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Office of Thrift Supervision

Department of the Treasury

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This document and any attachments are superseded by the US Department of the Treasury Financial Stability Programs.

October 21, 2009

MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM:

Timothy T. Ward
Deputy Director

A handwritten signature in black ink that reads 'Timothy T. Ward' is written over the typed name and title.

SUBJECT:

Troubled Asset Relief Program Capital Purchase Program –
Examination Guidance

This CEO Memo provides savings associations and holding companies participating in the Troubled Asset Relief Program's (TARP) Capital Purchase Program (CPP) guidance for ensuring compliance with the provisions of the Securities Purchase Agreement and applicable laws and regulations.

Background

On October 3, 2008, the Emergency Economic Stabilization Act (EESA) authorized the Treasury to use \$700 billion to restore liquidity to the U.S. financial system. The Treasury created the CPP. The CPP provides Treasury with \$250 billion to purchase senior preferred securities in financial institutions on standardized terms.

Since October 2008, Congress and the U.S. Treasury Department have issued amending regulations, interim guidance, and interim rules. Most recently, on June 10, 2009, Treasury issued an interim final rule on TARP Standards for Compensation and Corporate Governance. This interim final rule complies with the statutory requirement to promulgate standards that implement Section 7001 provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), consolidates all of the executive compensation related provisions that are specifically directed at TARP recipients into a single rule (superseding all prior rules and guidance), and uses the discretion granted to the Secretary under the ARRA to adopt additional standards, some of which are adapted from principles set forth in the February 2009 Treasury Guidance. This interim final rule revises in its entirety 31 CFR Part 30, which incorporates Treasury's regulations implementing Section 111 of EESA. See OTS Transmittal (TR) 435 at <http://files.ots.treas.gov/86435.pdf>.

Examination and Monitoring Requirements

Examiners will assess compliance with the TARP CPP Securities Purchase Agreement, the requirements of the EESA, and the Treasury's rules in 31 CFR Part 30. Examiners will conduct an initial, separate TARP examination. Thereafter, examiners will generally conduct the TARP review during regularly scheduled comprehensive examinations of participating savings associations and holding companies. Participants will receive a TARP-related Preliminary Examination Response Kit for completion prior to the examination.

Examiners will discuss noncompliance with the CPP requirements with institution or holding company management and include appropriate comments in the Report of Examination.

OTS will monitor a participant's use of CPP funds to augment capital and support lending needs in its market. Even though the terms of the Securities Purchase Agreement do not mandate specific use of these federal monies, the OTS expects each institution and holding company to document the use of CPP funds as a matter of sound corporate governance. Examiners will expect a level of documentation commensurate with the amount of TARP funds received and the percentage of funds directed to thrift activities. Comments will be based on safety and soundness concerns or compliance with laws and regulations.

Please direct any questions to your Regional Office CPP contact.

Attachments: [PERK and Examination Guidance Program](#)