

Federal Reserve Bank of San Francisco  
101 Market Street, San Francisco, California 94105

May 21, 2010

To State Member Banks, Bank  
Holding Companies, Financial Holding  
Companies, and Foreign Bank Offices  
in the Twelfth Federal Reserve District

**Federal Financial Regulatory Agencies Issue Final Guidance on Correspondent Concentration Risks**

The federal financial regulatory agencies issued final guidance on April 30, 2010 to address the risks associated with funding and credit concentrations arising from correspondent relationships.

A correspondent relationship occurs when a financial organization provides another financial organization with services related to deposits, lending, or other activities.

The guidance highlights the need for institutions to identify, monitor, and manage correspondent concentration risk on a standalone and organization-wide basis. The guidance also reinforces the supervisory view that financial institutions should perform appropriate due diligence on all credit exposures to, and funding transactions with, other financial institutions as part of their risk management policies and procedures. The guidance does not supplant or amend applicable regulations such as *Limitations on Interbank Liabilities* (Regulation F).

**Additional Information**

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

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