

EM-1.1

Category: General Information

Topic: Structure and Use of Manual

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Introduction

The Farm Credit Administration (FCA) Examination Manual contains procedures and guidance for examining Farm Credit System (FCS or System) institutions. It is updated to reflect changes in laws, regulations, or other examination criteria, and to address new or emerging risks and changes in the FCS or its products and services. FCA stores Examination Manual guidance in a database, allowing it to be delivered to examiners through web-based examination applications. The guidance is converted into PDF documents and posted on the FCA website for public use.

Given the inherent diversity among institutions and the dynamic nature of lending and operational issues, the Examination Manual cannot cover all potential examination areas. However, the topics that are covered provide a solid base of procedures, criteria, and guidance to promote examination quality and consistency.

Outline

The Examination Manual is divided into three sections:

- **Part 1 – General Information:** Provides fundamental background information and criteria for the overall examination function and related processes.
- **Part 2 – CAMELS-Based Examination Areas:** Provides guidance on examining 29 topics within 9 broader examination categories that consist of Capital, Assets, Loan Portfolio Management, Board and Management Operations, Compliance, Information Technology, Earnings, Liquidity, and Sensitivity. The 29 topic documents each begin with an overview section, followed by the examination procedures and guidance for examining that topic.
- **Part 3 – Standard Examination Workpapers:** Provides tools to assist examiners in evaluating and documenting a specific issue or regulatory compliance area. Internally, these workpapers are typically Microsoft InfoPath templates that are available from within FCA's examination applications. PDF versions of selected workpapers are posted on FCA's website for public use.

Each document has a reference number for indexing and filing (e.g., EM-1.1 – Structure and Use of Manual or EM-33.3 – Financial & Shareholder Reporting). Each workpaper template also has a reference number (e.g., WP 33.3-1 – Annual Report to Shareholders) that correlates to its associated topic.

Use of Examination Manual Guidance

Consistent with risk-based principles, examiners determine the examination scope and select procedures within a topic, as needed, based on the particular circumstances of the institution being examined. Examiners may create custom procedures to address risks not covered in the standard procedures. The examiner-in-charge makes risk-based decisions on the depth of examination needed, and which questions and criteria within the guidance apply to the institution's situation and warrant examination. The guidance, which is typically in the form of "evaluative questions and items to consider," helps examiners understand key issues to consider when completing that procedure.

The guidance and supporting workpapers are designed to assist the examiner in applying judgment, rather than be inflexible rules. Each institution's policies, procedures, processes, and controls will vary based on the nature of its territory, portfolio, risk profile, or other factors. Examiners should consider this as they apply the Examination Manual criteria and guidance. The examiner must use his or her professional experience and judgment, augmented by Examination Manual guidance, to tailor appropriate examination techniques to each situation. The guidance and standard workpapers may be supplemented with additional examination techniques and ad hoc workpapers, as needed.

Revisions

When examination guidance is updated, the information is immediately available in FCA's internal database and its web-based planning and examination applications. The PDF documents on the FCA website are updated as needed.

Questions or Comments

FCA welcomes questions on Examination Manual content and suggestions for improvement. Examiners may use the Questions/Comments link in the various examination applications, or contact a member of the Examination Policy Division. System institutions can discuss any questions or suggestions with their examiner-in-charge, or contact Dan Fennewald, Director, Examination Policy Division, Office of Examination at (952) 259-0432 (e-mail fennewaldd@fca.gov.)