

FDIC and Federal Reserve Board Request Comment on CAMELS Ratings

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The FDIC and the Federal Reserve Board have [solicited public comment](#) on the use of the Uniform Financial Institutions Rating System, more commonly known as CAMELS ratings. The release asks 10 questions, which focus on the ways in which the agencies use the CAMELS system, their consistency in doing so, and the implication of CAMELS ratings on expansion plans and enforcement actions. The release specifically states that it is not a proposal to modify the CAMELS system, noting that CAMELS is a product of the Federal Financial Institutions Examination Council. Comments in response to the release are due within 60 days of publication of the release in the Federal Register, which is expected shortly. We note that while national banks are also subject to CAMELS ratings, the OCC did not join the other two federal banking regulators in requesting comment.

One interesting aspect to watch will be how commenters answer questions about CAMELS ratings given the fact that CAMELS ratings are confidential. The agencies acknowledge this, stating that they “realize there are limitation on responses regarding the consistency of how CAMELS ratings are assigned” and “welcome general comments that do not breach these confidentiality requirements.” For those interested in a preview of what such comments may look like, we commend you to testimony by Bank Policy Institute (then The Clearing House) President and CEO Greg Baer in 2017, available [here](#). Baer describes how the use of CAMELS has changed over time, noting that the financial conditions components of CAMELS have been “overtaken” by other post-crisis reforms, leading examiners to “shift[] their emphasis to the one entirely subjective component: management.”

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