supervision Appeals Review Committee ("Committee").

As supervised banks seek to manage financial risks, the FDIC must give fair consideration to a bank's business judgement while balancing the FDIC's responsibilities to protect the Deposit Insurance Fund and maintain public confidence in the banking system.

The Committee has reviewed the Bank's appeal in accordance with the *Guidelines for Appeals of Material Supervisory Determinations* ("Guidelines").[1] The Guidelines provide that the Committee review the appeal "for consistency with the policies, practices, and mission of the

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[1] 82 Fed. Reg. 34,522 (July 25, 2017).

FDIC and the overall reasonableness of, and the support offered for, the positions advanced." Under the Guidelines, the Bank has the burden of proof "as to all matters at issue in the appeal."

An affirmative vote of a majority of all members present is required to overturn an RMS decision. In this case, the two voting members of the Committee would have needed to agree that the Bank had met its burden of proof. Given the applicable standard of review, the Committee is unable to reverse the RMS decision in this matter.

This decision is considered a final supervisory determination by the FDIC.

By direction of the Supervision Appeals Review Committee of the FDIC, dated February 28, 2019.