

Board of Governors of the Federal Reserve System

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# Rules of Practice for Hearings

12 CFR 263; as amended effective January 13, 2025



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AUTHORITY: 5 U.S.C. 504, 554–557; 12 U.S.C. 248, 324, 334, 347a, 504, 505, 1464, 1467, 1467a, 1817(j), 1818, 1820(k), 1829, 1831o, 1831p–1, 1832(c), 1847(b), 1847(d), 1884, 1972(2)(F), 3105, 3108, 3110, 3349, 3907, 3909(d), 4717, 5323, 5362, 5365, 5463, 5464, 5466, 5467; 15 U.S.C. 21, 781(i), 78o–4, 78o–5, 78u–2; 1639e(K); 28 U.S.C. 2461 note; 31 U.S.C. 5321; and 42 U.S.C. 4012a.

### 8-043

## SUBPART A—UNIFORM RULES OF PRACTICE AND PROCEDURE

### SECTION 263.1—Scope

This subpart prescribes uniform rules of practice and procedure applicable to adjudicatory proceedings required to be conducted on the record after opportunity for a hearing under the following statutory provisions:

- (a) Cease-and-desist proceedings under section 8(b) of the Federal Deposit Insurance Act (“FDIA”) (12 U.S.C. 1818(b));
- (b) Removal and prohibition proceedings under section 8(e) of the FDIA (12 U.S.C. 1818(e));
- (c) Change-in-control proceedings under section 7(j)(4) of the FDIA (12 U.S.C. 1817(j)(4)) to determine whether the Board of Governors of the Federal Reserve System (“Board”) should issue an order to approve or disapprove a person’s proposed acquisition of a state member bank, bank holding company, or savings and loan holding company;
- (d) Proceedings under section 15C(c)(2) of the Securities Exchange Act of 1934 (“Exchange Act”) (15 U.S.C. 78o–5), to impose sanctions upon any government securities broker or dealer or upon any person associated or seeking to become associated with a government securities broker or dealer for which the Board is the appropriate agency;

### 8-044

(e) Assessment of civil money penalties by the Board against institutions, institution-affiliated parties, and certain other persons for which the Board is the appropriate agency for any violation of:

- (1) Any provision of the Bank Holding Company Act of 1956, as amended (“BHC Act”), or any order or regulation issued thereunder, pursuant to 12 U.S.C. 1847(b) and (d);
- (2) Sections 19, 22, 23, 23A and 23B of the Federal Reserve Act (“FRA”), or any regulation or order issued thereunder and certain unsafe or unsound practices or breaches of fiduciary duty, pursuant to 12 U.S.C. 504 and 505;
- (3) Section 9 of the FRA pursuant to 12 U.S.C. 324;
- (4) Section 106(b) of the Bank Holding Company Act Amendments of 1970 and certain unsafe or unsound practices or breaches of fiduciary duty, pursuant to 12 U.S.C. 1972(2)(F);
- (5) Any provision of the Change in Bank Control Act of 1978, as amended, or any regulation or order issued thereunder and certain unsafe or unsound practices or breaches of fiduciary duty, pursuant to 12 U.S.C. 1817(j)(16);
- (6) Any provision of the International Lending Supervision Act of 1983 (“ILSA”) or any rule, regulation or order issued thereunder, pursuant to 12 U.S.C. 3909;
- (7) Any provision of the International Banking Act of 1978 (“IBA”) or any rule, regulation or order issued thereunder, pursuant to 12 U.S.C. 3108;
- (8) Certain provisions of the Exchange Act, pursuant to section 21B of the Exchange Act (15 U.S.C. 78u–2);
- (9) Section 1120 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3349), or any order or regulation issued thereunder;
- (10) The terms of any final or temporary order issued under section 8 of the FDIA or of any written agreement executed by the Board or the former Office of Thrift Supervision (“OTS”), the terms of any condition imposed in writing by the Board or the former OTS in connection with the grant of

an application or request, and certain unsafe or unsound practices or breaches of fiduciary duty or law or regulation pursuant to 12 U.S.C. 1818(i)(2);

(11) Any provision of law referenced in section 102(f) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(f)) or any order or regulation issued thereunder;

(12) Any provision of law referenced in 31 U.S.C. 5321 or any order or regulation issued thereunder;

(13) Section 5 of the Home Owners' Loan Act ("HOLA") or any regulation or order issued thereunder, pursuant to 12 U.S.C. 1464(d), (s) and (v);

(14) Section 9 of the HOLA or any regulation or order issued thereunder, pursuant to 12 U.S.C. 1467(d); and

(15) Section 10 of the HOLA, pursuant to 12 U.S.C. 1467a(i) and (r);

#### 8-044.1

(f) Remedial action under section 102(g) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(g));

(g) Removal, prohibition, and civil monetary penalty proceedings under section 10(k) of the FDIA (12 U.S.C. 1820(k)) for violations of the postemployment restrictions imposed by that section; and

(h) This subpart also applies to all other adjudications required by statute to be determined on the record after opportunity for an agency hearing, unless otherwise specifically provided for in the local rules (see section 263.3(i)).

#### 8-045

##### SECTION 263.2—Rules of Construction

For purposes of this subpart:

(a) Any term in the singular includes the plural, and the plural includes the singular, if such use would be appropriate;

(b) The term *counsel* includes a non-attorney representative; and

(c) Unless the context requires otherwise, a party's counsel of record, if any, may, on behalf of that party, take any action required to be taken by the party.

#### 8-046

##### SECTION 263.3—Definitions

For purposes of this subpart, unless explicitly stated to the contrary:

(a) *Administrative law judge (ALJ)* means one who presides at an administrative hearing under authority set forth at 5 U.S.C. 556.

(b) *Adjudicatory proceeding* means a proceeding conducted pursuant to these rules and leading to the formulation of a final order other than a regulation.

(c) *Decisional employee* means any member of the Board's or ALJ's staff who has not engaged in an investigative or prosecutorial role in a proceeding and who may assist the Agency or the ALJ, respectively, in preparing orders, recommended decisions, decisions, and other documents under the uniform rules.

(d) *Electronic signature* means electronically affixing the equivalent of a signature to an electronic document filed or transmitted electronically.

#### 8-046.1

(e) *Enforcement counsel* means any individual who files a notice of appearance as counsel on behalf of the Board in an adjudicatory proceeding.

(f) *Final order* means an order issued by the Board with or without the consent of the affected institution or the institution-affiliated party, that has become final, without regard to the pendency of any petition for reconsideration or review.

#### 8-046.2

(g) *Institution* includes:

(1) Any bank as that term is defined in section 3(a) of the FDIA (12 U.S.C. 1813(a));

(2) Any bank holding company or any subsidiary (other than a bank) of a bank holding company as those terms are defined in the BHC Act (12 U.S.C. 1841 *et seq.*);

(3) Any organization organized and operated under section 25A of the FRA (12 U.S.C. 611 *et seq.*) or operating under section 25 of the FRA (12 U.S.C. 601 *et seq.*);

(4) Any foreign bank or company to which

section 8 of the IBA (12 U.S.C. 3106), applies or any subsidiary (other than a bank) thereof;

(5) Any branch or agency as those terms are defined in section 1(b) of the IBA (12 U.S.C. 3101(1), (3), (5), (6));

(6) Any savings and loan holding company or any subsidiary (other than a depository institution) of a savings and loan holding company as those terms are defined in the HOLA (12 U.S.C. 1461 *et seq.*);

(7) Any U.S. or foreign nonbank financial company that the Financial Stability Oversight Council (“FSOC”) requires the Board to supervise under section 113 of the Dodd-Frank Act (12 U.S.C. 5323(a)(1), (b)(1)), or any subsidiary (other than a bank) thereof;

(8) Any financial market utility or financial institution conducting payment, clearing, or settlement activities that FSOC designates as systematically important under section 804 of the Dodd-Frank Act (12 U.S.C. 5463); and

(9) Any other entity subject to the supervision of the Board.

#### 8-046.3

(h) *Institution-affiliated party* means any institution-affiliated party as that term is defined in section 3(u) of the FDIA (12 U.S.C. 1813(u)).

(i) *Local rules* means those rules promulgated by the Board in this part other than this subpart.

(j) *OFIA* means the Office of Financial Institution Adjudication, the executive body charged with overseeing the administration of administrative enforcement proceedings for the Board, the Office of Comptroller of the Currency (“OCC”), the Federal Deposit Insurance Corporation (“FDIC”), and the National Credit Union Administration (“NCUA”).

(k) *Party* means the Board and any person named as a party in any notice.

#### 8-046.4

(l) *Person* means an individual, sole proprietor, partnership, corporation, unincorporated association, trust, joint venture, pool, syndicate, agency, or other entity or organization,

including an institution as defined in paragraph (g) of this section.

(m) *Respondent* means any party other than the Board.

(n) *Uniform rules* means those rules in this subpart A that are common to the Board, the OCC, the FDIC, and the NCUA.

(o) *Violation* means any violation as that term is defined in section 3(v) of the FDIA (12 U.S.C. 1813(v)).

#### 8-047

##### SECTION 263.4—Authority of the Board

The Board may, at any time during the pendency of a proceeding, perform, direct the performance of, or waive performance of, any act which could be done or ordered by the ALJ.

#### 8-048

##### SECTION 263.5—Authority of the Administrative Law Judge (ALJ)

(a) *General rule.* All proceedings governed by this part must be conducted in accordance with the provisions of 5 U.S.C. chapter 5. The ALJ has all powers necessary to conduct a proceeding in a fair and impartial manner and to avoid unnecessary delay.

#### 8-048.1

(b) *Powers.* The ALJ has all powers necessary to conduct the proceeding in accordance with paragraph (a) of this section, including the following powers:

- (1) To administer oaths and affirmations;
- (2) To issue subpoenas, subpoenas duces tecum, protective orders, and other orders, as authorized by this part, and to quash or modify any such subpoenas and orders;
- (3) To receive relevant evidence and to rule upon the admission of evidence and offers of proof;
- (4) To take or cause depositions to be taken as authorized by this subpart;
- (5) To regulate the course of the hearing and the conduct of the parties and their counsel;

- (6) To hold scheduling and/or prehearing conferences as set forth in section 263.31;
- (7) To consider and rule upon all procedural and other motions appropriate in an adjudicatory proceeding, provided that only the Board has the power to grant any motion to dismiss the proceeding or to decide any other motion that results in a final determination of the merits of the proceeding;
- (8) To prepare and present to the Board a recommended decision as provided in this section;
- (9) To recuse oneself by motion made by a party or on the ALJ's own motion;
- (10) To establish time, place and manner limitations on the attendance of the public and the media for any public hearing; and
- (11) To do all other things necessary and appropriate to discharge the duties of an ALJ.

**8-049****SECTION 263.6—Appearance and Practice in Adjudicatory Proceedings****(a) Appearance before the Board or an ALJ.**

(1) *By attorneys.* Any member in good standing of the bar of the highest court of any state, commonwealth, possession, territory of the United States, or the District of Columbia may represent others before the Board if such attorney is not currently suspended or debarred from practice before the Board.

**8-049.1**

(2) *By non-attorneys.* An individual may appear on the individual's own behalf.

**8-049.2****(3) Notice of appearance.**

(i) Any individual acting on the individual's own behalf or as counsel on behalf of a party, including the Board, must file a notice of appearance with OFIA at or before the time that the individual submits papers or otherwise appears on behalf of a party in the adjudicatory proceeding. The notice of appearance must include:

(A) A written declaration that the indi-

vidual is currently qualified as provided in paragraph (a)(1) or (2) of this section and is authorized to represent the particular party; and

(B) A written acknowledgement that the individual has reviewed and will comply with the uniform rules and local rules in subpart B of this part.

(ii) By filing a notice of appearance on behalf of a party in an adjudicatory proceeding, the counsel agrees and represents that the counsel is authorized to accept service on behalf of the represented party and that, in the event of withdrawal from representation, the counsel will, if required by the ALJ, continue to accept service until new counsel has filed a notice of appearance or until the represented party indicates that the party will proceed on a pro se basis.

**8-049.3**

(b) *Sanctions.* Dilatory, obstructionist, egregious, contemptuous, or contumacious conduct at any phase of any adjudicatory proceeding may be grounds for exclusion or suspension of counsel from the proceeding.

**8-050****SECTION 263.7—Good Faith Certification**

(a) *General requirement.* Every filing or submission of record following the issuance of a notice must be signed by at least one counsel of record in the counsel's individual name and must state that counsel's mailing address, electronic mail address, and telephone number. A party who acts as the party's own counsel must sign that person's individual name and state that person's mailing address, electronic mail address, and telephone number on every filing or submission of record. Electronic signatures may be used to satisfy the signature requirements of this section.

**8-050.1**

(b) *Effect of signature.*

(1) The signature of counsel or a party will constitute a certification: the counsel or party has read the filing or submission of

record; to the best of the counsel's or party's knowledge, information, and belief formed after reasonable inquiry, the filing or submission of record is well-grounded in fact and is warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law; and the filing or submission of record is not made for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.

(2) If a filing or submission of record is not signed, the ALJ will strike the filing or submission of record, unless it is signed promptly after the omission is called to the attention of the pleader or movant.

#### 8-050.2

(c) *Effect of making oral motion or argument.* The act of making any oral motion or oral argument by any counsel or party constitutes a certification that to the best of the counsel's or party's knowledge, information, and belief formed after reasonable inquiry, the counsel's or party's statements are well-grounded in fact and are warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law, and are not made for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.

#### 8-051

##### SECTION 263.8—Conflicts of Interest

(a) *Conflict of interest in representation.* No person may appear as counsel for another person in an adjudicatory proceeding if it reasonably appears that such representation may be materially limited by that counsel's responsibilities to a third person or by the counsel's own interests. The ALJ may take corrective measures at any stage of a proceeding to cure a conflict of interest in representation, including the issuance of an order limiting the scope of representation or disqualifying an individual from appearing in a representative capacity for the duration of the proceeding.

#### 8-051.1

(b) *Certification and waiver.* If any person ap-

pearing as counsel represents two or more parties to an adjudicatory proceeding or also represents a nonparty on a matter relevant to an issue in the proceeding, counsel must certify in writing at the time of filing the notice of appearance required by section 263.6(a):

(1) That the counsel has personally and fully discussed the possibility of conflicts of interest with each such party and non-party; and

(2) That each such party and non-party waives any right it might otherwise have had to assert any known conflicts of interest or to assert any nonmaterial conflicts of interest during the course of the proceeding.

#### 8-052

##### SECTION 263.9—Ex Parte Communications

(a) *Definition.*

(1) *Ex parte communication.* Ex parte communication means any material oral or written communication relevant to the merits of an adjudicatory proceeding that was neither on the record nor on reasonable prior notice to all parties that takes place between:

(i) An interested person outside the Board (including such person's counsel); and

(ii) The ALJ handling that proceeding, a member of the Board, or a decisional employee.

(2) *Exception.* A request for status of the proceeding does not constitute an ex parte communication.

#### 8-052.1

(b) *Prohibition of ex parte communications.* From the time the notice is issued by the Board until the date that the Board issues a final decision pursuant to section 263.40(c):

(1) An interested person outside the Federal Reserve System must not make or knowingly cause to be made an ex parte communication to a member of the Board, the ALJ, or a decisional employee; and

(2) A member of the Board, ALJ, or decisional employee may not make or knowingly cause to be made to any interested



person outside the Federal Reserve System any ex parte communication.

#### 8-052.2

(c) *Procedure upon occurrence of ex parte communication.* If an ex parte communication is received by the ALJ, a member of the Board, or any other person identified in paragraph (a) of this section, that person will cause all such written communications (or, if the communication is oral, a memorandum stating the substance of the communication) to be placed on the record of the proceeding and served on all parties. All other parties to the proceeding may, within ten days of service of the ex parte communication, file responses thereto and to recommend any sanctions that they believe to be appropriate under the circumstances. The ALJ or the Board then determines whether any action should be taken concerning the ex parte communication in accordance with paragraph (d) of this section.

#### 8-052.3

(d) *Sanctions.* Any party or counsel to a party who makes a prohibited ex parte communication, or who encourages or solicits another to make any such communication, may be subject to any appropriate sanction or sanctions imposed by the Board or the ALJ including, but not limited to, exclusion from the proceedings and an adverse ruling on the issue which is the subject of the prohibited communication.

(e) *Separation of functions.*

(1) *In general.* Except to the extent required for the disposition of ex parte matters as authorized by law, the ALJ may not:

- (i) Consult a person or party on a fact in issue unless on notice and opportunity for all parties to participate; or
- (ii) Be responsible to or subject to the supervision or direction of an employee or agent engaged in the performance of investigative or prosecuting functions for the Board.

(2) *Decision process.* An employee or agent engaged in the performance of investigative or prosecuting functions for the Board in a case may not, in that or a factually related case, participate or advise in the

decision, recommended decision, or agency review of the recommended decision under section 263.40, except as witness or counsel in administrative or judicial proceedings.

#### 8-053

#### SECTION 263.10—Filing of Papers

(a) *Filing.* Any papers required to be filed, excluding documents produced in response to a discovery request pursuant to sections 263.25 and 263.26, must be filed with OFIA, except as otherwise provided.

(b) *Manner of filing.* Unless otherwise specified by the Board or the ALJ, filing may be accomplished by:

- (1) Electronic mail or other electronic means designated by the Board or the ALJ;
- (2) Personal service;
- (3) Delivering the papers to a same day courier service or overnight delivery service; or
- (4) Mailing the papers by first class, registered, or certified mail.

#### 8-053.1

(c) *Formal requirements as to papers filed.*

(1) *Form.* All papers filed must set forth the name, mailing address, electronic mail address, and telephone number of the counsel or party making the filing and must be accompanied by a certification setting forth when and how service has been made on all other parties. All papers filed must be double-spaced and printed or typewritten on an 8½ × 11 inch page and must be clear and legible.

(2) *Signature.* All papers must be dated and signed as provided in section 263.7.

#### 8-053.2

(3) *Caption.* All papers filed must include at the head thereof, or on a title page, the name of the Board and of the filing party, the title and docket number of the proceeding, and the subject of the particular paper.

**8-054****SECTION 263.11—Service of Papers**

(a) *By the parties.* Except as otherwise provided, a party filing papers must serve a copy upon the counsel of record for all other parties to the proceeding so represented, and upon any party not so represented.

(b) *Method of service.* Except as provided in paragraphs (c)(2) and (d) of this section, a serving party must use one of the following methods of service:

- (1) Electronic mail or other electronic means;
- (2) Personal service;
- (3) Delivering the papers by same day courier service or overnight delivery service; or
- (4) Mailing the papers by first class, registered, or certified mail.

**8-054.1**

(c) *By the Board or the ALJ.*

(1) All papers required to be served by the Board or the ALJ upon a party who has appeared in the proceeding in accordance with section 263.6 will be served by electronic mail or other electronic means designated by the Board or ALJ.

(2) If a respondent has not appeared in the proceeding in accordance with section 263.6, the Board or the ALJ will serve the respondent by any of the following methods:

- (i) By personal service;
- (ii) If the person to be served is an individual, by delivery to a person of suitable age and discretion at the physical location where the individual resides or works;
- (iii) If the person to be served is a corporation or other association, by delivery to an officer, managing or general agent, or to any other agent authorized by appointment or by law to receive service and, if the agent is one authorized by statute to receive service and the statute so requires, by also mailing a copy to the respondent;
- (iv) By registered or certified mail, delivery by a same day courier service, or by an overnight delivery service to the respondent's last known mailing address; or

(v) By any other method reasonably calculated to give actual notice.

**8-054.2**

(d) *Subpoenas.* Service of a subpoena may be made:

- (1) By personal service;
- (2) If the person to be served is an individual, by delivery to a person of suitable age and discretion at the physical location where the individual resides or works;
- (3) If the person to be served is a corporation or other association, by delivery to an officer, managing or general agent, or to any other agent authorized by appointment or by law to receive service and, if the agent is one authorized by statute to receive service and the statute so requires, by also mailing a copy to the party;
- (4) By registered or certified mail, delivery by a same day courier service, or by an overnight delivery service to the person's last known mailing address; or
- (5) By any other method reasonably calculated to give actual notice.

**8-054.3**

(e) *Area of service.* Service in any state, territory, possession of the United States, or the District of Columbia, on any person or company doing business in any state, territory, possession of the United States, or the District of Columbia, or on any person as otherwise provided by law, is effective without regard to the place where the hearing is held, provided that if service is made on a foreign bank in connection with an action or proceeding involving one or more of its branches or agencies located in any state, territory, possession of the United States, or the District of Columbia, service must be made on at least one branch or agency so involved.

**8-055****SECTION 263.12—Construction of Time Limits**

(a) *General rule.* In computing any period of time prescribed by this subpart, the date of the act or event that commences the designated period of time is not included. The last day so

computed is included unless it is a Saturday, Sunday, or federal holiday. When the last day is a Saturday, Sunday, or federal holiday, the period runs until the end of the next day that is not a Saturday, Sunday, or federal holiday. Intermediate Saturdays, Sundays, and federal holidays are included in the computation of time. However, when the time period within which an act is to be performed is ten days or less, not including any additional time allowed for in paragraph (c) of this section, intermediate Saturdays, Sundays, and federal holidays are not included.

**8-055.1**

(b) *When papers are deemed to be filed or served.*

(1) Filing and service are deemed to be effective:

- (i) In the case of transmission by electronic mail or other electronic means, upon transmittal by the serving party;
- (ii) In the case of overnight delivery service or first class, registered, or certified mail, upon deposit in or delivery to an appropriate point of collection; or
- (iii) In the case of personal service or same day courier delivery, upon actual service.

(2) The effective filing and service dates specified in paragraph (b)(1) of this section may be modified by the Board or ALJ in the case of filing or by agreement of the parties in the case of service.

**8-055.2**

(c) *Calculation of time for service and filing of responsive papers.* Whenever a time limit is measured by a prescribed period from the service of any notice or paper, the applicable time limits are calculated as follows:

- (1) If service is made by electronic mail or other electronic means or by same day courier delivery, add one calendar day to the prescribed period;
- (2) If service is made by overnight delivery service, add two calendar days to the prescribed period; or
- (3) If service is made by first class, registered, or certified mail, add three calendar days to the prescribed period.

**8-056****SECTION 263.13—Change of Time Limits**

Except as otherwise provided by law, the ALJ may, for good cause shown, extend the time limits prescribed by the uniform rules or by any notice or order issued in the proceedings. After the referral of the case to the Board pursuant to section 263.38, the Board may grant extensions of the time limits for good cause shown. Extensions may be granted at the motion of a party after notice and opportunity to respond is afforded all non-moving parties or on the Board's or the ALJ's own motion.

**8-057****SECTION 263.14—Witness Fees and Expenses**

(a) *In general.* A witness, including an expert witness, who testifies at a deposition or hearing will be paid the same fees for attendance and mileage as are paid in the United States district courts in proceedings in which the United States is a party, except as provided in paragraph (b) and unless otherwise waived.

(b) *Exception for testimony by a party.* In the case of testimony by a party, no witness fees or mileage need to be paid. The Board will not be required to pay any fees to, or expenses of, any witness not subpoenaed by the Board.

(c) *Timing of payment.* Fees and mileage in accordance with this paragraph (c) must be paid in advance by the party requesting the subpoena, except that fees and mileage need not be tendered in advance where the Board is the party requesting the subpoena.

**8-058****SECTION 263.15—Opportunity for Informal Settlement**

Any respondent may, at any time in the proceeding, unilaterally submit to enforcement counsel written offers or proposals for settlement of a proceeding, without prejudice to the rights of any of the parties. Any such offer or

proposal may only be made to enforcement counsel. Submission of a written settlement offer does not provide a basis for adjourning or otherwise delaying all or any portion of a proceeding under this part. No settlement offer or proposal, or any subsequent negotiation or resolution, is admissible as evidence in any proceeding.

#### 8-059

### SECTION 263.16—The Board’s Right to Conduct Examination

Nothing contained in this subpart limits in any manner the right of the Board to conduct any examination, inspection, or visitation of any institution or institution-affiliated party, or the right of the Board to conduct or continue any form of investigation authorized by law.

#### 8-060

### SECTION 263.17—Collateral Attacks on Adjudicatory Proceeding

If an interlocutory appeal or collateral attack is brought in any court concerning all or any part of an adjudicatory proceeding, the challenged adjudicatory proceeding will continue without regard to the pendency of that court proceeding. No default or other failure to act as directed in the adjudicatory proceeding within the times prescribed in this subpart will be excused based on the pendency before any court of any interlocutory appeal or collateral attack.

#### 8-061

### SECTION 263.18—Commencement of Proceeding and Contents of Notice

#### (a) *Commencement of proceeding.*

(1) (i) Except for change-in-control proceedings under section 7(j)(4) of the FDIA, 12 U.S.C. 1817(j)(4), a proceeding governed by this subpart is commenced by issuance of a notice by the Board.

(ii) The notice must be served by enforcement counsel upon the respondent and given to any other appropriate financial institution supervisory authority

where required by law. Enforcement counsel may serve the notice upon counsel for the respondent, provided that enforcement counsel has confirmed that counsel represents the respondent in the matter and will accept service of the notice on behalf of the respondent.

(iii) Enforcement counsel must file the notice with OFIA.

(2) Change-in control proceedings under section 7(j)(4) of the FDIA (12 U.S.C. 1817(j)(4)) commence with the issuance of an order by the Board.

#### 8-061.1

(b) *Contents of notice.* Notice pleading applies. The notice must provide:

- (1) The legal authority for the proceeding and for the Board’s jurisdiction over the proceeding;
- (2) Matters of fact or law showing that the Board is entitled to relief;
- (3) A proposed order or prayer for an order granting the requested relief;
- (4) The time, place, and nature of the hearing as required by law or regulation;
- (5) The time within which to file an answer as required by law or regulation;
- (6) The time within which to request a hearing as required by law or regulation; and
- (7) That the answer and/or request for a hearing must be filed with OFIA.

#### 8-062

### SECTION 263.19—Answer

(a) *When.* Within 20 days of service of the notice, respondent must file an answer as designated in the notice. In a civil money penalty proceeding, respondent must also file a request for a hearing within 20 days of service of the notice.

#### 8-062.1

(b) *Content of answer.* An answer must specifically respond to each paragraph or allegation of fact contained in the notice and must admit, deny, or state that the respondent lacks sufficient information to admit or deny each allegation of fact. A statement of lack of in-

formation has the effect of a denial. Denials must fairly meet the substance of each allegation of fact denied; general denials are not permitted. When a respondent denies part of an allegation, that part must be denied and the remainder specifically admitted. Any allegation of fact in the notice which is not denied in the answer is deemed admitted for purposes of the proceeding. A respondent is not required to respond to the portion of a notice that constitutes the prayer for relief, or proposed order. The answer must set forth affirmative defenses, if any, asserted by the respondent.

#### 8-062.2

##### (c) *Default.*

(1) *Effect of failure to answer.* Failure of a respondent to file an answer required by this section within the time provided constitutes a waiver of the respondent's right to appear and contest the allegations in the notice. If no timely answer is filed, enforcement counsel may file a motion for entry of an order of default. Upon a finding that no good cause has been shown for the failure to file a timely answer, the ALJ will file with the Board a recommended decision containing the findings and the relief sought in the notice. Any final order issued by the Board based upon a respondent's failure to answer is deemed to be an order issued upon consent.

(2) *Effect of failure to request a hearing in civil money penalty proceedings.* If respondent fails to request a hearing as required by law within the time provided, the notice of assessment constitutes a final and unappealable order of the Board without further action by the ALJ.

#### 8-063

##### SECTION 263.20—Amended Pleadings

(a) *Amendments.* The notice or answer may be amended or supplemented at any stage of the proceeding. The respondent must answer an amended notice within the time remaining for the respondent's answer to the original notice, or within ten days after service of the amended notice, whichever period is longer,

unless the Board or ALJ orders otherwise for good cause.

#### 8-063.1

(b) *Amendments to conform to the evidence.* When issues not raised in the notice or answer are tried at the hearing by express or implied consent of the parties, they will be treated in all respects as if they had been raised in the notice or answer, and no formal amendments are required. If evidence is objected to at the hearing on the ground that it is not within the issues raised by the notice or answer, the ALJ may admit the evidence when admission is likely to assist in adjudicating the merits of the action and the objecting party fails to satisfy the ALJ that the admission of such evidence would unfairly prejudice that party's action or defense upon the merits. The ALJ may grant a continuance to enable the objecting party to meet such evidence.

#### 8-064

##### SECTION 263.21—Failure to Appear

Failure of a respondent to appear in person at the hearing or by a duly authorized counsel constitutes a waiver of respondent's right to a hearing and is deemed an admission of the facts as alleged and consent to the relief sought in the notice. Without further proceedings or notice to the respondent, the ALJ will file with the Board a recommended decision containing the findings and the relief sought in the notice.

#### 8-065

##### SECTION 263.22—Consolidation and Severance of Actions

##### (a) *Consolidation.*

(1) On the motion of any party, or on the ALJ's own motion, the ALJ may consolidate, for some or all purposes, any two or more proceedings, if each such proceeding involves or arises out of the same transaction, occurrence, or series of transactions or occurrences, or involves at least one common respondent or a material common

question of law or fact, unless such consolidation would cause unreasonable delay or injustice.

(2) In the event of consolidation under paragraph (a)(1) of this section, appropriate adjustment to the prehearing schedule must be made to avoid unnecessary expense, inconvenience, or delay.

#### 8-065.1

(b) *Severance.* The ALJ may, upon the motion of any party, sever the proceeding for separate resolution of the matter as to any respondent only if the ALJ finds:

(1) Undue prejudice or injustice to the moving party would result from not severing the proceeding; and

(2) Such undue prejudice or injustice would outweigh the interests of judicial economy and expedition in the complete and final resolution of the proceeding.

#### 8-066

### SECTION 263.23—Motions

(a) *In writing.*

(1) Except as otherwise provided in this section, an application or request for an order or ruling must be made by written motion.

(2) All written motions must state with particularity the relief sought and must be accompanied by a proposed order.

(3) No oral argument may be held on written motions except as otherwise directed by the ALJ. Written memoranda, briefs, affidavits, or other relevant material or documents may be filed in support of or in opposition to a motion.

#### 8-066.1

(b) *Oral motions.* A motion may be made orally on the record unless the ALJ directs that such motion be reduced to writing.

(c) *Filing of motions.* Motions must be filed with the ALJ, except that following the filing of the recommended decision, motions must be filed with the Board.

#### 8-066.2

(d) *Responses.*

(1) Except as otherwise provided in this section, within ten days after service of any written motion, or within such other period of time as may be established by the ALJ or the Board, any party may file a written response to a motion. The ALJ will not rule on any oral or written motion before each party has had an opportunity to file a response.

(2) The failure of a party to oppose a written motion or an oral motion made on the record is deemed a consent by that party to the entry of an order substantially in the form of the order accompanying the motion.

#### 8-066.3

(e) *Dilatory motions.* Frivolous, dilatory or repetitive motions are prohibited. The filing of such motions may form the basis for sanctions.

(f) *Dispositive motions.* Dispositive motions are governed by sections 263.29 and 263.30.

#### 8-067

### SECTION 263.24—Scope of Document Discovery

(a) *Limits on discovery.*

(1) Subject to the limitations set out in paragraphs (b) through (d) of this section, a party to a proceeding under this subpart may obtain document discovery by serving a written request to produce documents. For purposes of a request to produce documents, the term documents includes writings, drawings, graphs, charts, photographs, recordings, electronically stored information, and other data or data compilations stored in any medium from which information can be obtained either directly or, if necessary, after translation by the responding party, into a reasonably usable form.

(2) Discovery by use of deposition is governed by section 263.53.

(3) Discovery by use of either interrogatories or requests for admission is not permitted.

(4) Any request to produce documents that

calls for irrelevant material; or that is unreasonable, oppressive, excessive in scope, unduly burdensome, or repetitive of previous requests, or that seeks to obtain privileged documents will be denied or modified. A request is unreasonable, oppressive, excessive in scope, or unduly burdensome if, among other things, it fails to include justifiable limitations on the time period covered and the geographic locations to be searched, or the time provided to respond in the request is inadequate.

#### 8-067.1

(b) *Relevance.* A party may obtain document discovery regarding any nonprivileged matter that has material relevance to the merits of the pending action.

#### 8-067.2

(c) *Privileged matter.* Privileged documents are not discoverable. Privileges include the attorney-client privilege, attorney work-product doctrine, bank examination privilege, law enforcement privilege, any government's or government agency's deliberative process privilege, and any other privileges the Constitution, any applicable act of Congress, or the principles of common law provide.

#### 8-067.3

(d) *Time limits.* All document discovery, including all responses to discovery requests, must be completed by the date set by the ALJ and no later than 30 days prior to the date scheduled for the commencement of the hearing, except as provided in the local rules. No exceptions to this time limit are permitted, unless the ALJ finds on the record that good cause exists for waiving the requirements of this paragraph (d).

#### 8-068

### SECTION 263.25—Request for Document Discovery from Parties

(a) *Document requests.*

(1) Any party may serve on any other party a request to produce and permit the requesting party or its representative to inspect or copy any discoverable documents that are

in the possession, custody, or control of the party upon whom the request is served. In the case of a request for inspection, the responding party may produce copies of documents or of electronically stored information instead of permitting inspection.

(2) The request:

- (i) Must describe with reasonable particularity each item or category of items to be inspected or produced; and
- (ii) Must specify a reasonable time, place, and manner for the inspection or production.

#### 8-068.1

(b) *Production or copying.*

(1) *General.* Unless otherwise specified by the ALJ or agreed upon by the parties, the producing party must produce copies of documents as they are kept in the usual course of business or organized to correspond to the categories of the request, and electronically stored information must be produced in a form in which it is ordinarily maintained or in a reasonably usable form.

(2) *Costs.* The producing party must pay its own costs to respond to a discovery request, unless otherwise agreed by the parties.

#### 8-068.2

(c) *Obligation to update responses.* A party who has responded to a discovery request with a response that was complete when made is not required to supplement the response to include documents thereafter acquired, unless the responding party learns:

- (1) The response was materially incorrect when made; or
- (2) The response, though correct when made, is no longer true and a failure to amend the response is, in substance, a knowing concealment.

#### 8-068.3

(d) *Motions to limit discovery.*

(1) Any party that objects to a discovery request may, within 20 days of being served with such request, file a motion in accordance with the provisions of section 263.23 to strike or otherwise limit the request. If an objection is made to only a portion of an

item or category in a request, the portion objected to must be specified. Any objections not made in accordance with this paragraph and section 263.23 are waived.

(2) The party who served the request that is the subject of a motion to strike or limit may file a written response within ten days of service of the motion. No other party may file a response.

#### 8-068.4

(e) *Privilege.* At the time other documents are produced, the producing party must reasonably identify all documents withheld on the grounds of privilege and must produce a statement of the basis for the assertion of privilege. When similar documents that are protected by attorney-client privilege, attorney work-product doctrine, bank examination privilege, law enforcement privilege, any government's or government agency's deliberative process privilege, or any other privileges of the Constitution, any applicable act of Congress, or the principles of common law, or are voluminous, these documents may be identified by category instead of by individual document. The ALJ retains discretion to determine when the identification by category is insufficient.

#### 8-068.5

(f) *Motions to compel production.*

(1) If a party withholds any documents as privileged or fails to comply fully with a discovery request, the requesting party may, within ten days of the assertion of privilege or of the time the failure to comply becomes known to the requesting party, file a motion in accordance with the provisions of section 263.23 for the issuance of a subpoena compelling production.

(2) The party who asserted the privilege or failed to comply with the document request may file a written response to a motion to compel within ten days of service of the motion. No other party may file a response.

#### 8-068.6

(g) *Ruling on motions.* After the time for filing responses pursuant to this section has expired, the ALJ will rule promptly on all motions filed pursuant to this section. If the ALJ

determines that a discovery request, or any of its terms, calls for irrelevant material, is unreasonable, oppressive, excessive in scope, unduly burdensome, or repetitive of previous requests, or seeks to obtain privileged documents, the ALJ may deny or modify the request, and may issue appropriate protective orders, upon such conditions as justice may require. The pendency of a motion to strike or limit discovery or to compel production is not a basis for staying or continuing the proceeding, unless otherwise ordered by the ALJ. Notwithstanding any other provision in this part, the ALJ may not release, or order a party to produce, documents withheld on grounds of privilege if the party has stated to the ALJ its intention to file a timely motion for interlocutory review of the ALJ's order to produce the documents, and until the motion for interlocutory review has been decided.

#### 8-068.7

(h) *Enforcing discovery subpoenas.* If the ALJ issues a subpoena compelling production of documents by a party, the subpoenaing party may, in the event of noncompliance and to the extent authorized by applicable law, apply to any appropriate United States district court for an order requiring compliance with the subpoena. A party's right to seek court enforcement of a subpoena will not in any manner limit the sanctions that may be imposed by the ALJ against a party who fails to produce subpoenaed documents.

#### 8-069

### SECTION 263.26—Document Subpoenas to Nonparties

(a) *General rules.*

(1) Any party may apply to the ALJ for the issuance of a document discovery subpoena addressed to any person who is not a party to the proceeding. The application must contain a proposed document subpoena and a brief statement showing the general relevance and reasonableness of the scope of documents sought. The subpoenaing party must specify a reasonable time, place, and manner for making production in response to the document subpoena.



**8-069.1**

(2) A party may apply for a document subpoena under this section only within the time period during which such party could serve a discovery request under section 263.24(d). The party obtaining the document subpoena is responsible for serving it on the subpoenaed person and for serving copies on all parties. Document subpoenas may be served in any state, territory, or possession of the United States, the District of Columbia, or as otherwise provided by law.

**8-069.2**

(3) The ALJ will promptly issue any document subpoena requested pursuant to this section. If the ALJ determines that the application does not set forth a valid basis for the issuance of the subpoena, or that any of its terms are unreasonable, oppressive, excessive in scope, or unduly burdensome, the ALJ may refuse to issue the subpoena or may issue it in a modified form upon such conditions as may be consistent with the uniform rules.

**8-069.3**

(b) *Motion to quash or modify.*

(1) Any person to whom a document subpoena is directed may file a motion to quash or modify such subpoena with the ALJ. The motion must be accompanied by a statement of the basis for quashing or modifying the subpoena. The movant must serve the motion on all parties, and any party may respond to such motion within ten days of service of the motion.

(2) Any motion to quash or modify a document subpoena must be filed on the same basis, including the assertion of privilege, upon which a party could object to a discovery request under section 263.25(d), and during the same time limits during which such an objection could be filed.

**8-069.4**

(c) *Enforcing document subpoenas.* If a subpoenaed person fails to comply with any subpoena issued pursuant to this section or any order of the ALJ, which directs compliance with all or any portion of a document sub-

poena, the subpoenaing party or any other aggrieved party may, to the extent authorized by applicable law, apply to an appropriate United States district court for an order requiring compliance with so much of the document subpoena as the ALJ has not quashed or modified. A party's right to seek court enforcement of a document subpoena will in no way limit the sanctions that may be imposed by the ALJ on a party who induces a failure to comply with subpoenas issued under this section.

**8-070****SECTION 263.27—Deposition of Witness Unavailable for Hearing**

(a) *General rules.*

(1) If a witness will not be available for the hearing, a party desiring to preserve that witness' testimony for the record may apply in accordance with the procedures set forth in paragraph (a)(2) of this section, to the ALJ for the issuance of a subpoena, including a subpoena duces tecum, requiring the attendance of the witness at a deposition. The ALJ may issue a deposition subpoena under this section upon showing:

- (i) The witness will be unable to attend or may be prevented from attending the hearing because of age, sickness or infirmity, or will otherwise be unavailable;
- (ii) The witness' unavailability was not procured or caused by the subpoenaing party;
- (iii) The testimony is reasonably expected to be material; and
- (iv) Taking the deposition will not result in any undue burden to any other party and will not cause undue delay of the proceeding.

**8-070.1**

(2) The application must contain a proposed deposition subpoena and a brief statement of the reasons for the issuance of the subpoena. The subpoena must name the witness whose deposition is to be taken and specify the time, manner, and place for taking the deposition. A deposition subpoena may require the witness to be deposed at

any place within the country in which that witness resides or has a regular place of employment, by remote means, or such other convenient place or manner, as the ALJ fixes.

#### 8-070.2

(3) Any requested subpoena that sets forth a valid basis for its issuance must be promptly issued, unless the ALJ requires a written response or requires attendance at a conference concerning whether the requested subpoena should be issued.

#### 8-070.3

(4) The party obtaining a deposition subpoena is responsible for serving it on the witness and for serving copies on all parties. Unless the ALJ orders otherwise, no deposition under this section may be taken on fewer than ten days' notice to the witness and all parties.

#### 8-070.4

##### (b) *Objections to deposition subpoenas.*

(1) The witness and any party who has not had an opportunity to oppose a deposition subpoena issued under this section may file a motion with the ALJ to quash or modify the subpoena prior to the time for compliance specified in the subpoena, but not more than ten days after service of the subpoena.

(2) A statement of the basis for the motion to quash or modify a subpoena issued under this section must accompany the motion. The motion must be served on all parties.

#### 8-070.5

##### (c) *Procedure upon deposition.*

(1) Each witness testifying pursuant to a deposition subpoena must be duly sworn. By stipulation of the parties or by order of the ALJ, a court reporter or other person authorized to administer an oath may administer the oath remotely without being in the physical presence of the deponent. Each party must have the right to examine the witness. Objections to questions or documents must be in short form, stating the grounds for the objection. Failure to object to questions or documents is not deemed a

waiver except where the ground for the objection might have been avoided if the objection had been timely presented. All questions, answers, and objections must be recorded.

#### 8-070.6

(2) Any party may move before the ALJ for an order compelling the witness to answer any questions the witness has refused to answer or submit any evidence the witness has refused to submit during the deposition.

(3) The deposition must be subscribed by the witness, unless the parties and the witness, by stipulation, have waived the signing, or the witness is ill, cannot be found, or has refused to sign. If the deposition is not subscribed by the witness, the court reporter taking the deposition must certify that the transcript is a true and complete transcript of the deposition.

#### 8-070.7

(d) *Enforcing subpoenas.* If a subpoenaed person fails to comply with any subpoena issued pursuant to this section, or fails to comply with any order of the ALJ, which directs compliance with all or any portion of a deposition subpoena under paragraph (b) or (c)(2) of this section, the subpoenaing party or other aggrieved party may, to the extent authorized by applicable law, apply to an appropriate United States district court for an order requiring compliance with the portions of the subpoena with which the subpoenaed party has not complied. A party's right to seek court enforcement of a deposition subpoena in no way limits the sanctions that may be imposed by the ALJ on a party who fails to comply with, or procures a failure to comply with, a subpoena issued under this section.

#### 8-071

##### SECTION 263.28—Interlocutory Review

(a) *General rule.* The Board may review a ruling of the ALJ prior to the certification of the record to the Board only in accordance with the procedures set forth in this section and section 263.23.

**8-071.1**

(b) *Scope of review.* The Board may exercise interlocutory review of a ruling of the ALJ if the Board finds:

- (1) The ruling involves a controlling question of law or policy as to which substantial grounds exist for a difference of opinion;
- (2) Immediate review of the ruling may materially advance the ultimate termination of the proceeding;
- (3) Subsequent modification of the ruling at the conclusion of the proceeding would be an inadequate remedy; or
- (4) Subsequent modification of the ruling would cause unusual delay or expense.

**8-071.2**

(c) *Procedure.* Any request for interlocutory review must be filed by a party with the ALJ within ten days of the ruling and must otherwise comply with section 263.23. Any party may file a response to a request for interlocutory review in accordance with section 263.23(d). Upon the expiration of the time for filing all responses, the ALJ will refer the matter to the Board for final disposition.

**8-071.3**

(d) *Suspension of proceeding.* Neither a request for interlocutory review nor any disposition of such a request by the Board under this section suspends or stays the proceeding unless otherwise ordered by the ALJ or the Board.

**8-072****SECTION 263.29—Summary Disposition**

(a) *In general.* The ALJ will recommend that the Board issue a final order granting a motion for summary disposition if the undisputed pleaded facts, admissions, affidavits, stipulations, documentary evidence, matters as to which official notice may be taken, and any other evidentiary materials properly submitted in connection with a motion for summary disposition show:

- (1) There is no genuine issue as to any material fact; and
- (2) The moving party is entitled to a decision in its favor as a matter of law.

**8-072.1**

(b) *Filing of motions and responses.*

- (1) Any party who believes there is no genuine issue of material fact to be determined and that the party is entitled to a decision as a matter of law may move at any time for summary disposition in its favor of all or any part of the proceeding. Any party, within 20 days after service of such a motion, or within such time period as allowed by the ALJ, may file a response to such motion.

**8-072.2**

- (2) A motion for summary disposition must be accompanied by a statement of the material facts as to which the moving party contends there is no genuine issue. Such motion must be supported by documentary evidence, which may take the form of admissions in pleadings, stipulations, depositions, investigatory depositions, transcripts, affidavits, and any other evidentiary materials that the moving party contends supports the moving party's position. The motion must also be accompanied by a brief containing the points and authorities in support of the contention of the moving party. Any party opposing a motion for summary disposition must file a statement setting forth those material facts as to which the opposing party contends a genuine dispute exists. Such opposition must be supported by evidence of the same type as that submitted with the motion for summary disposition and a brief containing the points and authorities in support of the contention that summary disposition would be inappropriate.

**8-072.3**

(c) *Hearing on motion.* At the written request of any party or on the ALJ's own motion, the ALJ may hear oral argument on the motion for summary disposition.

**8-072.4**

(d) *Decision on motion.* Following receipt of a motion for summary disposition and all responses thereto, the ALJ will determine whether the moving party is entitled to summary disposition. If the ALJ determines that

summary disposition is warranted, the ALJ will submit a recommended decision to that effect to the Board. If the ALJ finds that no party is entitled to summary disposition, the ALJ will make a ruling denying the motion.

#### 8-073

#### SECTION 263.30—Partial Summary Disposition

If the ALJ determines that a party is entitled to summary disposition as to certain claims only, the ALJ will defer submitting a recommended decision as to those claims. A hearing on the remaining issues must be ordered. Those claims for which the ALJ has determined that summary disposition is warranted will be addressed in the recommended decision filed at the conclusion of the hearing.

#### 8-074

#### SECTION 263.31—Scheduling and Prehearing Conferences

(a) *Scheduling conference.* Within 30 days of service of the notice or order commencing a proceeding, the ALJ will direct counsel for all parties to meet with the ALJ at a specified time and manner prior to the hearing for the purpose of scheduling the course and conduct of the proceeding. This meeting is called a “scheduling conference.” The schedule for the identification of potential witnesses, the time for and manner of discovery, and the exchange of any prehearing materials including witness lists, statements of issues, stipulations, exhibits, and any other materials may also be determined at the scheduling conference.

#### 8-074.1

(b) *Prehearing conferences.* The ALJ may, in addition to the scheduling conference, on the ALJ’s own motion or at the request of any party, direct counsel for the parties to confer with the ALJ at a prehearing conference to address any or all of the following:

- (1) Simplification and clarification of the issues;
- (2) Stipulations, admissions of fact, and the contents, authenticity and admissibility into evidence of documents;

- (3) Matters of which official notice may be taken;
- (4) Limitation of the number of witnesses;
- (5) Summary disposition of any or all issues;
- (6) Resolution of discovery issues or disputes;
- (7) Amendments to pleadings; and
- (8) Such other matters as may aid in the orderly disposition of the proceeding.

#### 8-074.2

(c) *Transcript.* The ALJ may require that a scheduling or prehearing conference be recorded by a court reporter. A transcript of the conference and any materials filed, including orders, becomes part of the record of the proceeding. A party may obtain a copy of the transcript at the party’s expense.

#### 8-074.3

(d) *Scheduling or prehearing orders.* At or within a reasonable time following the conclusion of the scheduling conference or any prehearing conference, the ALJ will serve on each party an order setting forth any agreements reached and any procedural determinations made.

#### 8-075

#### SECTION 263.32—Prehearing Submissions

(a) *Party prehearing submissions.* Within the time set by the ALJ, but in no case later than 20 days before the start of the hearing, each party must file with the ALJ and serve on every other party:

- (1) A prehearing statement that states:
  - (i) The party’s position with respect to the legal issues presented;
  - (ii) The statutory and case law upon which the party relies; and
  - (iii) The facts that the party expects to prove at the hearing;
- (2) A final list of witnesses to be called to testify at the hearing, including the name, mailing address, and electronic mail address of each witness and a short summary of the expected testimony of each witness, which

need not identify the exhibits to be relied upon by each witness at the hearing;

(3) A list of the exhibits expected to be introduced at the hearing along with a copy of each exhibit; and

(4) Stipulations of fact, if any.

#### 8-075.1

(b) *Effect of failure to comply.* No witness may testify and no exhibits may be introduced at the hearing if such witness or exhibit is not listed in the prehearing submissions pursuant to paragraph (a) of this section, except for good cause shown.

#### 8-076

##### SECTION 263.33—Public Hearings

(a) *General rule.* All hearings must be open to the public, unless the Board, in the Board's discretion, determines that holding an open hearing would be contrary to the public interest. Within 20 days of service of the notice or, in the case of change-in-control proceedings under section 7(j)(4) of the FDIA (12 U.S.C. 1817(j)(4)), within 20 days from service of the hearing order, any respondent may file with the Board a request for a private hearing, and any party may file a reply to such a request. A party must serve on the ALJ a copy of any request or reply the party files with the Board. The form of, and procedure for, these requests and replies are governed by section 263.23. A party's failure to file a request or a reply constitutes a waiver of any objections regarding whether the hearing will be public or private.

#### 8-076.1

(b) *Filing document under seal.* Enforcement counsel, in enforcement counsel's discretion, may file any document or part of a document under seal if disclosure of the document would be contrary to the public interest. The ALJ will take all appropriate steps to preserve the confidentiality of such documents or parts thereof, including closing portions of the hearing to the public.

#### 8-077

##### SECTION 263.34—Hearing Subpoenas

#### (a) *Issuance.*

(1) Upon application of a party showing general relevance and reasonableness of scope of the testimony or other evidence sought, the ALJ may issue a subpoena or a subpoena duces tecum requiring the attendance of a witness at the hearing or the production of documentary or physical evidence at the hearing. The application for a hearing subpoena must also contain a proposed subpoena specifying the attendance of a witness or the production of evidence from any state, territory, or possession of the United States, the District of Columbia, or as otherwise provided by law at any designated place where the hearing is being conducted. The party making the application must serve a copy of the application and the proposed subpoena on every other party.

#### 8-077.1

(2) A party may apply for a hearing subpoena at any time before the commencement of a hearing. During a hearing, a party may make an application for a subpoena orally on the record before the ALJ.

(3) The ALJ will promptly issue any hearing subpoena requested pursuant to this section. If the ALJ determines that the application does not set forth a valid basis for the issuance of the subpoena, or that any of its terms are unreasonable, oppressive, excessive in scope, or unduly burdensome, the ALJ may refuse to issue the subpoena or may issue it in a modified form upon any conditions consistent with this subpart. Upon issuance by the ALJ, the party making the application must serve the subpoena on the person named in the subpoena and on each party.

#### 8-077.2

#### (b) *Motion to quash or modify.*

(1) Any person to whom a hearing subpoena is directed or any party may file a motion to quash or modify the subpoena, accompanied by a statement of the basis for quashing or modifying the subpoena. The

movant must serve the motion on each party and on the person named in the subpoena. Any party may respond to the motion within ten days of service of the motion.

(2) Any motion to quash or modify a hearing subpoena must be filed prior to the time specified in the subpoena for compliance but not more than ten days after the date of service of the subpoena upon the movant.

#### 8-077.3

(c) *Enforcing subpoenas.* If a subpoenaed person fails to comply with any subpoena issued pursuant to this section or any order of the ALJ which directs compliance with all or any portion of a document subpoena, the subpoenaing party or any other aggrieved party may seek enforcement of the subpoena pursuant to section 263.26(c).

#### 8-078

### SECTION 263.35—Conduct of Hearings

(a) *General rules.*

(1) *Conduct of hearings.* Hearings must be conducted so as to provide a fair and expeditious presentation of the relevant disputed issues. Each party has the right to present its case or defense by oral and documentary evidence and to conduct such cross examination as may be required for full disclosure of the facts.

#### 8-078.1

(2) *Order of hearing.* Enforcement counsel will present its case-in-chief first, unless otherwise ordered by the ALJ, or unless otherwise expressly specified by law or regulation. Enforcement counsel will be the first party to present an opening statement and a closing statement and may make a rebuttal statement after the respondent's closing statement. If there are multiple respondents, respondents may agree among themselves as to their order of presentation of their cases, but if they do not agree, the ALJ will fix the order.

(3) *Examination of witnesses.* Only one counsel for each party may conduct an examination of a witness, except that in the

case of extensive direct examination, the ALJ may permit more than one counsel for the party presenting the witness to conduct the examination. A party may have one counsel conduct the direct examination and another counsel conduct re-direct examination of a witness, or may have one counsel conduct the cross examination of a witness and another counsel conduct the re-cross examination of a witness.

(4) *Stipulations.* Unless the ALJ directs otherwise, all stipulations of fact and law previously agreed upon by the parties, and all documents, the admissibility of which have been previously stipulated, will be admitted into evidence upon commencement of the hearing.

#### 8-078.2

(b) *Transcript.* The hearing must be recorded and transcribed. The reporter will make the transcript available to any party upon payment by that party to the reporter of the cost of the transcript. The ALJ may order the record corrected, either upon motion to correct, upon stipulation of the parties, or following notice to the parties upon the ALJ's own motion.

(c) *Electronic presentation.* Based on the circumstances of each hearing, the ALJ may direct the use of, or any party may use, an electronic presentation during the hearing. If the ALJ requires an electronic presentation during the hearing, each party will be responsible for their own presentation and related costs, unless the parties agree to another manner in which to allocate presentation responsibilities and costs.

#### 8-079

### SECTION 263.36—Evidence

(a) *Admissibility.*

(1) Except as is otherwise set forth in this section, relevant, material, and reliable evidence that is not unduly repetitive is admissible to the fullest extent authorized by the Administrative Procedure Act and other applicable law.

(2) Evidence that would be admissible under the Federal Rules of Evidence is admis-

sible in a proceeding conducted pursuant to this subpart.

(3) Evidence that would be inadmissible under the Federal Rules of Evidence may not be deemed or ruled to be inadmissible in a proceeding conducted pursuant to this subpart if such evidence is relevant, material, reliable, and not unduly repetitive.

#### 8-079.1

##### (b) *Official notice.*

(1) Official notice may be taken of any material fact which may be judicially noticed by a United States district court and any material information in the official public records of any federal or state government agency.

(2) All matters officially noticed by the ALJ or the Board must appear on the record.

(3) If official notice is requested or taken of any material fact, the parties, upon timely request, must be afforded an opportunity to object.

#### 8-079.2

##### (c) *Documents.*

(1) A duplicate copy of a document is admissible to the same extent as the original, unless a genuine issue is raised as to whether the copy is in some material respect not a true and legible copy of the original.

(2) Subject to the requirements of paragraph (a) of this section, any document, including a report of examination, supervisory activity, inspection, or visitation, prepared by an appropriate federal financial institutions regulatory agency or by a state regulatory agency, is admissible either with or without a sponsoring witness.

(3) Witnesses may use existing or newly created charts, exhibits, calendars, calculations, outlines, or other graphic material to summarize, illustrate, or simplify the presentation of testimony. Such materials may, subject to the ALJ's discretion, be used with or without being admitted into evidence.

#### 8-079.3

##### (d) *Objections.*

(1) Objections to the admissibility of evidence must be timely made and rulings on all objections must appear on the record.

(2) When an objection to a question or line of questioning propounded to a witness is sustained, the examining counsel may make a specific proffer on the record of what the examining counsel expected to prove by the expected testimony of the witness either by representation of counsel or by direct questioning of the witness.

(3) The ALJ will retain rejected exhibits, adequately marked for identification, for the record, and transmit such exhibits to the Board.

(4) Failure to object to admission of evidence or to any ruling constitutes a waiver of the objection.

#### 8-079.4

(e) *Stipulations.* The parties may stipulate as to any relevant matters of fact or the authentication of any relevant documents. Such stipulations must be received in evidence at a hearing and are binding on the parties with respect to the matters therein stipulated.

#### 8-079.5

##### (f) *Depositions of unavailable witnesses.*

(1) If a witness is unavailable to testify at a hearing, and that witness has testified in a deposition to which all parties in a proceeding had notice and an opportunity to participate, a party may offer as evidence all or any part of the transcript of the deposition, including deposition exhibits, if any.

(2) Such deposition transcript is admissible to the same extent that testimony would have been admissible had that person testified at the hearing, provided that if a witness refused to answer proper questions during the depositions, the ALJ may, on that basis, limit the admissibility of the deposition in any manner that justice requires.

(3) Only those portions of a deposition received in evidence at the hearing constitute a part of the record.

**8-080****SECTION 263.37—Post-Hearing Filings****(a) Proposed findings and conclusions and supporting briefs.**

(1) Using the same method of service for each party, the ALJ will serve notice upon each party that the certified transcript, together with all hearing exhibits and exhibits introduced but not admitted into evidence at the hearing, has been filed. Any party may file with the ALJ proposed findings of fact, proposed conclusions of law, and a proposed order within 30 days following service of this notice by the ALJ or within such longer period as may be ordered by the ALJ.

(2) Proposed findings and conclusions must be supported by citation to any relevant authorities and by page references to any relevant portions of the record. A post-hearing brief may be filed in support of proposed findings and conclusions, either as part of the same document or in a separate document. Any party who fails to file timely with the ALJ any proposed finding or conclusion is deemed to have waived the right to raise in any subsequent filing or submission any issue not addressed in such party's proposed finding or conclusion.

**8-080.1**

**(b) Reply briefs.** Reply briefs may be filed within 15 days after the date on which the parties' proposed findings, conclusions, and order are due. Reply briefs must be strictly limited to responding to new matters, issues, or arguments raised in another party's papers. A party who has not filed proposed findings of fact and conclusions of law or a post-hearing brief may not file a reply brief.

**8-080.2**

**(c) Simultaneous filing required.** The ALJ will not order the filing by any party of any brief or reply brief in advance of the other party's filing of its brief.

**8-081****SECTION 263.38—Recommended Decision and Filing of Record**

**(a) Filing of recommended decision and record.** Within 45 days after expiration of the time allowed for filing reply briefs under section 263.37(b), the ALJ will file with and certify to the Board, for decision, the record of the proceeding. The record must include the ALJ's recommended decision, recommended findings of fact, recommended conclusions of law, and proposed order; all prehearing and hearing transcripts, exhibits, and rulings; and the motions, briefs, memoranda, and other supporting papers filed in connection with the hearing. The ALJ will serve upon each party the recommended decision, findings, conclusions, and proposed order.

**(b) Filing of index.** At the same time the ALJ files with and certifies to the Board for final determination the record of the proceeding, the ALJ will furnish to the Board a certified index of the entire record of the proceeding. The certified index must include, at a minimum, an entry for each paper, document, or motion filed with the ALJ in the proceeding, the date of the filing, and the identity of the filer. The certified index must also include an exhibit index containing, at a minimum, an entry consisting of exhibit number and title or description for: each exhibit introduced and admitted into evidence at the hearing; each exhibit introduced but not admitted into evidence at the hearing; each exhibit introduced and admitted into evidence after the completion of the hearing; and each exhibit introduced but not admitted into evidence after the completion of the hearing.

**8-082****SECTION 263.39—Exceptions to Recommended Decision**

**(a) Filing exceptions.** Within 30 days after service of the recommended decision, findings, conclusions, and proposed order under section 263.38, a party may file with the Board written exceptions to the ALJ's recommended decision, findings, conclusions, or proposed order, to the admission or exclusion of evidence, or to the failure of the ALJ to make a ruling proposed by a party. A supporting brief may be filed at the time the excep-



tions are filed, either as part of the same document or in a separate document.

**8-082.1**

(b) *Effect of failure to file or raise exceptions.*

(1) Failure of a party to file exceptions to those matters specified in paragraph (a) of this section within the time prescribed is deemed a waiver of objection thereto.

(2) No exception need be considered by the Board if the party taking exception had an opportunity to raise the same objection, issue, or argument before the ALJ and failed to do so.

**8-082.2**

(c) *Contents.*

(1) All exceptions and briefs in support of such exceptions must be confined to the particular matters in, or omissions from, the ALJ's recommendations to which that party takes exception.

(2) All exceptions and briefs in support of exceptions must set forth page or paragraph references to the specific parts of the ALJ's recommendations to which exception is taken, the page or paragraph references to those portions of the record relied upon to support each exception, and the legal authority relied upon to support each exception.

**8-083**

**SECTION 263.40—Review by the Board**

(a) *Notice of submission to the Board.* When the Board determines that the record in the proceeding is complete, the Board will serve notice upon the parties that the proceeding has been submitted to the Board for final decision.

**8-083.1**

(b) *Oral argument before the Board.* Upon the initiative of the Board or on the written request of any party filed with the Board within the time for filing exceptions, the Board may order and hear oral argument on the recommended findings, conclusions, decision, and order of the ALJ. A written request by a party must show good cause for oral argument and state reasons why arguments

cannot be presented adequately in writing. A denial of a request for oral argument may be set forth in the Board's final decision. Oral argument before the Board must be on the record.

**8-083.2**

(c) *Board's final decision.*

(1) Decisional employees may advise and assist the Board in the consideration and disposition of the case. The final decision of the Board will be based upon review of the entire record of the proceeding, except that the Board may limit the issues to be reviewed to those findings and conclusions to which opposing arguments or exceptions have been filed by the parties.

**8-083.3**

(2) The Board will render a final decision within 90 days after notification of the parties that the case has been submitted for final decision, or 90 days after oral argument, whichever is later, unless the Board orders that the action or any aspect thereof be remanded to the ALJ for further proceedings. Copies of the final decision and order of the Board will be served upon each party to the proceeding, upon other persons required by statute, and, if directed by the Board or required by statute, upon any appropriate state or federal supervisory authority.

**8-084**

**SECTION 263.41—Stays Pending Judicial Review**

The commencement of proceedings for judicial review of a final decision and order of the Board may not, unless specifically ordered by the Board or a reviewing court, operate as a stay of any order issued by the Board. The Board may, in the Board's, and on such terms as the Board finds just, stay the effectiveness of all or any part of an order pending a final decision on a petition for review of that order.

**8-085****SUBPART B—BOARD LOCAL RULES  
SUPPLEMENTING THE UNIFORM  
RULES****SECTION 263.50—Purpose and Scope**

(a) This subpart prescribes the rules of practice and procedure governing formal adjudications set forth in paragraph (b) of this section, and supplements the rules of practice and procedure contained in subpart A of this part.

**8-085.1**

(b) The rules and procedures of this subpart and subpart A of this part will apply to the formal adjudications set forth in section 263.1 and to the following adjudications:

- (1) Suspension of a member bank from use of credit facilities of the Federal Reserve System under section 4 of the FRA (12 U.S.C. 301);
- (2) Termination of a bank's membership in the Federal Reserve System under section 9 of the FRA (12 U.S.C. 327);
- (3) Issuance of a cease-and-desist order under section 11 of the Clayton Act (15 U.S.C. 21);
- (4) Adjudications under sections 2, 3, or 4 of the BHC Act (12 U.S.C. 1841, 1842, or 1843);
- (5) Formal adjudications on bank merger applications under section 18(c) of the FDIA (12 U.S.C. 1828(c));
- (6) Issuance of a divestiture order under section 5(e) of the BHC Act (12 U.S.C. 1844(e));
- (7) Imposition of sanctions upon any municipal securities dealer for which the Board is the appropriate regulatory agency, or upon any person associated or seeking to become associated with such a municipal securities dealer, under section 15B(c)(5) of the Exchange Act (15 U.S.C. 78o-4);
- (8) Proceedings where the Board otherwise orders that a formal hearing be held;
- (9) Termination of the activities of a state branch, state agency, or commercial lending company subsidiary of a foreign bank in the United States, pursuant to section 7(e) of the IBA (12 U.S.C. 3105(d));
- (10) Termination of the activities of a representative office of a foreign bank in the

United States, pursuant to section 10(b) of the IBA (12 U.S.C. 3107(b));

- (11) Issuance of a prompt corrective action directive to a member bank under section 38 of the FDI Act (12 U.S.C. 1831o);
- (12) Reclassification of a member bank on grounds of unsafe or unsound condition under section 38(g)(1) of the FDI Act (12 U.S.C. 1831o(g)(1));
- (13) Reclassification of a member bank on grounds of unsafe and unsound practice under section 38(g)(1) of the FDI Act (12 U.S.C. 1831o(g)(1));
- (14) Issuance of an order requiring a member bank to dismiss a director or senior executive officer under section 38 (e)(5) and 38(f)(2) (F)(ii) of the FDI Act (12 U.S.C. 1831o(e)(5) and 1831o(f)(2) (F)(ii)); and
- (15) Adjudications under section 10 of the HOLA (12 U.S.C. 1467a).

**8-085.2****SECTION 263.51—Definitions**

As used in subparts B through G of this part:

- (a) *Secretary* means the secretary of the Board of Governors of the Federal Reserve System.
- (b) *Member bank* means any bank that is a member of the Federal Reserve System.
- (c) *Institution* has the same meaning as that assigned to it in subpart A of this part, and includes any foreign bank with a representative office in the United States.

**8-085.3****SECTION 263.52—Address for Filing**

All papers to be filed with the Board must be filed with the secretary of the Board of Governors of the Federal Reserve System, Washington, DC 20551. All papers to be filed with the Board electronically must be sent to: OSECLitigation@frb.gov.

**8-085.4****SECTION 263.53—Discovery  
Depositions**

- (a) *In general.* In addition to the discovery permitted in subpart A of this part, limited

discovery by means of depositions will be allowed for individuals with knowledge of facts material to the proceeding that are not protected from discovery by any applicable privilege, and of identified expert witnesses. Except in unusual cases, accordingly, depositions will be permitted only of individuals identified as hearing witnesses, including experts. All discovery depositions must be completed within the time set forth in section 263.24(d).

**8-085.5**

(b) *Application.* A party who desires to take a deposition of any other party's proposed witnesses, must apply to the ALJ for the issuance of a deposition subpoena or subpoena duces tecum. The application must state the name and address of the proposed deponent, the subject matter of the testimony expected from the deponent and its relevancy to the proceeding, and the address of the place, the manner (e.g., remote means, in person), and the time, no sooner than ten days after the service of the subpoena, for the taking of the deposition. Any such application must be treated as a motion subject to the rules governing motions practice set forth in section 263.23.

**8-085.6**

(c) *Issuance of subpoena.* The ALJ must issue the requested deposition subpoena or subpoena duces tecum upon a finding that the application satisfies the requirements of this section and of section 263.24. If the ALJ determines that the taking of the deposition or its proposed location or manner is, in whole or in part, unnecessary, unreasonable, oppressive, excessive in scope or unduly burdensome, the ALJ may deny the application or may grant it upon such conditions as justice may require. The party obtaining the deposition subpoena or subpoena duces tecum will be responsible for serving it on the deponent and all parties to the proceeding in accordance with section 263.11. A deposition subpoena may require the witness to be deposed at any place within the country in which that witness resides or has a regular place of employment, by remote means, or such other convenient place or manner, as the ALJ fixes.

**8-085.7**

(d) *Motion to quash or modify.* A person named in a deposition subpoena or subpoena duces tecum may file a motion to quash or modify the subpoena or for the issuance of a protective order. Such motions must be filed within ten days following service of the subpoena, but in all cases at least five days prior to the commencement of the scheduled deposition. The motion must be accompanied by a statement of the reasons for granting the motion and a copy of the motion and the statement must be served on the party which requested the subpoena. Only the party requesting the subpoena may file a response to a motion to quash or modify, and any such response must be filed within five days following service of the motion.

**8-085.8**

(e) *Enforcement of a deposition subpoena.* Enforcement of a deposition subpoena must be in accordance with the procedures set forth in section 263.27(d).

(f) *Conduct of the deposition.* The deponent must be duly sworn. By stipulation of the parties or order by the ALJ, a court reporter or other person authorized to administer an oath may administer the oath remotely, without being in the physical presence of the deponent. Each party may examine the deponent with respect to all nonprivileged, relevant, and material matters. Objections to questions or evidence must be in the short form, stating the ground for the objection. Failure to object to questions or evidence will not be deemed a waiver except where the grounds for the objection might have been avoided if the objection had been timely presented. The discovery deposition must be transcribed or otherwise recorded as agreed among the parties.

**8-085.9**

(g) *Protective orders.* At any time during the taking of a discovery deposition, on the motion of any party or of the deponent, the ALJ may terminate or limit the scope and manner of the deposition upon a finding that grounds exist for such relief. Grounds for terminating or limiting the taking of a discovery deposition include a finding that the discovery depo-

sition is being conducted in bad faith or in such a manner as to:

- (1) Unreasonably annoy, embarrass, or oppress the deponent;
- (2) Unreasonably probe into privilege, irrelevant, or immaterial matters; or
- (3) Unreasonably attempt to pry into a party's preparation for trial.

except that the Board may designate a Board counsel to represent the Board in a non-adversary capacity for the purpose of developing for the record information relevant to the issues to be determined by the presiding officer and the Board. In such proceedings, Board counsel will be considered to be a decisional employee for purposes of sections 263.9 and 263.40.

#### 8-086

#### SECTION 263.54—Delegation to the Office of Financial Institution Adjudication

Unless otherwise ordered by the Board, administrative adjudications subject to subpart A of this part must be conducted by an ALJ of OFIA.

#### 8-086.1

**SECTION 263.55—Board as Presiding Officer** The Board may, in its discretion, designate itself, one or more of its members, or an authorized officer, to act as presiding officer in a formal hearing. In such a proceeding, the authority of Board or its designee will include all the authority provided to an ALJ under this part. Proposed findings and conclusions, briefs, and other submissions by the parties permitted in subpart A of this part must be filed with the secretary for consideration by the Board. Sections 263.38 and 263.39 will not apply to proceedings conducted under this section.

#### 8-086.2

#### SECTION 263.56—Initial Licensing Proceedings

Proceedings with respect to applications for initial licenses will include, but not be limited to, applications for Board approval under section 3 of the BHC Act and section 10 of HOLA and such proceedings as may be ordered by the Board with respect to applications under section 18(c) of the FDIA. In such initial licensing proceedings, the procedures set forth in subpart A of this part will apply,

#### 8-086.21

#### SECTION 263.57—Sanctions Relating to Conduct in an Adjudicatory Proceeding

(a) *General rule.* The ALJ may impose sanctions when any party or person in an adjudicatory proceeding under this part has failed to comply with an applicable statute, regulation, or order, and that failure to comply:

- (1) Constitutes contemptuous conduct;
- (2) Materially injures or prejudices another party in terms of substantive injury, incurring additional expenses including attorney's fees, prejudicial delay, or otherwise;
- (3) Is a clear and unexcused violation of an applicable statute, regulation, or order; or
- (4) Unduly delays the proceeding.

(b) *Sanctions.* Sanctions which may be imposed include any one or more of the following:

- (1) Issuing an order against the party;
- (2) Rejecting or striking any testimony or documentary evidence offered, or other papers filed, by the party;
- (3) Precluding the party from:
  - (i) Contesting specific issues or findings;
  - (ii) Offering certain evidence or challenging or contesting certain evidence offered by another party; or
  - (iii) Making a late filing or conditioning a late filing on any terms that are just;
- (4) Assessing reasonable expenses, including attorney's fees, incurred by any other party as a result of the improper action or failure to act; and
- (5) Excluding or suspending a party or person from the adjudicatory proceeding.

(c) *Procedure for imposition of sanctions.*

- (1) Upon the motion of any party, or on the

ALJ's own motion, the ALJ may impose sanctions in accordance with this section. The ALJ must submit to the Board for final ruling the sanction of entering a final order determining the case on the merits.

(2) No sanction authorized by this section, other than refusal to accept late filings, must be imposed without prior notice to all parties and an opportunity for any party or person against whom sanctions would be imposed to be heard. Such opportunity to be heard may be on such notice, and the response may be in such form, as the ALJ directs. The ALJ may limit the opportunity to be heard to an opportunity of a party or person to respond orally immediately after the act or inaction covered by this section is noted by the ALJ.

(3) Requests for the imposition of sanctions by any party, and the imposition of sanctions, are subject to interlocutory review in the same manner as any other ruling by the ALJ.

(d) *Section not exclusive.* Nothing in this section precludes the ALJ or the Board from taking any other action, or imposing any restriction or sanction, authorized by applicable statute or regulation.

#### 8-086.3

### SUBPART C—RULES AND PROCEDURES FOR ASSESSMENT AND COLLECTION OF CIVIL MONEY PENALTIES

#### SECTION 263.60—Scope

(a) The uniform rules set forth in subpart A of this part shall govern the procedures for assessment of civil money penalties, except as otherwise provided in this subpart.

#### 8-086.4

#### SECTION 263.61—Opportunity for Informal Proceeding

(a) In the sole discretion of the Board's general counsel, the general counsel may, prior to the issuance by the Board of a notice of assessment of civil penalty, advise the affected person that the issuance of a notice of assess-

ment of civil penalty is being considered and the reasons and authority for the proposed assessment. The general counsel may provide the person an opportunity to present written materials or request a conference with members of the Board's staff to show that the penalty should not be assessed or, if assessed, should be reduced in amount.

#### 8-086.5

#### SECTION 263.62—Relevant Considerations for Assessment of Civil Penalty

(a) In determining the amount of the penalty to be assessed, the Board shall take into account the appropriateness of the penalty with respect to the financial resources and good faith of the person charged, the gravity of the misconduct, the history of previous misconduct, the economic benefit derived by the person from the misconduct, and such other matters as justice may require.

#### 8-086.6

#### SECTION 263.63—Assessment Order

(a) In the event of consent to an assessment by the person concerned, or if, upon the record made at an administrative hearing, the Board finds that the grounds for having assessed the penalty have been established, the Board may issue a final order of assessment of civil penalty. In its final order, the Board may modify the amount of the penalty specified in the notice of assessment.

#### 8-086.7

(b) An assessment order is effective immediately upon issuance, or upon such other date as may be specified therein, and shall remain effective and enforceable until it is stayed, modified, terminated, or set aside by action of the Board or a reviewing court.

**8-086.8****SECTION 263.64—Payment of Civil Penalty**

(a) The date designated in the notice of assessment for payment of the civil penalty will normally be 60 days from the issuance of the notice. If, however, the Board finds in a specific case that the purposes of the authorizing statute would be better served if the 60-day period is changed, the Board may shorten or lengthen the period or make the civil penalty payable immediately upon receipt of the notice of assessment. If a timely request for a formal hearing to challenge an assessment of civil penalty is filed, payment of the penalty shall not be required unless and until the Board issues a final order of assessment following the hearing. If an assessment order is issued, it will specify the date by which the civil penalty should be paid or collected.

(b) Checks in payment of civil penalties should be made payable to the “Board of Governors of the Federal Reserve System.” Upon collection, the Board shall forward the amount of the penalty to the Treasury of the United States.

**8-086.81****SECTION 263.65—Civil Money Penalty Inflation Adjustments**

(a) *Inflation adjustments.* In accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, which further amended the Federal Civil Penalties Inflation Adjustment Act of 1990, the Board has set forth in paragraph (b) of this section the adjusted maximum amounts for each civil money penalty provided by law within the Board’s jurisdiction. The authorizing statutes contain the complete provisions under which the Board may seek a civil money penalty. The adjusted civil money penalties apply only to penalties assessed on or after January 11, 2023, whose associated violations occurred on or after November 2, 2015.

(b) *Maximum civil money penalties.* The maximum (or, in the cases of 12 U.S.C. 334 and 1832(c), fixed) civil money penalties as set forth in the referenced statutory sections are set forth in the table in this paragraph (b).

<i>Statute</i>	<i>Adjusted civil money penalty</i>
12 U.S.C. 324:	
Inadvertently late or misleading reports, <i>inter alia</i>	\$5,026
Other late or misleading reports, <i>inter alia</i>	50,265
Knowingly or reckless false or misleading reports, <i>inter alia</i>	2,513,215
12 U.S.C. 334	365
12 U.S.C. 374a	365
12 U.S.C. 504:	
First tier	12,567
Second tier	62,829
Third tier	2,513,215
12 U.S.C. 505:	
First tier	12,567
Second tier	62,829
Third tier	2,513,215
12 U.S.C. 1464(v)(4)	5,026
12 U.S.C. 1464(v)(5)	50,265
12 U.S.C. 1464(v)(6)	2,513,215
12 U.S.C. 1467a(i)(2)	62,829
12 U.S.C. 1467a(i)(3)	62,829
12 U.S.C. 1467a(r):	
First tier	5,026
Second tier	50,265
Third tier	2,513,215
12 U.S.C. 1817(j)(16):	
First tier	12,567
Second tier	62,829
Third tier	2,513,215
12 U.S.C. 1818(i)(2):	
First tier	12,567
Second tier	62,829
Third tier	2,513,215
12 U.S.C. 1820(k)(6)(A)(ii)	413,388
12 U.S.C. 1832(c)	3,650
12 U.S.C. 1847(b)	62,829
12 U.S.C. 1847(d):	
First tier	5,026
Second tier	50,265
Third tier	2,513,215
12 U.S.C. 1884	365
12 U.S.C. 1972(2)(F):	
First tier	12,567
Second tier	62,829
Third tier	2,513,215
12 U.S.C. 3110(a)	57,435
12 U.S.C. 3110(c):	
First tier	4,596
Second tier	45,946
Third tier	2,297,385
12 U.S.C. 3909(d)	3,126
15 U.S.C. 78u-2(b)(1):	
For a natural person	11,823
For any other person	118,225

## Maximum civil money penalties—Continued

<i>Statute</i>	<i>Adjusted civil money penalty</i>
15 U.S.C. 78u-2(b)(2):	
For a natural person	118,225
For any other person	591,127
15 U.S.C. 78u-2(b)(3):	
For a natural person	236,451
For any other person	1,182,251
15 U.S.C. 1639e(k)(1)	14,435
15 U.S.C. 1639e(k)(2)	28,866
42 U.S.C. 4012a(f)(5)	2,730

**8-086.9**

**SUBPART D—RULES AND PROCEDURES APPLICABLE TO SUSPENSION OR REMOVAL OF AN INSTITUTION-AFFILIATED PARTY WHERE A FELONY IS CHARGED OR PROVEN**

**SECTION 263.70—Purpose and Scope**

(a) The rules and procedures set forth in this subpart apply to informal hearings afforded to any institution-affiliated party for whom the Board is the appropriate regulatory agency, who has been suspended or removed from office or prohibited from further participation in any manner in the conduct of the institution's affairs by a notice or order issued by the Board upon the grounds set forth in section 8(g) of the FDIA (12 U.S.C. 1818(g)).

**8-087****SECTION 263.71—Notice or Order of Suspension, Removal, or Prohibition**

(a) *Grounds.* The Board may suspend an institution-affiliated party from office or prohibit an institution-affiliated party from further participation in any manner in the conduct of an institution's affairs when the person is charged in any information, indictment, or complaint authorized by a United States attorney with the commission of, or participation in, a crime involving dishonesty or breach of trust that is punishable by imprisonment for a term exceeding one year under state or federal law. The Board may remove an institution-

affiliated party from office or prohibit an institution-affiliated party from further participation in any manner in the conduct of an institution's affairs when the person is convicted of such an offense and the conviction is not subject to further direct appellate review. The Board may suspend or remove an institution-affiliated party or prohibit an institution-affiliated party from participation in an institution's affairs in these circumstances if the Board finds that continued service to the financial institution or participation in its affairs by the institution-affiliated party may pose a threat to the interests of the institution's depositors or may threaten to impair public confidence in the financial institution.

**8-087.1**

(b) *Contents.* The Board commences a suspension, removal, or prohibition action under this subpart with the issuance, and service upon an institution-affiliated party, of a notice of suspension from office, or order of removal from office, or notice or order of prohibition from participation in the financial institution's affairs. Such a notice or order shall indicate the basis for the suspension, removal, or prohibition and shall inform the institution-affiliated party of the right to request in writing, within 30 days of service of the notice or order, an opportunity to show at an informal hearing that continued service to, or participation in the conduct of the affairs of, the financial institution does not and is not likely to pose a threat to the interests of the financial institution's depositors or threaten to impair public confidence in the financial institution. Failure to file a timely request for an informal hearing shall be deemed to be a waiver of the right to request such a hearing. A notice of suspension or prohibition shall remain in effect until the criminal charge upon which the notice is based is finally disposed of or until the notice is terminated by the Board.

**8-087.2**

(c) *Service.* The notice or order shall be served upon the affiliated financial institution concerned, whereupon the institution-affiliated party shall immediately cease service to the financial institution or further participation in any manner in the conduct of the affairs of

the financial institution. A notice or order of suspension, removal, or prohibition may be served by any of the means authorized for service under section 263.11(c)(2) of subpart A.

#### 8-087.3

#### SECTION 263.72—Request for Informal Hearing

(a) An institution-affiliated party who is suspended or removed from office or prohibited from participation in the institution's affairs may request an informal hearing within 30 days of service of the notice or order. The request shall be filed in writing with the Secretary, Board of Governors of the Federal Reserve System, Washington, DC 20551. The request shall state with particularity the relief desired and the grounds therefor and shall include, when available, supporting evidence in the form of affidavits. If the institution-affiliated party desires to present oral testimony or witnesses at the hearing, the institution-affiliated party must include a request to do so with the request for informal hearing. The request to present oral testimony or witnesses shall specify the names of the witnesses and the general nature of their expected testimony.

#### 8-087.4

#### SECTION 263.73—Order for Informal Hearing

(a) *Issuance of hearing order.* Upon receipt of a timely request for an informal hearing, the secretary shall promptly issue an order directing an informal hearing to commence within 30 days of the receipt of the request. At the request of the institution-affiliated party, the secretary may order the hearing to commence at a time more than 30 days after the receipt of the request for hearing. The hearing shall be held in Washington, D.C., or at such other place as may be designated by the secretary, before presiding officers designated by the secretary to conduct the hearing. The presiding officers normally will include representatives from the Board's Legal Division and the

Division of Banking Supervision and Regulation and from the appropriate Federal Reserve Bank.

#### 8-087.5

(b) *Waiver of oral hearing.* A institution-affiliated party may waive in writing his or her right to an oral hearing and instead elect to have the matter determined by the Board solely on the basis of written submissions.

#### 8-087.6

(c) *Hearing procedures.*

(1) The institution-affiliated party may appear at the hearing personally, through counsel, or personally with counsel. The institution-affiliated party shall have the right to introduce relevant written materials and to present an oral argument. The institution-affiliated party may introduce oral testimony and present witnesses only if expressly authorized by the Board or the secretary. Except as provided in section 263.11, the adjudicative procedures of the Administrative Procedure Act (5 U.S.C. 554-557) and of subpart A of this part shall not apply to the informal hearing ordered under this subpart unless the Board orders that subpart A of this part applies.

#### 8-087.7

(2) The informal hearing shall be recorded and a transcript shall be furnished to the institution-affiliated party upon request and after the payment of the cost thereof. Witnesses need not be sworn, unless specifically requested by a party or the presiding officers. The presiding officers may ask questions of any witness.

(3) The presiding officers may order the record to be kept open for a reasonable period following the hearing (normally five business days), during which time additional submissions to the record may be made. Thereafter, the record shall be closed.

#### 8-087.8

(d) *Authority of presiding officers.* In the course of or in connection with any proceeding under this subpart, the Board or the presiding officers are authorized to administer oaths and affirmations; to take or cause to be



taken depositions; to issue, quash, or modify subpoenas and subpoenas duces tecum; and, for the enforcement thereof, to apply to an appropriate United States district court. All action relating to depositions and subpoenas shall be in accordance with the rules provided in sections 263.34 and 263.53.

(e) *Recommendation of presiding officers.* The presiding officers shall make a recommendation to the Board concerning the notice or order of suspension, removal, or prohibition within 20 calendar days following the close of the record on the hearing.

#### 8-087.9

#### SECTION 263.74—Decision of the Board

(a) Within 60 days following the close of the record on the hearing, or receipt of written submissions where a hearing has been waived, the Board shall notify the institution-affiliated party whether the notice of suspension or prohibition will be continued, terminated, or otherwise modified, or whether the order of removal or prohibition will be rescinded or otherwise modified. The notification shall contain a statement of the basis for any adverse decision by the Board. In the case of a decision favorable to the institution-affiliated party, the Board shall take prompt action to rescind or otherwise modify the order of suspension, removal, or prohibition.

#### 8-088

(b) In deciding the question of suspension, removal, or prohibition under this subpart, the Board shall not rule on the question of the guilt or innocence of the individual with respect to the crime with which the individual has been charged.

#### 8-088.1

#### SUBPART E—PROCEDURES FOR ISSUANCE AND ENFORCEMENT OF DIRECTIVES TO MAINTAIN ADEQUATE CAPITAL

#### SECTION 263.80—Purpose and Scope

This subpart establishes procedures under

which the Board may issue a directive or take other action to require a state member bank, bank holding company, or a savings and loan holding company to achieve and maintain adequate capital.

#### 8-088.2

#### SECTION 263.81—Definitions

(a) *Bank holding company* means any company that controls a bank as defined in section 2 of the BHC Act, 12 U.S.C. 1841, and in the Board's Regulation Y (12 CFR 225.2(b)) or any direct or indirect subsidiary thereof other than a bank subsidiary as defined in section 2(c) of the BHC Act, 12 U.S.C. 1841(c), and in the Board's Regulation Y (12 CFR 225.2(a)).

(b) *Capital adequacy guidelines* means those guidelines for bank holding companies and state member banks contained in appendix A and D to the Board's Regulation Y (12 CFR 225), and in appendix A to the Board's Regulation H (12 CFR 208), or any succeeding capital guidelines promulgated by the Board.

#### 8-088.3

(c) *Directive* means a final order issued by the Board:

- (1) Pursuant to ILSA (12 U.S.C. 3907(b)(2)) requiring a state member bank or bank holding company to increase capital to or maintain capital at the minimum level set forth in the Board's Capital Adequacy Guidelines or as otherwise established under procedures described in section 263.85; or
- (2) Pursuant to HOLA (12 U.S.C. 1467a(g)(1)) requiring a savings and loan holding company to increase capital to or maintain capital at a certain level.

(d) *State member bank* means any state-chartered bank that is a member of the Federal Reserve System.

(e) *Savings and loan holding company* means any company that controls a savings association as defined in section 10 of the HOLA, 12 U.S.C. 1467a, and in the Board's Regulation LL (12 CFR 238.2) or any direct or indirect subsidiary thereof other than a savings asso-

ciation subsidiary as defined in section 10 of the HOLA, 12 U.S.C. 1467a, and in the Board's Regulation LL (12 CFR 238.2).

**8-088.4**

**SECTION 263.82—Establishment of Minimum Capital Levels**

(a) The Board has established minimum capital levels for state member banks and bank holding companies in its capital adequacy guidelines. The Board may set higher capital levels as necessary and appropriate for a particular state member bank or bank holding company based upon its financial condition, managerial resources, prospects, or similar factors, pursuant to the procedures set forth in section 263.85 of this subpart.

**8-088.5**

**SECTION 263.83—Issuance of Capital Directives**

(a) *Notice of intent to issue directive.* If a state member bank or bank holding company is operating with less than the minimum level of capital established in the Board's Capital Adequacy Guidelines, or as otherwise established under the procedures described in section 263.85, or if the Board has determined that the current capital level of a savings and loan holding company is not adequate, the Board may issue and serve upon such state member bank, bank holding company, or savings and loan holding company written notice of the Board's intent to issue a directive to require the bank, bank holding company, or savings and loan holding company to achieve and maintain adequate capital within a specified time period.

**8-088.6**

(b) *Contents of notice.* The notice of intent to issue a directive shall include—

- (1) The required minimum level of capital to be achieved or maintained by the institution;
- (2) Its current level of capital;
- (3) The proposed increase in capital needed to meet the minimum requirements;

(4) The proposed date or schedule for meeting these minimum requirements;

(5) When deemed appropriate, specific details of a proposed plan for meeting the minimum capital requirements; and

(6) The date for a written response by the bank or bank holding company to the proposed directive, which shall be at least 14 days from the date of issuance of the notice unless the Board determines a shorter period is necessary because of the financial condition of the bank or bank holding company.

**8-088.7**

(c) *Response to notice.* The bank or bank holding company may file a written response to the notice within the time period set by the Board. The response may include —

- (1) An explanation why a directive should not be issued;
- (2) Any proposed modification of the terms of the directive;
- (3) Any relevant information, mitigating circumstances, documentation, or other evidence in support of the institution's position regarding the proposed directive; and
- (4) The institution's plan for attaining the required level of capital.

**8-088.8**

(d) *Failure to file response.* Failure by the bank or bank holding company to file a written response to the notice of intent to issue a directive within the specified time period shall constitute a waiver of the opportunity to respond and shall constitute consent to the issuance of such directive.

**8-088.9**

(e) *Board consideration of response.* After considering the response of the bank or bank holding company, the Board may:

- (1) Issue the directive as originally proposed or in modified form;
- (2) Determine not to issue a directive and so notify the bank or bank holding company; or
- (3) Seek additional information or clarification of the response by the bank or bank holding company.

**8-089**

(f) *Contents of directive.* Any directive issued by the Board may order the bank or bank holding company to—

- (1) Achieve or maintain the minimum capital requirement established pursuant to the Board's capital adequacy guidelines or the procedures in section 263.85 of this subpart by a certain date;
- (2) Adhere to a previously submitted plan or submit for approval and adhere to a plan for achieving the minimum capital requirement by a certain date;
- (3) Take other specific action as the Board directs to achieve the minimum capital levels, including requiring a reduction of assets or asset growth or restriction on the payment of dividends; or
- (4) Take any combination of the above actions.

**8-089.1**

(g) *Request for reconsideration of directive.* Any state member bank or bank holding company, upon a change in circumstances, may request the Board to reconsider the terms of a directive and may propose changes in the plan under which it is operating to meet the required minimum capital level. The directive and plan continue in effect while such request is pending before the Board.

**8-089.2**

#### SECTION 263.84—Enforcement of Directive

(a) *Judicial and administrative remedies.*

- (1) Whenever a bank or bank holding company fails to follow a directive issued under this subpart, or to submit or adhere to a capital adequacy plan as required by such directive, the Board may seek enforcement of the directive, including the capital adequacy plan, in the appropriate United States district court, pursuant to section 908 (b)(2)(B)(ii) of ILSA (12 U.S.C. 3907(b)(2)(B)(ii)) and to section 8(i) of the FDIA (12 U.S.C. 1818(i)), in the same manner and to the same extent as if the directive were a final cease-and-desist order. Whenever a savings and loan holding com-

pany fails to follow a directive issued under this subpart, or to submit or adhere to a capital adequacy plan as required by such directive, the Board may seek enforcement of the directive, including the capital adequacy plan, in the proper United States district court, or the United States court of any territory or other place subject to the jurisdiction of the United States, pursuant to section 10(g)(4) of HOLA (12 U.S.C. 1567a(g)(4)).

**8-089.3**

(2) The Board, pursuant to section 910(d) of ILSA (12 U.S.C. 3909(d)), may also assess civil money penalties for violation of the directive against any bank or bank holding company and any institution-affiliated party of the bank or bank holding company, in the same manner and to the same extent as if the directive were a final cease-and-desist order. The Board, pursuant to section 10(i) (12 U.S.C. 1467a(i)), may also assess civil money penalties for violation of the directive against any savings and loan holding company and any institution-affiliated party of the savings and loan holding company, in the same manner and to the same extent as if the directive were a final cease-and-desist order.

**8-089.4**

(b) *Other enforcement actions.* A directive may be issued separately, in conjunction with, or in addition to any other enforcement actions available to the Board, including issuance of cease-and-desist orders, the approval or denial of applications or notices, or any other actions authorized by law.

**8-089.5**

(c) *Consideration in application proceedings.* In acting upon any application or notice submitted to the Board pursuant to any statute administered by the Board, the Board may consider the progress of a state member bank, bank holding company, or savings and loan holding company or any subsidiary thereof in adhering to any directive or capital adequacy plan required by the Board pursuant to this subpart, or by any other appropriate banking supervisory agency pursuant to ILSA. The

Board shall consider whether approval or a notice of intent not to disapprove would divert earnings, diminish capital, or otherwise impede the bank, bank holding company, or savings and loan holding company in achieving its required minimum capital level or complying with its capital adequacy plan.

#### 8-089.6

### SECTION 263.85—Establishment of Increased Capital Level for Specific Institutions

(a) *Establishment of capital levels for specific institutions.* The Board may establish a capital level higher than the minimum specified in the Board's capital adequacy guidelines for a specific bank or bank holding company pursuant to—

- (1) A written agreement or memorandum of understanding between the Board or the appropriate Federal Reserve Bank and the bank or bank holding company;
- (2) A temporary or final cease-and-desist order issued pursuant to section 8(b) or (c) of the FDIA (12 U.S.C. 1818(b) or (c));
- (3) A condition for approval of an application or issuance of a notice of intent not to disapprove a proposal;
- (4) Or other similar means; or
- (5) The procedures set forth in paragraph (b) of this section.

#### 8-089.7

(b) *Procedure to establish higher capital requirement.*

- (1) *Notice.* When the Board determines that capital levels above those in the Board's Capital Adequacy Guidelines may be necessary and appropriate for a particular bank or bank holding company under the circumstances, or when the Board determines that the current capital level of a savings and loan holding company is not adequate, the Board shall give the bank or bank holding company notice of the proposed higher capital requirement and shall permit the bank, bank holding company, or savings and loan holding company an opportunity to comment upon the proposed capital level, whether it should be required and, if

so, under what time schedule. The notice shall contain the Board's reasons for proposing a higher level of capital.

#### 8-089.8

(2) *Response.* The bank, bank holding company, or savings and loan holding company shall be allowed at least 14 days to respond, unless the Board determines that a shorter period is necessary because of the financial condition of the bank, bank holding company, or savings and loan holding company. Failure by the bank, bank holding company, or savings and loan holding company to file a written response to the notice within the time set by the Board shall constitute a waiver of the opportunity to respond and shall constitute consent to issuance of a directive containing the required minimum capital level.

#### 8-089.9

(3) *Board decision.* After considering the response of the institution, the Board may issue a written directive to the bank, bank holding company, or savings and loan holding company setting an appropriate capital level and the date on which this capital level will become effective. The Board may require the bank, bank holding company, or savings and loan holding company to submit and adhere to a plan for achieving such higher capital level as the Board may set.

(4) *Enforcement of higher capital level.* The Board may enforce the capital level established pursuant to the procedures described in this section and any plan submitted to achieve that capital level through the procedures set forth in section 263.84 of this subpart.

#### 8-090

### SUBPART F—PRACTICE BEFORE THE BOARD

#### SECTION 263.90—Scope

(a) This subpart prescribes rules relating to general practice before the Board on one's own behalf or in a representational capacity, including the circumstances under which disciplinary sanctions—censure, suspension, or

debarment—may be imposed upon persons appearing in a representational capacity, including attorneys and accountants, but not including employees of the Board. These disciplinary sanctions, which continue in effect beyond the duration of a specific proceeding, supplement the provisions of section 263.6(b) of subpart A, which address control of a specific proceeding.

#### 8-090.1

#### SECTION 263.91—Censure, Suspension, or Debarment

(a) The Board may censure an individual or suspend or debar such individual from practice before the Board if he or she engages, or has engaged, in conduct warranting sanctions as set forth in section 263.94; refuses to comply with the rules and regulations in this part; or with intent to defraud in any manner, willfully and knowingly deceives, misleads, or threatens any client or prospective client. The suspension or debarment of an individual shall be initiated only upon a finding by the Board that the conduct that forms the basis for the disciplinary action is egregious.

#### 8-090.2

#### SECTION 263.92—Definitions

(a) As used in this subpart, the following terms shall have the meaning given in this section unless the context otherwise requires.

(b)(1) *Practice before the Board* includes any matters connected with presentations to the Board or to any of its officers or employees relating to a client's rights, privileges, or liabilities under laws or regulations administered by the Board. Such matters include, but are not limited to, the preparation of any statement, opinion, or other paper or document by an attorney, accountant, or other licensed professional which is filed with, or submitted to, the Board, on behalf of another person in, or in connection with, any application, notification, report, or document; the representation of a person at conferences, hearings, and

meetings; and the transaction of other business before the Board on behalf of another person.

(2) *Practice before the Board* does not include work prepared for an institution solely at its request for use in the ordinary course of its business.

#### 8-090.3

(c) *Attorney* means any individual who is a member in good standing of the bar of the highest court of any state, possession, territory, commonwealth, or the District of Columbia.

(d) *Accountant* means any individual who is duly qualified to practice as a certified public accountant or a public accountant in any state, possession, territory, commonwealth, or the District of Columbia.

#### 8-090.4

#### SECTION 263.93—Eligibility to Practice

(a) *Attorneys*. Any attorney who is qualified to practice as an attorney and is not currently under suspension or debarment pursuant to this subpart may practice before the Board.

(b) *Accountants*. Any accountant who is qualified to practice as a certified public accountant or public accountant and is not currently under suspension or debarment by the Board may practice before the Board.

#### 8-090.5

#### SECTION 263.94—Conduct Warranting Sanctions

Conduct for which an individual may be censured, debarred, or suspended from practice before the Board includes, but is not limited to—

(a) Willfully or recklessly violating or willfully or recklessly aiding and abetting the violation of any provision of the federal banking or applicable securities laws or the rules and regulations thereunder or conviction of any offense involving dishonesty or breach of trust;

(b) Knowingly or recklessly giving false or

misleading information, or participating in any way in the giving of false information to the Board or to any Board officer or employee, or to any tribunal authorized to pass upon matters administered by the Board in connection with any matter pending or likely to be pending before it. The term “information” includes facts or other statements contained in testimony, financial statements, applications, affidavits, declarations, or any other document or written or oral statement;

#### 8-090.6

(c) Directly or indirectly attempting to influence, or offering or agreeing to attempt to influence, the official action of any officer or employee of the Board by the use of threats, false accusations, duress, or coercion; by the offer of any special inducement or promise of advantage; or by the bestowing of any gift, favor, or thing of value;

(d) Disbarment or suspension from practice as an attorney, or debarment or suspension from practice as a certified public accountant or public accountant, by any duly constituted authority of any state, possession, commonwealth, or the District of Columbia for the conviction of a felony or misdemeanor involving personal dishonesty or breach of trust in matters relating to the supervisory responsibilities of the Board, where the conviction has not been reversed on appeal;

(e) Knowingly aiding or abetting another individual to practice before the Board during that individual’s period of suspension, debarment, or ineligibility;

#### 8-090.7

(f) Contemptuous conduct in connection with practice before the Board, and knowingly making false accusations and statements, or circulating or publishing malicious or libelous matter;

(g) Suspension or debarment from practice before the OCC, the FDIC, the Office of Thrift Supervision, the Securities and Exchange Commission, the NCUA, or any other Federal agency based on matters relating to the supervisory responsibilities of the Board;

(h) Willful or knowing violation of any of the regulations contained in this part.

#### 8-090.8

### SECTION 263.95—Initiation of Disciplinary Proceeding

(a) *Receipt of information.* An individual, including any employee of the Board, who has reason to believe that an individual practicing before the Board in a representative capacity has engaged in any conduct that would serve as a basis for censure, suspension, or debarment under section 263.94, may make a report thereof and forward it to the Board.

(b) *Censure without formal proceeding.* Upon receipt of information regarding an individual’s qualification to practice before the Board, the Board may, after giving the individual notice and opportunity to respond, censure such individual.

#### 8-090.9

(c) *Institution of formal disciplinary proceeding.* When the Board has reason to believe that any individual who practices before the Board in a representative capacity has engaged in conduct that would serve as a basis for censure, suspension, or debarment under section 263.94, the Board may, after giving the individual notice and opportunity to respond, institute a formal disciplinary proceeding against such individual. The proceeding shall be conducted pursuant to section 263.97 and shall be initiated by a complaint issued by the Board that names the individual as a respondent. Except in cases when time, the nature of the proceeding, or the public interest do not permit, a proceeding under this section shall not be instituted until the respondent has been informed, in writing, of the facts or conduct which warrant institution of a proceeding and the respondent has been accorded the opportunity to comply with all lawful requirements or take whatever action may be necessary to remedy the conduct that is the basis for the initiation of the proceeding.

#### 8-091

### SECTION 263.96—Conferences

(a) *General.* The Board’s staff may confer with a proposed respondent concerning allega-

tions of misconduct or other grounds for censure, debarment, or suspension, regardless of whether a proceeding for debarment or suspension has been instituted. If a conference results in a stipulation in connection with a proceeding in which the individual is the respondent, the stipulation may be entered in the record at the request of either party to the proceeding.

#### 8-091.1

(b) *Resignation or voluntary suspension.* In order to avoid the institution of, or a decision in, a debarment or suspension proceeding, a person who practices before the Board may consent to suspension from practice. At the discretion of the Board, the individual may be suspended or debarred in accordance with the consent offered.

#### 8-091.2

##### SECTION 263.97—Proceedings Under This Subpart

(a) Except as otherwise provided in this subpart, any hearing held under this subpart shall be held before an administrative law judge of the OFIA pursuant to procedures set forth in subparts A and B of this part. The Board shall appoint a person to represent the Board in the hearing. Any person having prior involvement in the matter which is the basis for the suspension or debarment proceeding shall be disqualified from representing the Board in the hearing. The hearing shall be closed to the public unless the Board, sua sponte or on the request of a party, otherwise directs. The administrative law judge shall refer a recommended decision to the Board, which shall issue the final decision and order. In its final decision and order, the Board may censure, debar, or suspend an individual, or take such other disciplinary action as the Board deems appropriate.

#### 8-091.3

##### SECTION 263.98—Effect of Suspension, Debarment, or Censure

(a) *Debarment.* If the final order against the

respondent is for debarment, the individual will not thereafter be permitted to practice before the Board unless otherwise permitted to do so by the Board pursuant to section 263.99 of this subpart.

(b) *Suspension.* If the final order against the respondent is for suspension, the individual will not thereafter be permitted to practice before the Board during the period of suspension.

#### 8-091.4

(c) *Censure.* If the final order against the respondent is for censure, the individual may be permitted to practice before the Board, but such individual's future representations may be subject to conditions designed to promote high standards of conduct. If a written letter of censure is issued, a copy will be maintained in the Board's files.

(d) *Notice of debarment or suspension.* Upon the issuance of a final order for suspension or debarment, the Board shall give notice of the order to appropriate officers and employees of the Board, to interested departments and agencies of the federal government, and to the appropriate authorities of the state in which any debarred or suspended individual is or was licensed to practice.

#### 8-091.5

##### SECTION 263.99—Petition for Reinstatement

(a) The Board may entertain a petition for reinstatement from any person debarred from practice before the Board. The Board shall grant reinstatement only if the Board finds that the petitioner is likely to act in accordance with the regulations in this part, and that granting reinstatement would not be contrary to the public interest. Any request for reinstatement shall be limited to written submissions unless the Board, in its discretion, affords the petitioner an informal hearing.

**8-091.6**

**SUBPART G—RULES REGARDING  
CLAIMS UNDER THE EQUAL  
ACCESS TO JUSTICE ACT**

**SECTION 263.100—Authority and  
Scope**

(a) This subpart implements the provisions of the Equal Access to Justice Act (5 U.S.C. 504) as they apply to formal adversary adjudications before the Board. The types of proceedings covered by this subpart are listed in sections 263.1 and 263.50.

**8-091.7**

**SECTION 263.101—Standards for  
Awards**

(a) A respondent in a covered proceeding that prevails on the merits of that proceeding against the Board, and that is eligible under this subpart as defined in section 263.103, may receive an award for fees and expenses incurred in the proceeding unless the position of the Board during the proceeding was substantially justified or special circumstances make an award unjust. The position of the Board includes, in addition to the position taken by the Board in the adversary proceeding, the action or failure to act by the Board upon which the adversary proceeding was based. An award will be reduced or denied if the applicant has unduly or unreasonably protracted the proceedings.

**8-091.8**

**SECTION 263.102—Prevailing Party**

(a) Only an eligible applicant that prevailed on the merits of an adversary proceeding may qualify for an award under this subpart.

**8-091.9**

**SECTION 263.103—Eligibility of  
Applicants**

(a) *General rule.* To be eligible for an award under this subpart, an applicant must have been named as a party to the adjudicatory

proceeding and show that it meets all other conditions of eligibility set forth below.

**8-092**

(b) *Types of eligible applicant.* An applicant is eligible for an award only if it meets at least one of the following descriptions:

(1) An individual with a net worth of not more than \$2 million at the time the adversary adjudication was initiated;

(2) Any sole owner of an unincorporated business, or any partnership, corporation, association, unit of local government or organization, the net worth of which did not exceed \$7,000,000 and which did not have more than 500 employees at the time the adversary adjudication was initiated;

(3) A charitable or other tax-exempt organization described in section 501(c)(3) of the Internal Revenue Code (26 U.S.C. 501(c)(3)) with not more than 500 employees at the time the adversary proceeding was initiated; or

(4) A cooperative association as defined in section 15(a) of the Agricultural Marketing Act (12 U.S.C. 1141j(a)) with not more than 500 employees at the time the adversary proceeding was initiated.

**8-092.1**

(c) *Factors to be considered.* In determining the eligibility of an applicant—

(1) An applicant who owns an unincorporated business shall be considered as an “individual” rather than a “sole owner of an unincorporated business” if the issues on which he or she prevailed are related to personal interests rather than to business interests.

(2) An applicant’s net worth includes the value of any assets disposed of for the purpose of meeting an eligibility standard and excludes the value of any obligations incurred for this purpose. Transfers of assets or obligations incurred for less than reasonably equivalent value will be presumed to have been made for this purpose.

**8-092.2**

(3) The net worth of a financial institution shall be established by the net worth information reported in conformity with appli-



cable instructions and guidelines on the financial institution's financial report to its supervisory agency for the last reporting date before the initiation of the adversary proceeding. A bank holding company's and a savings and loan holding company's net worth will be considered on a consolidated basis even if the bank holding company or the savings and loan holding company is not required to file its regulatory reports to the Board on a consolidated basis.

(4) The employees of an applicant include all those persons who were regularly providing services for remuneration for the applicant, under its direction and control, on the date the adversary proceeding was initiated. Part-time employees are counted on a proportional basis.

#### 8-092.3

(5) The net worth and number of employees of the applicant and all of its affiliates shall be aggregated to determine eligibility. As used in this subpart, "affiliates" are: individuals, corporations, and entities that directly or indirectly or acting through one or more entities control at least 25 percent of the voting shares of the applicant, and corporations and entities of which the applicant directly or indirectly owns or controls at least 25 percent of the voting shares. The Board may determine, in light of the actual relationship among the affiliated entities, that aggregation with regard to one or more of the applicant's affiliates would be unjust and contrary to the purposes of this subpart and decline to aggregate the net worth and employees of such affiliate; alternatively, the Board may determine that financial relationships of the applicant other than those described in this paragraph constitute special circumstances that would make an award unjust.

#### 8-092.4

### SECTION 263.104—Application for Awards

(a) *Time to file.* An application and any other pleading or document related to the application may be filed with the Board whenever

the applicant has prevailed in the proceeding within 30 days after service of the final order of the Board disposing of the proceeding.

#### 8-092.5

(b) *Contents.* An application for an award of fees and expenses under this subpart shall contain—

- (1) The name of the applicant and an identification of the proceeding;
- (2) A showing that the applicant has prevailed, and an identification of the way in which the applicant believes that the position of the Board in the proceeding was not substantially justified;
- (3) If the applicant is not an individual, a statement of the number of its employees on the date the proceeding was initiated;
- (4) A description of any affiliated individuals or entities, as defined in section 263.103(c)(5), or a statement that none exist;
- (5) A declaration that the applicant, together with any affiliates, had a net worth not more than the maximum set forth in section 263.103(b) as of the date the proceeding was initiated, supported by a networth statement conforming to the requirements of Section 263.105;
- (6) A statement of the amount of fees and expenses for which an award is sought conforming to section 263.107; and
- (7) Any other matters that the applicant wishes the Board to consider in determining whether and in what amount an award should be made.

#### 8-092.6

(c) *Verification.* The application shall be signed by the applicant or an authorized officer or attorney for the applicant. It shall also contain or be accompanied by a written verification under oath or under penalty of perjury that the information provided in the application and supporting documents is true and correct.

#### 8-092.7

(d) *Service.* The application and related documents shall be served on all parties to the adversary proceeding in accordance with sec-

tion 263.11, except that statements of net worth shall be served only on counsel for the Board.

(e) *Presiding officer.* Upon receipt of an application, the Board shall, if feasible, refer the matter to the administrative law judge who heard the underlying adversary proceeding.

#### 8-092.8

#### SECTION 263.105—Statement of Net Worth

(a) *General rule.* A statement of net worth shall be filed with the application for an award of fees. The statement shall reflect the net worth of the applicant and all affiliates of the applicant, as specified in section 263.103(c)(5). In all cases, the administrative law judge or the Board may call for additional information needed to establish the applicant's net worth as of the initiation of the proceeding.

#### 8-092.9

(b) *Contents.*

(1) Except as otherwise provided herein, the statement of net worth may be in any form convenient to the applicant which fully discloses all the assets and liabilities of the applicant and all the assets and liabilities of its affiliates, as of the time of the initiation of the adversary adjudication. Unaudited financial statements are acceptable for individual applicants as long as the statement provides a reliable basis for evaluation, unless the administrative law judge or the Board otherwise requires. Financial statements or reports filed with or reported to a federal or state agency, prepared before the initiation of the adversary proceeding for other purposes, and accurate as of a date not more than three months prior to the initiation of the proceeding, shall be acceptable in establishing net worth as of the time of the initiation of the proceeding, unless the administrative law judge or the Board otherwise requires.

#### 8-093

(2) In the case of applicants or affiliates that are not banks, net worth shall be con-

sidered for the purposes of this subpart to be the excess of total assets over total liabilities, as of the date the underlying proceeding was initiated, except as adjusted under section 263.103(c)(5). The net worth of a bank holding company or a savings and loan holding company shall be considered on a consolidated basis. Assets and liabilities of individuals shall include those beneficially owned.

#### 8-093.1

(3) If the applicant or any of its affiliates is a bank or a savings association, the portion of the statement of net worth which relates to the bank or the savings association shall consist of a copy of the bank's or a savings association's last Consolidated Report of Condition and Income filed before the initiation of the adversary adjudication. Net worth shall be considered for the purposes of this subpart to be the total equity capital (or, in the case of mutual savings banks or mutual savings associations, the total surplus accounts) as reported, in conformity with applicable instructions and guidelines, on the bank's or the savings association's Consolidated Report of Condition and Income filed for the last reporting date before the initiation of the proceeding.

#### 8-093.2

(c) *Statement confidential.* Unless otherwise ordered by the Board or required by law, the statement of net worth shall be for the confidential use of the Board, counsel for the Board, and the administrative law judge.

#### 8-093.3

#### SECTION 263.106—Measure of Awards

(a) *General rule.* Awards shall be based on rates customarily charged by persons engaged in the business of acting as attorneys, agents, and expert witnesses, provided that no award under this subpart for the fee of an attorney or agent shall exceed \$75 per hour. No award to compensate an expert witness shall exceed the highest rate at which the Board pays expert witnesses. An award may include the reasonable expenses of the attorney, agent, or expert

witness as a separate item, if the attorney, agent, or expert witness ordinarily charges clients separately for such expenses.

#### 8-093.4

(b) *Determination of reasonableness of fees.* In determining the reasonableness of the fee sought for an attorney, agent, or expert witness, subject to the limits set forth above, the administrative law judge shall consider the following:

- (1) If the attorney, agent, or expert witness is in private practice, his or her customary fee for like services in the community in which the attorney, agent, or expert witness ordinarily performs services;
- (2) The time actually spent in the representation of the applicant;
- (3) The time reasonably spent in light of the difficulty or complexity of the issues in the proceeding; and
- (4) Such other factors as may bear on the value of the services provided.

#### 8-093.5

(c) *Awards for studies.* The reasonable cost of any study, analysis, test, project, or similar matter prepared on behalf of an applicant may be awarded to the extent that the charge for the service does not exceed the prevailing rate payable for similar services, and the study or other matter was necessary solely for preparation of the applicant's case and not otherwise required by law or sound business or financial practice.

#### 8-093.6

### SECTION 263.107—Statement of Fees and Expenses

(a) The application shall be accompanied by a statement fully documenting the fees and expenses for which an award is sought. A separate itemized statement shall be submitted for each professional firm or individual whose services are covered by the application, showing the hours spent in work in connection with the proceeding by each individual, a description of the specific services performed, the rate at which each fee has been computed, any expenses for which reimbursement is

sought, the total amount claimed, and the total amount paid or payable by the applicant or by any other person or entity for the services performed. The administrative law judge or the Board may require the applicant to provide vouchers, receipts, or other substantiation for any expenses claimed.

#### 8-093.7

### SECTION 263.108—Responses to Application

(a) *By counsel for the Board.*

- (1) Within 20 days after service of an application, counsel for the Board may file an answer to the application.
- (2) The answer shall explain in detail any objections to the award requested and identify the facts relied on in support of the Board's position. If the answer is based on any alleged facts not already in the record of the proceeding, the answer shall include either supporting affidavits or a request for further proceedings under section 263.109, or both.

(b) *Reply to answer.* The applicant may file a reply only if the Board has addressed in its answer any of the following issues: that the position of the agency was substantially justified, that the applicant unduly protracted the proceedings, or that special circumstances make an award unjust. Any reply authorized by this section shall be filed within 15 days of service of the answer. If the reply is based on any alleged facts not already in the record of the proceeding, the reply shall include either supporting affidavits or a request for further proceedings under section 263.109, or both.

(c) *Additional response.* Additional filings in the nature of pleadings may be submitted only by leave of the administrative law judge.

#### 8-093.9

### SECTION 263.109—Further Proceedings

(a) *General rule.* The determination of a recommended award shall be made by the administrative law judge on the basis of the written record of the adversary adjudication, including any supporting affidavits submitted

in connection with the application, unless, on the motion of either the applicant or Board counsel, or sua sponte, the administrative law judge or the Board orders further proceedings to amplify the record such as an informal conference, oral argument, additional written submissions, or an evidentiary hearing. Such further proceedings shall be held only when necessary for full and fair resolution of the issues arising from the application and shall be conducted promptly and expeditiously.

**8-094**

(b) *Request for further proceedings.* A request for further proceedings under this section shall specifically identify the information sought or the issues in dispute and shall explain why additional proceedings are necessary.

(c) *Hearing.* The administrative law judge shall hold an oral evidentiary hearing only on disputed issues of material fact which cannot be adequately resolved through written submissions.

**8-094.1**

**SECTION 263.110—Recommended Decision**

(a) The administrative law judge shall file with the Board a recommended decision on the fee application not later than 30 days after the submission of all pleadings and evidentiary material concerning the application. The recommended decision shall include written proposed findings and conclusions on the applicant's eligibility and its status as a prevailing party and, if applicable, an explanation of the reasons for any difference between the amount requested and the amount of the recommended award. The recommended decision shall also include, if at issue, proposed findings as to whether the Board's position was substantially justified, whether the applicant unduly protracted the proceedings, or whether special circumstances make an award unjust. The administrative law judge shall file the record of the proceeding on the fee application upon the filing of the recommended decision and, at the same time, serve upon

each party a copy of the recommended decision, findings, conclusions, and proposed order.

**8-094.2**

**SECTION 263.111—Action by the Board**

(a) *Exceptions to recommended decision.* Within 20 days after service of the recommended decision, findings, conclusions, and proposed order, the applicant or counsel for the Board may file written exceptions thereto. A supporting brief may also be filed.

(b) *Decision by the Board.* The Board shall render its decision within 90 days after it has notified the parties that the matter has been received for decision. The Board shall serve copies of the decision and order of the Board upon the parties. Judicial review of the decision and order may be obtained as provided in 5 U.S.C. 504(c)(2).

**8-094.3**

**SUBPART H—ISSUANCE AND REVIEW OF ORDERS PURSUANT TO PROMPT-CORRECTIVE-ACTION PROVISIONS OF THE FEDERAL DEPOSIT INSURANCE ACT**

**SECTION 263.201—Scope**

(a) The rules and procedures set forth in this subpart apply to state member banks, companies that control state member banks or are affiliated with such banks, and senior executive officers and directors of state member banks that are subject to the provisions of section 38 of the Federal Deposit Insurance Act ("section 38") and subpart D of section 208 of this chapter [Regulation H].

**8-094.4**

**SECTION 263.202—Directives to Take Prompt Regulatory Action**

(a) *Notice of intent to issue directive.*

(1) *In general.* The Board shall provide an undercapitalized, significantly undercapitalized, or critically undercapitalized state member bank or, where appropriate, any

company that controls the bank, prior written notice of the Board's intention to issue a directive requiring such bank or company to take actions or to follow proscriptions described in section 38 that are within the Board's discretion to require or impose under section 38 of the FDI Act, including sections 38(e)(5), (f)(2), (f)(3), or (f)(5). The bank shall have such time to respond to a proposed directive as provided by the Board under paragraph (c) of this section.

(2) *Immediate issuance of final directive.* If the Board finds it necessary in order to carry out the purposes of section 38 of the FDI Act, the Board may, without providing the notice prescribed in paragraph (a)(1) of this section, issue a directive requiring a state member bank or any company that controls a state member bank immediately to take actions or to follow proscriptions described in section 38 that are within the Board's discretion to require or impose under section 38 of the FDI Act, including section 38(e)(5), (f)(2), (f)(3), or (f)(5). A bank or company that is subject to such an immediately effective directive may submit a written appeal of the directive to the Board. Such an appeal must be received by the Board within 14 calendar days of the issuance of the directive, unless the Board permits a longer period. The Board shall consider any such appeal, if filed in a timely matter, within 60 days of receiving the appeal. During such period of review, the directive shall remain in effect unless the Board, in its sole discretion, stays the effectiveness of the directive.

#### 8-094.5

(b) *Contents of notice.* A notice of intention to issue a directive shall include—

- (1) a statement of the bank's capital measures and capital levels;
- (2) a description of the restrictions, prohibitions, or affirmative actions that the Board proposes to impose or require;
- (3) the proposed date when such restrictions or prohibitions would be effective or the proposed date for completion of such affirmative actions; and
- (4) the date by which the bank or company

subject to the directive may file with the Board a written response to the notice.

#### 8-094.6

(c) *Response to notice.*

(1) *Time for response.* A bank or company may file a written response to a notice of intent to issue a directive within the time period set by the Board. The date shall be at least 14 calendar days from the date of the notice unless the Board determines that a shorter period is appropriate in light of the financial condition of the bank or other relevant circumstances.

(2) *Content of response.* The response should include—

- (i) an explanation why the action proposed by the Board is not an appropriate exercise of discretion under section 38;
- (ii) any recommended modification of the proposed directive; and
- (iii) any other relevant information, mitigating circumstances, documentation, or other evidence in support of the position of the bank or company regarding the proposed directive.

#### 8-094.7

(d) *Board consideration of response.* After considering the response, the Board may—

- (1) issue the directive as proposed or in modified form;
- (2) determine not to issue the directive and so notify the bank or company; or
- (3) seek additional information or clarification of the response from the bank or company, or any other relevant source.

#### 8-094.8

(e) *Failure to file response.* Failure by a bank or company to file with the Board, within the specified time period, a written response to a proposed directive shall constitute a waiver of the opportunity to respond and shall constitute consent to the issuance of the directive.

(f) *Request for modification or rescission of directive.* Any bank or company that is subject to a directive under this subpart may, upon a change in circumstances, request in writing that the Board reconsider the terms of the directive, and may propose that the directive

be rescinded or modified. Unless otherwise ordered by the Board, the directive shall continue in place while such request is pending before the Board.

#### 8-094.9

### SECTION 263.203—Procedures for Reclassifying a State Member Bank Based on Criteria Other Than Capital

(a) *Reclassification based on unsafe or unsound condition or practice.*

(1) *Issuance of notice of proposed reclassification.*

(i) *Grounds for reclassification.* Pursuant to section 208.43(c) of Regulation H, 12 CFR 208.43(c), the Board may reclassify a well-capitalized bank as adequately capitalized or subject an adequately capitalized or undercapitalized institution to the supervisory actions applicable to the next lower capital category if—

(A) the Board determines that the bank is in unsafe or unsound condition; or

(B) the Board deems the bank to be engaged in an unsafe or unsound practice and not to have corrected the deficiency.

Any action pursuant to this paragraph shall hereinafter be referred to as “reclassification.”

(ii) *Prior notice to institution.* Prior to taking action pursuant to section 208.33(c) of this part, the Board shall issue and serve on the bank a written notice of the Board’s intention to reclassify the bank.

#### 8-095

(2) *Contents of notice.* A notice of intention to reclassify a bank based on unsafe or unsound condition shall include—

(i) a statement of the bank’s capital measures and capital levels and the category to which the bank would be reclassified;

(ii) the reasons for reclassification of the bank;

(iii) the date by which the bank subject to the notice of reclassification may file with the Board a written appeal of the

proposed reclassification and a request for a hearing, which shall be at least 14 calendar days from the date of service of the notice unless the Board determines that a shorter period is appropriate in light of the financial condition of the bank or other relevant circumstances.

(3) *Response to notice of proposed reclassification.* A bank may file a written response to a notice of proposed reclassification within the time period set by the Board. The response should include—

(i) an explanation of why the bank is not in unsafe or unsound condition or otherwise should not be reclassified;

(ii) any other relevant information, mitigating circumstances, documentation, or other evidence in support of the position of the bank or company regarding the reclassification.

#### 8-095.1

(4) *Failure to file response.* Failure by a bank to file, within the specified time period, a written response with the Board to a notice of proposed reclassification shall constitute a waiver of the opportunity to respond and shall constitute consent to the reclassification.

(5) *Request for hearing and presentation of oral testimony or witnesses.* The response may include a request for an informal hearing before the Board or its designee under this section. If the bank desires to present oral testimony or witnesses at the hearing, the bank shall include a request to do so with the request for an informal hearing. A request to present oral testimony or witnesses shall specify the names of the witnesses and the general nature of their expected testimony. Failure to request a hearing shall constitute a waiver of any right to a hearing, and failure to request the opportunity to present oral testimony or witnesses shall constitute a waiver of any right to present oral testimony or witnesses.

(6) *Order for informal hearing.* Upon receipt of a timely written request that includes a request for a hearing, the Board shall issue an order directing an informal hearing to commence no later than 30 days after receipt of the request, unless the bank

requests a later date. The hearing shall be held in Washington, D.C. or at such other place as may be designated by the Board, before a presiding officer(s) designated by the Board to conduct the hearing.

#### 8-095.2

##### (7) *Hearing procedures.*

(i) The bank shall have the right to introduce relevant written materials and to present oral argument at the hearing. The bank may introduce oral testimony and present witnesses only if expressly authorized by the Board or the presiding officer(s). Neither the provisions of the Administrative Procedure Act governing adjudications required by statute to be determined on the record nor the Uniform Rules of Practice and Procedure in subpart A of this part apply to an informal hearing under this section unless the Board orders that such procedures shall apply.

(ii) The informal hearing shall be recorded, and a transcript shall be furnished to the bank upon request and payment of the cost thereof. Witnesses need not be sworn, unless specifically requested by a party or the presiding officer(s). The presiding officer(s) may ask questions of any witness.

(iii) The presiding officer(s) may order that the hearing be continued for a reasonable period (normally five business days) following completion of oral testimony or argument to allow additional written submissions to the hearing record.

#### 8-095.3

(8) *Recommendation of presiding officers.* Within 20 calendar days following the date the hearing and the record on the proceeding are closed, the presiding officer(s) shall make a recommendation to the Board on the reclassification.

(9) *Time for decision.* Not later than 60 calendar days after the date the record is closed or the date of the response in a case where no hearing was requested, the Board will decide whether to reclassify the bank and notify the bank of the Board's decision.

#### 8-095.4

(b) *Request for rescission of reclassification.* Any bank that has been reclassified under this section, may, upon a change in circumstances, request in writing that the Board reconsider the reclassification, and may propose that the reclassification be rescinded and that any directives issued in connection with the reclassification be modified, rescinded, or removed. Unless otherwise ordered by the Board, the bank shall remain subject to the reclassification and to any directives issued in connection with that reclassification while such request is pending before the Board.

#### 8-095.5

##### SECTION 263.204—Order to Dismiss a Director or Senior Executive Officer

(a) *Service of notice.* When the Board issues and serves a directive on a state member bank pursuant to section 263.202 requiring the bank to dismiss from office any director or senior executive officer under section 38(f)(2)(F)(ii) of the FDI Act, the Board shall also serve a copy of the directive, or the relevant portions of the directive where appropriate, upon the person to be dismissed.

#### 8-095.6

(b) *Response to directive.*

(1) *Request for reinstatement.* A director or senior executive officer who has been served with a directive under subsection (a) (respondent) may file a written request for reinstatement. The request for reinstatement shall be filed within 10 calendar days of the receipt of the directive by the respondent, unless further time is allowed by the Board at the request of the respondent.

(2) *Contents of request; informal hearing.* The request for reinstatement shall include reasons why the respondent should be reinstated, and may include a request for an informal hearing before the Board or its designee under this section. If the respondent desires to present oral testimony or witnesses at the hearing, the respondent shall include a request to do so with the request for an informal hearing. The request to present oral testimony or witnesses shall

specify the names of the witnesses and the general nature of their expected testimony. Failure to request a hearing shall constitute a waiver of any right to a hearing and failure to request the opportunity to present oral testimony or witnesses shall constitute a waiver of any right or opportunity to present oral testimony or witnesses.

(3) *Effective date.* Unless otherwise ordered by the Board, the dismissal shall remain in effect while a request for reinstatement is pending.

#### 8-095.7

(c) *Order for informal hearing.* Upon receipt of a timely written request from a respondent for an informal hearing on the portion of a directive requiring a bank to dismiss from office any director or senior executive officer, the Board shall issue an order directing an informal hearing to commence no later than 30 days after receipt of the request, unless the respondent requests a later date. The hearing shall be held in Washington, D.C., or at such other place as may be designated by the Board, before a presiding officer(s) designated by the Board to conduct the hearing.

#### 8-095.8

(d) *Hearing procedures.*

(1) A respondent may appear at the hearing personally or through counsel. A respondent shall have the right to introduce relevant written materials and to present oral argument. A respondent may introduce oral testimony and present witnesses only if expressly authorized by the Board or the presiding officer(s). Neither the provisions of the Administrative Procedure Act governing adjudications required by statute to be determined on the record nor the Uniform Rules of Practice and Procedure in subpart A of this part apply to an informal hearing under this section unless the Board orders that such procedures shall apply.

(2) The informal hearing shall be recorded, and a transcript shall be furnished to the respondent upon request and payment of the cost thereof. Witnesses need not be sworn, unless specifically requested by a party or the presiding officer(s). The presiding officer(s) may ask questions of any witness.

(3) The presiding officer(s) may order that the hearing be continued for a reasonable period (normally five business days) following completion of oral testimony or argument to allow additional written submissions to the hearing record.

#### 8-095.9

(e) *Standard for review.* A respondent shall bear the burden of demonstrating that his or her continued employment by or service with the bank would materially strengthen the bank's ability—

(1) to become adequately capitalized, to the extent that the directive was issued as a result of the bank's capital level or failure to submit or implement a capital-restoration plan; and

(2) to correct the unsafe or unsound condition or unsafe or unsound practice, to the extent that the directive was issued as a result of classification of the bank based on supervisory criteria other than capital, pursuant to section 38(g) of the FDI Act.

#### 8-096

(f) *Recommendation of presiding officers.* Within 20 calendar days following the date the hearing and the record on the proceeding are closed, the presiding officer(s) shall make a recommendation to the Board concerning the respondent's request for reinstatement with the bank.

(g) *Time for decision.* Not later than 60 calendar days after the date the record is closed or the date of the response in a case where no hearing was requested, the Board shall grant or deny the request for reinstatement and notify the respondent of the Board's decision. If the Board denies the request for reinstatement, the Board shall set forth in the notification the reasons for the Board's action.

#### 8-096.1

### SECTION 263.205—Enforcement of Directives

(a) *Judicial remedies.* Whenever a state member bank or company that controls a state member bank fails to comply with a directive issued under section 38, the Board may seek



enforcement of the directive in the appropriate United States district court pursuant to section 8(i)(1) of the FDI Act.

(b) *Administrative remedies.*

(1) *Failure to comply with directive.* Pursuant to section 8(i)(2)(A) of the FDI Act, the Board may assess a civil money penalty against any state member bank or company that controls a state member bank that violates or otherwise fails to comply with any final directive issued under section 38 and against any institution-affiliated party who participates in such violation or noncompliance.

(2) *Failure to implement capital-restoration plan.* The failure of a bank to implement a capital-restoration plan required under section 38, subpart D of Regulation H (12 CFR part 208, subpart D) or this subpart, or the failure of a company having control of a bank to fulfill a guarantee of a capital-restoration plan made pursuant to section 38(e)(2) of the FDI Act shall subject the bank or company to the assessment of civil money penalties pursuant to section 8(i)(2)(A) of the FDI Act.

(c) *Other enforcement action.* In addition to the actions described in paragraphs (a) and (b) of this section, the Board may seek enforcement of the provisions of section 38 or subpart B of Regulation H through any other judicial or administrative proceeding authorized by law.

**8-096.2**

**SUBPART I—SUBMISSION AND REVIEW OF SAFETY-AND-SOUNDNESS COMPLIANCE PLANS AND ISSUANCE OF ORDERS TO CORRECT SAFETY-AND-SOUNDNESS DEFICIENCIES**

**SECTION 263.300—Scope**

The rules and procedures set forth in this subpart apply to state member banks that are subject to the provisions of section 39 of the Federal Deposit Insurance Act (section 39) (12 U.S.C. 1831p-1).

**8-096.21**

**SECTION 263.301—Purpose**

Section 39 of the FDI Act requires the Board to establish safety-and-soundness standards. Pursuant to section 39, a bank may be required to submit a compliance plan if it is not in compliance with a safety-and-soundness standard established by guideline under section 39(a) or (b). An enforceable order under section 8 may be issued if, after being notified that it is in violation of a safety-and-soundness standard established under section 39, the bank fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted plan. This subpart establishes procedures for requiring submission of a compliance plan and issuing an enforceable order pursuant to section 39.

**8-096.22**

**SECTION 263.302—Determination and Notification of Failure to Meet Safety-and-Soundness Standard and Request for Compliance Plan**

(a) *Determination.* The Board may, based upon an examination, inspection, or any other information that becomes available to the Board, determine that a bank has failed to satisfy the safety-and-soundness standards contained in the Interagency Guidelines Establishing Standards for Safety and Soundness or the Interagency Guidelines Establishing Standards for Safeguarding Customer Information, set out in appendix D-1 and D-2 to part 208 of this chapter, respectively.

(b) *Request for compliance plan.* If the Board determines that a state member bank has failed a safety-and-soundness standard pursuant to paragraph (a) of this section, the Board may request, by letter or through a report of examination, the submission of a compliance plan, and the bank shall be deemed to have notice of the request three days after mailing of the letter by the Board or delivery of the report of examination.

**8-096.23****SECTION 263.303—Filing of Safety-and-Soundness Compliance Plan****(a) Schedule for filing compliance plan.**

(1) *In general.* A state member bank shall file a written safety-and-soundness compliance plan with the Board within 30 days of receiving a request for a compliance plan pursuant to section 263.302(b), unless the Board notifies the bank in writing that the plan is to be filed within a different period.

(2) *Other plans.* If a state member bank is obligated to file, or is currently operating under, a capital-restoration plan submitted pursuant to section 38 of the FDI Act (12 U.S.C. 1831o), a cease-and-desist order entered into pursuant to section 8 of the FDI Act, a formal or informal agreement, or a response to a report of examination or report of inspection, it may, with the permission of the Board, submit a compliance plan under this section as part of that plan, order, agreement, or response, subject to the deadline provided in paragraph (a)(1) of this section.

**(b) Contents of plan.** The compliance plan shall include a description of the steps the state member bank will take to correct the deficiency and the time within which those steps will be taken.

**(c) Review of safety-and-soundness compliance plans.** Within 30 days after receiving a safety-and-soundness compliance plan under this subpart, the Board shall provide written notice to the bank of whether the plan has been approved or seek additional information from the bank regarding the plan. The Board may extend the time within which notice regarding approval of a plan will be provided.

**8-096.24****(d) Failure to submit or implement a compliance plan.**

(1) *Supervisory actions.* If a state member bank fails to submit an acceptable plan within the time specified by the Board or fails in any material respect to implement a compliance plan, then the Board shall, by order, require the bank to correct the deficiency and may take further actions pro-

vided in section 39(e)(2)(B). Pursuant to section 39(e)(3), the Board may be required to take certain actions if the bank commenced operations or experienced a change in control within the previous 24-month period, or the bank experienced extraordinary growth during the previous 18-month period.

(2) *Extraordinary growth.* For purposes of paragraph (d)(1) of this section, *extraordinary growth* means an increase in assets of more than 7.5 percent during any quarter within the 18-month period preceding the issuance of a request for submission of a compliance plan, by a bank that is not well capitalized for purposes of section 38 of the FDI Act. For purposes of calculating an increase in assets, assets acquired through merger or acquisition approved pursuant to the Bank Merger Act (12 U.S.C. 1828(c)) will be excluded.

**(e) Amendment of compliance plan.** A state member bank that has filed an approved compliance plan may, after prior written notice to and approval by the Board, amend the plan to reflect a change in circumstance. Until such time as a proposed amendment has been approved, the bank shall implement the compliance plan as previously approved.

**8-096.25****SECTION 263.304—Issuance of Orders to Correct Deficiencies and to Take or Refrain from Taking Other Actions****(a) Notice of intent to issue order.**

(1) *In general.* The Board shall provide a bank prior written notice of the Board's intention to issue an order requiring the bank to correct a safety-and-soundness deficiency or to take or refrain from taking other actions pursuant to section 39 of the FDI Act. The bank shall have such time to respond to a proposed order as provided by the Board under paragraph (c) of this section.

(2) *Immediate issuance of final order.* If the Board finds it necessary in order to carry out the purposes of section 39 of the FDI Act, the Board may, without providing the notice prescribed in paragraph (a)(1) of this section, issue an order requiring a bank im-

mediately to take actions to correct a safety-and-soundness deficiency or take or refrain from taking other actions pursuant to section 39. A state member bank that is subject to such an immediately effective order may submit a written appeal of the order to the Board. Such an appeal must be received by the Board within 14 calendar days of the issuance of the order, unless the Board permits a longer period. The Board shall consider any such appeal, if filed in a timely manner, within 60 days of receiving the appeal. During such period of review, the order shall remain in effect unless the Board, in its sole discretion, stays the effectiveness of the order.

(b) *Contents of notice.* A notice of intent to issue an order shall include—

- (1) a statement of the safety-and-soundness deficiency or deficiencies that have been identified at the bank;
- (2) a description of any restrictions, prohibitions, or affirmative actions that the Board proposes to impose or require;
- (3) the proposed date when such restrictions or prohibitions would be effective or the proposed date for completion of any required action; and
- (4) the date by which the bank subject to the order may file with the Board a written response to the notice.

#### 8-096.26

(c) *Response to notice.*

(1) *Time for response.* A bank may file a written response to a notice of intent to issue an order within the time period set by the Board. Such a response must be received by the Board within 14 calendar days from the date of the notice unless the Board determines that a different period is appropriate in light of the safety and soundness of the bank or other relevant circumstances.

(2) *Contents of response.* The response should include—

- (i) an explanation why the action proposed by the Board is not an appropriate exercise of discretion under section 39;
- (ii) any recommended modification of the proposed order; and

(iii) any other relevant information, mitigating circumstances, documentation, or other evidence in support of the position of the bank regarding the proposed order.

(d) *Agency consideration of response.* After considering the response, the Board may—

- (1) issue the order as proposed or in modified form;
- (2) determine not to issue the order and so notify the bank; or
- (3) seek additional information or clarification of the response from the bank, or any other relevant source.

#### 8-096.27

(e) *Failure to file response.* Failure by a bank to file with the Board, within the specified time period, a written response to a proposed order shall constitute a waiver of the opportunity to respond and shall constitute consent to the issuance of the order.

(f) *Request for modification or rescission of order.* Any bank that is subject to an order under this subpart may, upon a change in circumstances, request in writing that the Board reconsider the terms of the order, and may propose that the order be rescinded or modified. Unless otherwise ordered by the Board, the order shall continue in place while such request is pending before the Board.

#### 8-096.28

### SECTION 263.305—Enforcement of Orders

(a) *Judicial remedies.* Whenever a state member bank fails to comply with an order issued under section 39, the Board may seek enforcement of the order in the appropriate United States district court pursuant to section 8(i)(1) of the FDI Act.

(b) *Failure to comply with order.* Pursuant to section 8(i)(2)(A) of the FDI Act, the Board may assess a civil money penalty against any state member bank that violates or otherwise fails to comply with any final order issued under section 39 and against any institution-affiliated party who participates in such violation or noncompliance.

(c) *Other enforcement action.* In addition to the actions described in paragraphs (a) and (b) of this section, the Board may seek enforcement of the provisions of section 39 or this part through any other judicial or administrative proceeding authorized by law.

363 on an insured subsidiary bank or insured savings association of that holding company.

(d) *Independent public accountant (accountant)* means any individual who performs or participates in providing audit services.

#### 8-097

### SUBPART J—REMOVAL, SUSPENSION, AND DEBARMENT OF ACCOUNTANTS FROM PERFORMING AUDIT SERVICES

#### SECTION 263.400—Scope

This subpart, which implements section 36(g)(4) of the Federal Deposit Insurance Act (FDIA) (12 U.S.C. 1831m(g)(4)), provides rules and procedures for the removal, suspension, or debarment of independent public accountants and their accounting firms from performing independent audit and attestation services for insured state member banks, bank holding companies, and savings and loan holding companies required by section 36 of the FDIA (12 U.S.C. 1831m).

#### 8-097.1

#### SECTION 263.401—Definitions

As used in this subpart, the following terms shall have the meaning given below unless the context requires otherwise:

(a) *Accounting firm* means a corporation, proprietorship, partnership, or other business firm providing audit services.

(b) *Audit services* means any service required to be performed by an independent public accountant by section 36 of the FDIA and 12 CFR 363, including attestation services. Audit services include any service performed with respect to the holding company of an insured bank that is used to satisfy requirements imposed by section 36 or part 363 on that bank.

(c) *Banking organization* means an insured state member bank, bank holding company, or savings and loan holding company that obtains audit services that are used to satisfy requirements imposed by section 36 or part

#### 8-097.2

### SECTION 263.402—Removal, Suspension, or Debarment

(a) *Good cause for removal, suspension, or debarment.*

(1) *Individuals.* The Board may remove, suspend, or debar an independent public accountant from performing audit services for banking organizations that are subject to section 36 of the FDIA, if, after notice of and opportunity for hearing in the matter, the Board finds that the accountant—

(i) lacks the requisite qualifications to perform audit services;

(ii) has knowingly or recklessly engaged in conduct that results in a violation of applicable professional standards, including those standards and conflict-of-interest provisions applicable to accountants through the Sarbanes-Oxley Act of 2002, Pub. L. 107-204, 116 Stat. 745 (2002) (Sarbanes-Oxley Act), and developed by the Public Company Accounting Oversight Board and the Securities and Exchange Commission;

(iii) has engaged in negligent conduct in the form of—

(A) a single instance of highly unreasonable conduct that results in a violation of applicable professional standards in circumstances in which an accountant knows, or should know, that heightened scrutiny is warranted; or

(B) repeated instances of unreasonable conduct, each resulting in a violation of applicable professional standards, that indicate a lack of competence to perform audit services;

(iv) has knowingly or recklessly given false or misleading information, or knowingly or recklessly participated in any way in the giving of false or misleading

formation, to the Board or any officer or employee of the Board;

(v) has engaged in, or aided and abetted, a material and knowing or reckless violation of any provision of the federal banking or securities laws or the rules and regulations thereunder, or any other law;

(vi) has been removed, suspended, or debarred from practice before any federal or state agency regulating the banking, insurance, or securities industries, other than by an action listed in section 263.403, on grounds relevant to the provision of audit services; or

(vii) is suspended or debarred for cause from practice as an accountant by any duly constituted licensing authority of any state, possession, commonwealth, or the District of Columbia.

#### 8-097.21

(2) *Accounting firms.* If the Board determines that there is good cause for the removal, suspension, or debarment of a member or employee of an accounting firm under paragraph (a)(1) of this section, the Board also may remove, suspend, or debar such firm or one or more offices of such firm. In considering whether to remove, suspend, or debar a firm or an office thereof, and the term of any sanction against a firm under this section, the Board may consider, for example—

(i) the gravity, scope, or repetition of the act or failure to act that constitutes good cause for removal, suspension, or debarment;

(ii) the adequacy of, and adherence to, applicable policies, practices, or procedures for the accounting firm's conduct of its business and the performance of audit services;

(iii) the selection, training, supervision, and conduct of members or employees of the accounting firm involved in the performance of audit services;

(iv) the extent to which managing partners or senior officers of the accounting firm have participated, directly, or indirectly through oversight or review, in the act or failure to act; and

(v) the extent to which the accounting

firm has, since the occurrence of the act or failure to act, implemented corrective internal controls to prevent its recurrence.

(3) *Limited-scope orders.* An order of removal, suspension (including an immediate suspension), or debarment may, at the discretion of the Board, be made applicable to a particular banking organization or class of banking organizations.

(4) *Remedies not exclusive.* The remedies provided in this subpart are in addition to any other remedies the Board may have under any other applicable provisions of law, rule, or regulation.

#### 8-097.22

(b) *Proceedings to remove, suspend, or debar.*

(1) *Initiation of formal removal, suspension, or debarment proceedings.* The Board may initiate a proceeding to remove, suspend, or debar an accountant or accounting firm from performing audit services by issuing a written notice of intention to take such action that names the individual or firm as a respondent and describes the nature of the conduct that constitutes good cause for such action.

(2) *Hearing under paragraph (b) of this section.* An accountant or firm named as a respondent in the notice issued under paragraph (b)(1) of this section may request a hearing on the allegations in the notice. Hearings conducted under this paragraph shall be conducted in the same manner as other hearings under the Uniform Rules of Practice and Procedure (12 CFR part 263, subpart A).

#### 8-097.23

(c) *Immediate suspension from performing audit services.*

(1) *In general.* If the Board serves a written notice of intention to remove, suspend, or debar an accountant or accounting firm from performing audit services, the Board may, with due regard for the public interest and without a preliminary hearing, immediately suspend such accountant or firm from performing audit services for banking organizations, if the Board—

(i) has a reasonable basis to believe that the accountant or firm has engaged in

conduct (specified in the notice served on the accountant or firm under paragraph (b) of this section) that would constitute grounds for removal, suspension, or debarment under paragraph (a) of this section;

(ii) determines that immediate suspension is necessary to avoid immediate harm to an insured depository institution or its depositors or to the depository system as a whole; and

(iii) serves such respondent with written notice of the immediate suspension.

(2) *Procedures.* An immediate-suspension notice issued under this paragraph will become effective upon service. Such suspension will remain in effect until the date the Board dismisses the charges contained in the notice of intention, or the effective date of a final order of removal, suspension, or debarment issued by the Board to the respondent.

(3) *Petition to stay.* Any accountant or firm immediately suspended from performing audit services in accordance with paragraph (c)(1) of this section may, within 10 calendar days after service of the notice of immediate suspension, file with the Secretary, Board of Governors of the Federal Reserve System, Washington, DC 20551 for a stay of such immediate suspension. If no petition is filed within 10 calendar days, the immediate suspension shall remain in effect.

#### 8-097.24

(4) *Hearing on petition.* Upon receipt of a stay petition, the secretary will designate a presiding officer who shall fix a place and time (not more than 10 calendar days after receipt of the petition, unless extended at the request of petitioner) at which the immediately suspended party may appear, personally or through counsel, to submit written materials and oral argument. Any Board employee engaged in investigative or prosecuting functions for the Board in a case may not, in that or a factually related case, serve as a presiding officer or participate or advise in the decision of the presiding officer or of the Board, except as witness or counsel in the proceeding. In the sole discretion of the presiding officer, upon a spe-

cific showing of compelling need, oral testimony of witnesses may also be presented. In hearings held pursuant to this paragraph there shall be no discovery and the provisions of sections 263.6 through 263.12, 263.16, and 263.21 of this part shall apply.

(5) *Decision on petition.* Within 30 calendar days after the hearing, the presiding officer shall issue a decision. The presiding officer will grant a stay upon a demonstration that a substantial likelihood exists of the respondent's success on the issues raised by the notice of intention and that, absent such relief, the respondent will suffer immediate and irreparable injury, loss, or damage. In the absence of such a demonstration, the presiding officer will notify the parties that the immediate suspension will be continued pending the completion of the administrative proceedings pursuant to the notice.

(6) *Review of presiding officer's decision.* The parties may seek review of the presiding officer's decision by filing a petition for review with the presiding officer within 10 calendar days after service of the decision. Replies must be filed within 10 calendar days after the petition filing date. Upon receipt of a petition for review and any reply, the presiding officer shall promptly certify the entire record to the Board. Within 60 calendar days of the presiding officer's certification, the Board shall issue an order notifying the affected party whether or not the immediate suspension should be continued or reinstated. The order shall state the basis of the Board's decision.

#### 8-097.3

### SECTION 263.403—Automatic Removal, Suspension, and Debarment

(a) An independent public accountant or accounting firm may not perform audit services for banking organizations if the accountant or firm:

(1) Is subject to a final order of removal, suspension, or debarment (other than a limited-scope order) issued by the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, or the

Office of Thrift Supervision under section 36 of the FDIA;

(2) Is subject to a temporary suspension or permanent revocation of registration or a temporary or permanent suspension or bar from further association with any registered public accounting firm issued by the Public Company Accounting Oversight Board or the Securities and Exchange Commission under section 105(c)(4)(A) or (B) of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7215(c)(4)(A) or (B)); or

(3) Is subject to an order of suspension or denial of the privilege of appearing or practicing before the Securities and Exchange Commission.

(b) Upon written request, the Board, for good cause shown, may grant written permission to such accountant or firm to perform audit services for banking organizations. The request shall contain a concise statement of the action requested. The Board may require the applicant to submit additional information.

#### 8-097.4

#### SECTION 263.404—Notice of Removal, Suspension, or Debarment

(a) *Notice to the public.* Upon the issuance of a final order for removal, suspension, or debarment of an independent public accountant or accounting firm from providing audit services, the Board shall make the order publicly available and provide notice of the order to the other federal banking agencies.

(b) *Notice to the Board by accountants and firms.* An accountant or accounting firm that provides audit services to a banking organization must provide the Board with written notice of:

(1) Any currently effective order or other action described in section 263.402(a)(1)(vi) through (a)(1)(vii) or section 263.403(a)(2) through (a)(3); and

(2) Any currently effective action by the Public Company Accounting Oversight Board under section 105(c)(4)(C) or (G) of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7215(c)(4)(C) or (G)).

(c) *Timing of notice.* Written notice required

by this paragraph shall be given no later than 15 calendar days following the effective date of an order or action, or 15 calendar days before an accountant or firm accepts an engagement to provide audit services, whichever date is earlier.

#### 8-097.5

#### SECTION 263.405—Petition for Reinstatement

(a) *Form of petition.* Unless otherwise ordered by the Board, a petition for reinstatement by an independent public accountant, an accounting firm, or an office of a firm that was removed, suspended, or debarred under section 263.402 may be made in writing at any time. The request shall contain a concise statement of the action requested. The Board may require the petitioner to submit additional information.

(b) *Procedure.* A petitioner for reinstatement under this section may, in the sole discretion of the Board, be afforded a hearing. The accountant or firm shall bear the burden of going forward with a petition and proving the grounds asserted in support of the petition. The Board may, in its sole discretion, direct that any reinstatement proceeding be limited to written submissions. The removal, suspension, or debarment shall continue until the Board, for good cause shown, has reinstated the petitioner or until the suspension period has expired. The filing of a petition for reinstatement shall not stay the effectiveness of the removal, suspension, or debarment of an accountant or firm.

#### 8-098

#### SUBPART K—FORMAL INVESTIGATIVE PROCEEDINGS

#### SECTION 263.450—Scope

(a) The procedures of this subpart must be followed when a formal investigation is instituted and conducted pursuant to: section 8(n) of the FDIA (12 U.S.C. 1818(n)); section 10(c) of the FDIA (12 U.S.C. 1820(c)); section 7(j)(15) of the FDIA (12 U.S.C. 1817(j)(15)); section 5(f) of the Bank Holding

Company Act (12 U.S.C. 1844(f)); sections 10(b)(4) and 10(g)(2) of HOLA (12 U.S.C. 1464(b)(4) and 1467a(g)(2)); or section 162 of the Dodd-Frank Act (12 U.S.C. 5362).

(b) Nothing in this subpart prohibits the Board from conducting informal investigations or obtaining information by any means other than a subpoena issued pursuant to this subpart.

(c) This subpart does not apply to adjudicatory proceedings as to which hearings are required by statute, the rules for which are contained in part 262 of this chapter and subpart A of this part.

to be appropriate. Any person who is compelled or requested to furnish documentary evidence or testimony in a formal investigative proceeding may not refuse to comply with a subpoena on the grounds that the order of investigation was not made available in advance of the date of production or testimony set forth in a subpoena.

(c) Copies of an order of investigation may not be produced to or retained by any person except with the express written approval of the Board officer supervising the investigation. The Board may provide a copy of an order of investigation, in whole or in part, if the Board officer concludes, in the officer's discretion, that disclosure of the order of investigation would not infringe upon the privacy of persons involved in the investigation or impede the conduct of the investigation.

#### 8-098.1

#### SECTION 263.451—Definitions

As used in this subpart:

(a) *Formal investigative proceeding* means an investigation conducted pursuant to an order of investigation as provided in section 263.452(a).

(b) *Designated representative* means the person or persons empowered by the Board or by the general counsel or his or her designees in accordance with 12 CFR 265.6 to conduct a formal investigative proceeding.

#### 8-098.2

#### SECTION 263.452—Conduct of a Formal Investigative Proceeding

(a) A formal investigative proceeding may be initiated upon issuance of an order of investigation by the Board or by the general counsel or his or her designees in accordance with 12 CFR 265.6. The order of investigation must indicate the purpose of the formal investigative proceeding and designate the Board's representatives to direct the conduct of the investigation.

(b) Any person who is compelled or requested to furnish documentary evidence or testimony at a formal investigative proceeding may, upon request, inspect a copy of the order of investigation at a time and place that the Board's designated representative determines

#### 8-098.3

#### SECTION 263.453—Powers of the Designated Representative

The designated representative conducting the formal investigative proceeding will have the power to administer oaths and affirmations, to take and preserve testimony under oath, to issue subpoenas ad testificandum and subpoenas duces tecum and to apply for their enforcement to the United States District Court for the judicial district or the United States court in any territory in which the witness or company subpoenaed resides or conducts business, or such other judicial district provided by law.

#### 8-098.4

#### SECTION 263.454—Confidentiality of Proceedings

Formal investigative proceedings conducted pursuant to this subpart are confidential and, unless otherwise ordered or permitted by the Board, or required by law, the entire record of any formal investigative proceeding, including the order of investigation authorizing the proceeding, the transcripts of such proceeding, and all documents and information obtained by the designated representative(s) during the course of the formal investigative proceeding



will be confidential. If the Board issues a notice of charges or otherwise initiates an administrative (adjudicatory) hearing, disclosure of documents and information obtained by the Board's designated representative(s) during the course of the formal investigative proceeding will be governed by the uniform rules and the Board local rules supplementing the uniform rules (subparts A and B of this part).

#### 8-098.5

##### SECTION 263.455—Transcripts

(a) Transcripts of testimony, if any, must be recorded by an official reporter, or by any other person or means designated by the designated representative conducting the investigation.

(b) Transcripts will be treated as confidential and must not be disclosed to any party except as provided in this subpart or as otherwise ordered or permitted by the Board, or required by law or regulation.

#### 8-098.6

##### SECTION 263.456—Rights of Witnesses

(a) Any witness in a formal investigative proceeding may be accompanied and advised by an attorney personally representing that witness.

(1) Such attorney must be a member in good standing of the bar of any state, Commonwealth, possession, territory, or the District of Columbia, who has not been suspended or debarred from practice before the Board in accordance with any provision of this part, including paragraph (a)(4) of this section.

(2) Such attorney may advise the witness before, during, and after the taking of the witness' testimony and may briefly question the witness, on the record, at the conclusion of the witness' testimony, for the sole purpose of clarifying any of the answers the witness has given. During the taking of the testimony of a witness, such attorney may make summary notes solely for the attorney's use in representing the witness. Neither the attorney nor witness may retain

copies of exhibits used or introduced in the course of a witness' testimony.

(3) All witnesses must be sequestered, and, unless permitted in the discretion of the designated representative, no witness or accompanying attorney may be present during the taking of testimony of any other witness called in such formal investigative proceeding. Attorneys for any other interested persons or entities will not, unless permitted in the discretion of the designated representative, have a right to be present during the testimony of any witness not personally being represented by such attorneys.

(4) The Board, for good cause, may exclude a particular attorney from further participation in any formal investigative proceeding in which the Board has found the attorney to have engaged in dilatory, obstructionist, egregious, contemptuous, or contumacious conduct. The designated representative conducting the formal investigative proceeding may report to the Board instances of apparently dilatory, obstructionist, egregious, contemptuous, or contumacious conduct on the part of an attorney. After due notice to the attorney, the Board may take such action as the circumstances warrant, including suspending any attorney representing a witness from further participation in the investigative proceeding, based upon a written record evidencing the conduct of the attorney in the formal investigative proceeding or such other or additional written or oral presentation as the Board may permit or direct.

(b) A witness may inspect the transcript of the witness' own testimony, without retaining a copy thereof, for the purpose of making non-substantive corrections to the transcript at a time and place that the designated representative determines to be appropriate in consideration of all relevant factors, including the convenience of the witness.

(c) A witness may, solely for the use of the witness and the witness' attorney, obtain a copy of the transcript of the witness' testimony, provided that the witness submits a written request for the transcript and the witness requesting a copy of the witness' testimony bears the cost thereof. However, the

Board officer supervising the formal investigative proceeding may deny such a request if, in the officer's discretion, the provision of the transcript may infringe the privacy of third persons involved in the investigation, or impede or interfere with the conduct of any investigation. If the Board issues a notice of charges or otherwise initiates an administrative (adjudicatory) hearing, disclosure of formal investigative transcripts obtained by the Board's designated representative(s) during the course of the formal investigative proceeding will be governed by the uniform rules and the Board local rules supplementing the uniform rules (subparts A and B of this part).

#### 8-098.7

#### SECTION 263.457—Subpoenas

(a) *Service.* Service of a subpoena may be made:

- (1) By personal service;
- (2) If the person to be served is an individual, by delivery to a person of suitable age and discretion at the physical location where the individual resides or works;
- (3) By delivery to an agent which, in the case of a corporation or other association, is delivery to an officer, director, managing or general agent, or to any other agent authorized by appointment or by law to receive service and, if the agent is one authorized by statute to receive service and the statute so requires, by also mailing a copy to the party;
- (4) By registered or certified mail or by an express delivery service addressed to the person's or authorized agent's last known address; or
- (5) In such other manner as is reasonably calculated to give actual notice.

(b) *Area of service.* Service in any state, territory, possession of the United States, or the District of Columbia, on any person or company doing business in any state, territory, possession of the United States, or the District of Columbia, or on any person as otherwise provided by law, is effective without regard to the place where the hearing or testimony is held, provided that if service is made on a foreign bank in connection with an action or

proceeding involving one or more of its branches or agencies located in any state, territory, possession of the United States, or the District of Columbia, service must be made on at least one branch or agency so involved. Foreign nationals are subject to such subpoenas if such service is made upon a duly authorized agent located in the United States or such other means permissible by law.

(c) *Witness fees and mileage.* Witnesses summoned in any proceeding under this subpart must be paid the same fees and mileage that are paid witnesses in the district courts of the United States. Such fees and mileage need not be tendered when the subpoena is issued on behalf of the Board by any of its designated representatives.

#### 8-098.8

#### APPENDIX A—Rules Applicable to Proceedings Initiated Before April 1, 2024\*

#### SUBPART A—UNIFORM RULES OF PRACTICE AND PROCEDURE

#### SECTION 263.1—Scope

This subpart prescribes uniform rules of practice and procedure applicable to adjudicatory proceedings required to be conducted on the record after opportunity for hearing under the following statutory provisions:

- (a) Cease-and-desist proceedings under section 8(b) of the Federal Deposit Insurance Act ("FDIA") (12 U.S.C. 1818(b));
- (b) Removal and prohibition proceedings under section 8(e) of the FDIA (12 U.S.C. 1818(e));
- (c) Change-in-control proceedings under sec-

\*The content of this appendix reproduces the uniform rules of practice and procedure and Board local rules supplementing the uniform rules in 12 CFR part 263, subparts A and B, respectively, as of April 1, 2024, and apply only to adjudicatory proceedings initiated before April 1, 2024. Proceedings initiated on or after April 1, 2024, are not governed by the version of the rules set out in this appendix. Cross-references to 12 CFR part 263 (as well as to included sections) in this appendix are to those provisions as contained within this appendix.

tion 7(j)(4) of the FDIA (12 U.S.C. 1817(j)(4)) to determine whether the Board of Governors of the Federal Reserve System (“Board”) should issue an order to approve or disapprove a person’s proposed acquisition of a state member bank, bank holding company, or savings and loan holding company;

(d) Proceedings under section 15C(c)(2) of the Securities Exchange Act of 1934 (“Exchange Act”) (15 U.S.C. 78o-5), to impose sanctions upon any government securities broker or dealer or upon any person associated or seeking to become associated with a government securities broker or dealer for which the Board is the appropriate agency;

(e) Assessment of civil money penalties by the Board against institutions, institution-affiliated parties, and certain other persons for which the Board is the appropriate agency for any violation of:

(1) Any provision of the Bank Holding Company Act of 1956, as amended (“BHC Act”), or any order or regulation issued thereunder, pursuant to 12 U.S.C. 1847(b) and (d);

(2) Sections 19, 22, 23, 23A, and 23B of the Federal Reserve Act (“FRA”), or any regulation or order issued thereunder and certain unsafe or unsound practices or breaches of fiduciary duty, pursuant to 12 U.S.C. 504 and 505;

(3) Section 9 of the FRA pursuant to 12 U.S.C. 324;

(4) Section 106(b) of the Bank Holding Company Act Amendments of 1970 and certain unsafe or unsound practices or breaches of fiduciary duty, pursuant to 12 U.S.C. 1972(2)(F);

(5) Any provision of the Change in Bank Control Act of 1978, as amended, or any regulation or order issued thereunder and certain unsafe or unsound practices or breaches of fiduciary duty, pursuant to 12 U.S.C. 1817(j)(16);

(6) Any provision of the International Lending Supervision Act of 1983 (“ILSA”) or any rule, regulation, or order issued thereunder, pursuant to 12 U.S.C. 3909;

(7) Any provision of the International Banking Act of 1978 (“IBA”) or any rule,

regulation, or order issued thereunder, pursuant to 12 U.S.C. 3108;

(8) Certain provisions of the Exchange Act, pursuant to section 21B of the Exchange Act (15 U.S.C. 78u-2);

(9) Section 1120 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3349), or any order or regulation issued thereunder;

(10) The terms of any final or temporary order issued under section 8 of the FDIA or of any written agreement executed by the Board, the terms of any condition imposed in writing by the Board in connection with the grant of an application or request, and certain unsafe or unsound practices or breaches of fiduciary duty or law or regulation pursuant to 12 U.S.C. 1818(i)(2);

(11) Any provision of law referenced in section 102(f) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(f)) or any order or regulation issued thereunder;

(12) Any provision of law referenced in 31 U.S.C. 5321 or any order or regulation issued thereunder;

(13) Section 5 of the Home Owners’ Loan Act (“HOLA”) or any regulation or order issued thereunder, pursuant to 12 U.S.C. 1464 (d), (s) and (v);

(14) Section 9 of the HOLA or any regulation or order issued thereunder, pursuant to 12 U.S.C. 1467(d); and

(15) Section 10 of the HOLA, pursuant to 12 U.S.C. 1467a (i) and (r);

(f) Remedial action under section 102(g) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(g));

(g) Removal, prohibition, and civil money penalty proceedings under section 10(k) of the FDI Act (12 U.S.C. 1820(k)) for violations of the special post-employment restrictions imposed by that section; and

(h) This subpart also applies to all other adjudications required by statute to be determined on the record after opportunity for an agency hearing, unless otherwise specifically provided for in the local rules.

## SECTION 263.2—Rules of Construction

For purposes of this subpart—

- (a) Any term in the singular includes the plural, and the plural includes the singular, if such use would be appropriate;
- (b) Any use of a masculine, feminine, or neuter gender encompasses all three, if such use would be appropriate;
- (c) The term *counsel* includes a non-attorney representative; and
- (d) Unless the context requires otherwise, a party's counsel of record, if any, may, on behalf of that party, take any action required to be taken by the party.

## SECTION 263.3—Definitions

For purposes of this subpart, unless explicitly stated to the contrary:

- (a) *Administrative law judge* means one who presides at an administrative hearing under authority set forth at 5 U.S.C. 556.
- (b) *Adjudicatory proceeding* means a proceeding conducted pursuant to these rules and leading to the formulation of a final order other than a regulation.
- (c) *Decisional employee* means any member of the Board's or administrative law judge's staff who has not engaged in an investigative or prosecutorial role in a proceeding and who may assist the agency or the administrative law judge, respectively, in preparing orders, recommended decisions, decisions, and other documents under the uniform rules.
- (d) *Enforcement counsel* means any individual who files a notice of appearance as counsel on behalf of the Board in an adjudicatory proceeding.
- (e) *Final order* means an order issued by the Board with or without the consent of the affected institution or the institution-affiliated party, that has become final, without regard to the pendency of any petition for reconsideration or review.

(f) *Institution* includes:

- (1) Any bank as that term is defined in

section 3(a) of the FDIA (12 U.S.C. 1813(a));

(2) Any bank holding company or any subsidiary (other than a bank) of a bank holding company as those terms are defined in the BHC Act (12 U.S.C. 1841 *et seq.*);

(3) Any organization operating under section 25 of the FRA (12 U.S.C. 601 *et seq.*);

(4) Any foreign bank or company to which section 8 of the IBA (12 U.S.C. 3106), applies or any subsidiary (other than a bank) thereof;

(5) Any federal agency as that term is defined in section 1(b) of the IBA (12 U.S.C. 3101(5)); and

(6) Any savings and loan holding company or any subsidiary (other than a savings association) of a savings and loan holding company as those terms are defined in the HOLA (12 U.S.C. 1461 *et seq.*).

(g) *Institution-affiliated party* means any institution-affiliated party as that term is defined in section 3(u) of the FDIA (12 U.S.C. 1813(u)).

(h) *Local rules* means those rules promulgated by the Board in this part other than subpart A.

(i) *OFIA* means the Office of Financial Institution Adjudication, the executive body charged with overseeing the administration of administrative enforcement proceedings for the Board, the Office of Comptroller of the Currency (the "OCC"), the Federal Deposit Insurance Corporation (the "FDIC"), and the National Credit Union Administration (the "NCUA").

(j) *Party* means the Board and any person named as a party in any notice.

(k) *Person* means an individual, sole proprietor, partnership, corporation, unincorporated association, trust, joint venture, pool, syndicate, agency, or other entity or organization, including an institution as defined in paragraph (h) of this section.

(l) *Respondent* means any party other than the Board.

(m) *Uniform rules* means those rules in sub-

part A of this part that are common to the Board, the OCC, the FDIC, and the NCUA.

(n) *Violation* includes any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation.

#### SECTION 263.4—Authority of the Board

The Board may, at any time during the pendency of a proceeding, perform, direct the performance of, or waive performance of, any act which could be done or ordered by the administrative law judge.

#### SECTION 263.5—Authority of the Administrative Law Judge

(a) *General rule.* All proceedings governed by this part shall be conducted in accordance with the provisions of chapter 5 of title 5 of the United States Code. The administrative law judge shall have all powers necessary to conduct a proceeding in a fair and impartial manner and to avoid unnecessary delay.

(b) *Powers.* The administrative law judge shall have all powers necessary to conduct the proceeding in accordance with paragraph (a) of this section, including the following powers:

- (1) To administer oaths and affirmations;
- (2) To issue subpoenas, subpoenas duces tecum, and protective orders, as authorized by this part, and to quash or modify any such subpoenas and orders;
- (3) To receive relevant evidence and to rule upon the admission of evidence and offers of proof;
- (4) To take or cause depositions to be taken as authorized by this subpart;
- (5) To regulate the course of the hearing and the conduct of the parties and their counsel;
- (6) To hold scheduling and/or pre-hearing conferences as set forth in section 263.31;
- (7) To consider and rule upon all procedural and other motions appropriate in an adjudicatory proceeding, provided that only the Board shall have the power to grant any motion to dismiss the proceeding or to de-

cide any other motion that results in a final determination of the merits of the proceeding;

(8) To prepare and present to the Board a recommended decision as provided herein;

(9) To recuse himself or herself by motion made by a party or on his or her own motion;

(10) To establish time, place, and manner limitations on the attendance of the public and the media for any public hearing; and

(11) To do all other things necessary and appropriate to discharge the duties of a presiding officer.

#### SECTION 263.6—Appearance and Practice in Adjudicatory Proceedings

(a) *Appearance before the Board or an administrative law judge.*

(1) *By attorneys.* Any member in good standing of the bar of the highest court of any state, commonwealth, possession, territory of the United States, or the District of Columbia may represent others before the Board if such attorney is not currently suspended or debarred from practice before the Board.

(2) *By non-attorneys.* An individual may appear on his or her own behalf; a member of a partnership may represent the partnership; a duly authorized officer, director, or employee of any government unit, agency, institution, corporation, or authority may represent that unit, agency, institution, corporation, or authority if such officer, director, or employee is not currently suspended or debarred from practice before the Board.

(3) *Notice of appearance.* Any individual acting as counsel on behalf of a party, including the Board, shall file a notice of appearance with OFIA at or before the time that individual submits papers or otherwise appears on behalf of a party in the adjudicatory proceeding. The notice of appearance must include a written declaration that the individual is currently qualified as provided in paragraph (a)(1) or (a)(2) of this section and is authorized to represent the particular party. By filing a notice of appearance on behalf of a party in an adjudicatory proceeding, the counsel agrees

and represents that he or she is authorized, to accept service on behalf of the represented party and that, in the event of withdrawal from representation, he or she will, if required by the administrative law judge, continue to accept service until new counsel has filed a notice of appearance or until the represented party indicates that he or she will proceed on a pro se basis.

(b) *Sanctions.* Dilatory, obstructionist, egregious, contemptuous, or contumacious conduct at any phase of any adjudicatory proceeding may be grounds for exclusion or suspension of counsel from the proceeding.

#### SECTION 263.7—Good Faith Certification

(a) *General requirement.* Every filing or submission of record following the issuance of a notice shall be signed by at least one counsel of record in his or her individual name and shall state that counsel's address and telephone number. A party who acts as his or her own counsel shall sign his or her individual name and state his or her address and telephone number on every filing or submission of record.

(b) *Effect of signature.*

(1) The signature of counsel or a party shall constitute a certification that: the counsel or party has read the filing or submission of record; to the best of his or her knowledge, information, and belief formed after reasonable inquiry, the filing or submission of record is well-grounded in fact and is warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law; and the filing or submission of record is not made for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.

(2) If a filing or submission of record is not signed, the administrative law judge shall strike the filing or submission of record, unless it is signed promptly after the omission is called to the attention of the pleader or movant.

(c) *Effect of making oral motion or argument.* The act of making any oral motion or oral

argument by any counsel or party constitutes a certification that to the best of his or her knowledge, information, and belief formed after reasonable inquiry, his or her statement is well-grounded in fact and is warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law, and is not made for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.

#### SECTION 263.8—Conflicts of Interest

(a) *Conflict of interest in representation.* No person shall appear as counsel for another person in an adjudicatory proceeding if it reasonably appears that such representation may be materially limited by that counsel's responsibilities to a third person or by the counsel's own interests. The administrative law judge may take corrective measures at any stage of a proceeding to cure a conflict of interest in representation, including the issuance of an order limiting the scope of representation or disqualifying an individual from appearing in a representative capacity for the duration of the proceeding.

(b) *Certification and waiver.* If any person appearing as counsel represents two or more parties to an adjudicatory proceeding or also represents a nonparty on a matter relevant to an issue in the proceeding, counsel must certify in writing at the time of filing the notice of appearance required by section 263.6(a):

(1) That the counsel has personally and fully discussed the possibility of conflicts of interest with each such party and nonparty; and

(2) That each such party and nonparty waives any right it might otherwise have had to assert any known conflicts of interest or to assert any nonmaterial conflicts of interest during the course of the proceeding.

#### SECTION 263.9—Ex Parte Communications

(a) *Definition.*

(1) *Ex parte communication* means any material oral or written communication relevant to the merits of an adjudicatory pro-

ceeding that was neither on the record nor on reasonable prior notice to all parties that takes place between:

- (i) An interested person outside the Board (including such person's counsel); and
  - (ii) The administrative law judge handling that proceeding, a member of the Board, or a decisional employee.
- (2) *Exception.* A request for status of the proceeding does not constitute an ex parte communication.

(b) *Prohibition of ex parte communications.* From the time the notice is issued by the Board until the date that the Board issues its final decision pursuant to section 263.40(c):

- (1) No interested person outside the Federal Reserve System shall make or knowingly cause to be made an ex parte communication to a member of the Board, the administrative law judge, or a decisional employee; and
- (2) A member of the Board, administrative law judge, or decisional employee shall not make or knowingly cause to be made to any interested person outside the Federal Reserve System any ex parte communication.

(c) *Procedure upon occurrence of ex parte communication.* If an ex parte communication is received by the administrative law judge, a member of the Board, or any other person identified in paragraph (a) of this section, that person shall cause all such written communications (or, if the communication is oral, a memorandum stating the substance of the communication) to be placed on the record of the proceeding and served on all parties. All other parties to the proceeding shall have an opportunity, within 10 days of receipt of service of the ex parte communication, to file responses thereto and to recommend any sanctions, in accordance with paragraph (d) of this section, that they believe to be appropriate under the circumstances.

(d) *Sanctions.* Any party or his or her counsel who makes a prohibited ex parte communication, or who encourages or solicits another to make any such communication, may be subject to any appropriate sanction or sanctions

imposed by the Board or the administrative law judge including, but not limited to, exclusion from the proceedings and an adverse ruling on the issue which is the subject of the prohibited communication.

(e) *Separation of functions.* Except to the extent required for the disposition of ex parte matters as authorized by law, the administrative law judge may not consult a person or party on any matter relevant to the merits of the adjudication, unless on notice and opportunity for all parties to participate. An employee or agent engaged in the performance of investigative or prosecuting functions for the Board in a case may not, in that or a factually related case, participate or advise in the decision, recommended decision, or agency review of the recommended decision under section 263.40, except as witness or counsel in public proceedings.

#### SECTION 263.10—Filing of Papers

(a) *Filing.* Any papers required to be filed, excluding documents produced in response to a discovery request pursuant to sections 263.25 and 263.26, shall be filed with OFIA, except as otherwise provided.

(b) *Manner of filing.* Unless otherwise specified by the Board or the administrative law judge, filing may be accomplished by:

- (1) Personal service;
- (2) Delivering the papers to a reliable commercial courier service, overnight delivery service, or to the U.S. Post Office for express mail delivery;
- (3) Mailing the papers by first class, registered, or certified mail; or
- (4) Transmission by electronic media, only if expressly authorized, and upon any conditions specified, by the Board or the administrative law judge. All papers filed by electronic media shall also concurrently be filed in accordance with paragraph (c) of this section.

(c) *Formal requirements as to papers filed.*

- (1) *Form.* All papers filed must set forth the name, address, and telephone number of the counsel or party making the filing and must be accompanied by a certification setting forth when and how service has been

made on all other parties. All papers filed must be double-spaced and printed or type-written on 8½ x 11 inch paper, and must be clear and legible.

(2) *Signature.* All papers must be dated and signed as provided in section 263.7.

(3) *Caption.* All papers filed must include at the head thereof, or on a title page, the name of the Board and of the filing party, the title and docket number of the proceeding, and the subject of the particular paper.

(4) *Number of copies.* Unless otherwise specified by the Board, or the administrative law judge, an original and one copy of all documents and papers shall be filed, except that only one copy of transcripts of testimony and exhibits shall be filed.

#### SECTION 263.11—Service of Papers

(a) *By the parties.* Except as otherwise provided, a party filing papers shall serve a copy upon the counsel of record for all other parties to the proceeding so represented, and upon any party not so represented.

(b) *Method of service.* Except as provided in paragraphs (c)(2) and (d) of this section, a serving party shall use one or more of the following methods of service:

- (1) Personal service;
- (2) Delivering the papers to a reliable commercial courier service, overnight delivery service, or to the U.S. Post Office for express mail delivery;
- (3) Mailing the papers by first class, registered, or certified mail; or
- (4) Transmission by electronic media, only if the parties mutually agree. Any papers served by electronic media shall also concurrently be served in accordance with the requirements of section 263.10(c).

(c) *By the Board or the administrative law judge.*

(1) All papers required to be served by the Board or the administrative law judge upon a party who has appeared in the proceeding in accordance with section 263.6, shall be served by any means specified in paragraph (b) of this section.

(2) If a party has not appeared in the proceeding in accordance with section 263.6,

the Board or the administrative law judge shall make service by any of the following methods:

- (i) By personal service;
- (ii) If the person to be served is an individual, by delivery to a person of suitable age and discretion at the physical location where the individual resides or works;
- (iii) If the person to be served is a corporation or other association, by delivery to an officer, managing or general agent, or to any other agent authorized by appointment or by law to receive service and, if the agent is one authorized by statute to receive service and the statute so requires, by also mailing a copy to the party;
- (iv) By registered or certified mail addressed to the party's last known address; or
- (v) By any other method reasonably calculated to give actual notice.

(d) *Subpoenas.* Service of a subpoena may be made;

- (1) By personal service;
- (2) If the person to be served is an individual, by delivery to a person of suitable age and discretion at the physical location where the individual resides or works;
- (3) By delivery to an agent, which, in the case of a corporation or other association, is delivery to an officer, managing or general agent, or to any other agent authorized by appointment or by law to receive service and, if the agent is one authorized by statute to receive service and the statute so requires, by also mailing a copy to the party;
- (4) By registered or certified mail addressed to the person's last known address; or
- (5) By any other method as is reasonably calculated to give actual notice.

(e) *Area of service.* Service in any state, territory, possession of the United States, or the District of Columbia, on any person or company doing business in any state, territory, possession of the United States, or the District of Columbia, or on any person as otherwise provided by law, is effective without regard to



the place where the hearing is held, provided that if service is made on a foreign bank in connection with an action or proceeding involving one or more of its branches or agencies located in any state, territory, possession of the United States, or the District of Columbia, service shall be made on at least one branch or agency so involved.

#### SECTION 263.12—Construction of Time Limits

(a) *General rule.* In computing any period of time prescribed by this subpart, the date of the act or event that commences the designated period of time is not included. The last day so computed is included unless it is a Saturday, Sunday, or federal holiday. When the last day is a Saturday, Sunday, or federal holiday, the period runs until the end of the next day that is not a Saturday, Sunday, or federal holiday. Intermediate Saturdays, Sundays, and federal holidays are included in the computation of time. However, when the time period within which an act is to be performed is 10 days or less, not including any additional time allowed for in paragraph (c) of this section, intermediate Saturdays, Sundays, and federal holidays are not included.

(b) *When papers are deemed to be filed or served.*

(1) Filing and service are deemed to be effective:

- (i) In the case of personal service or same-day commercial courier delivery, upon actual service;
- (ii) In the case of overnight commercial delivery service, U.S. express mail delivery, or first class, registered, or certified mail, upon deposit in or delivery to an appropriate point of collection;
- (iii) In the case of transmission by electronic media, as specified by the authority receiving the filing, in the case of filing, and as agreed among the parties, in the case of service.

(2) The effective filing and service dates specified in paragraph (b)(1) of this section may be modified by the Board or administrative law judge in the case of filing or by agreement of the parties in the case of service.

(c) *Calculation of time for service and filing of responsive papers.* Whenever a time limit is measured by a prescribed period from the service of any notice or paper, the applicable time limits are calculated as follows:

- (1) If service is made by first class, registered, or certified mail, add three calendar days to the prescribed period; or
- (2) If service is made by express mail or overnight delivery service, add one calendar day to the prescribed period; or
- (3) If service is made by electronic media transmission, add one calendar day to the prescribed period, unless otherwise determined by the Board or the administrative law judge in the case of filing, or by agreement among the parties in the case of service.

#### SECTION 263.13—Change of Time Limits

Except as otherwise provided by law, the administrative law judge may, for good cause shown, extend the time limits prescribed by the uniform rules or by any notice or order issued in the proceedings. After the referral of the case to the Board pursuant to section 263.38, the Board may grant extensions of the time limits for good cause shown. Extensions may be granted at the motion of a party after notice and opportunity to respond is afforded all nonmoving parties or sua sponte by the Board or the administrative law judge.

#### SECTION 263.14—Witness Fees and Expenses

Witnesses subpoenaed for testimony or depositions shall be paid the same fees for attendance and mileage as are paid in the United States district courts in proceedings in which the United States is a party, provided that, in the case of a discovery subpoena addressed to a party, no witness fees or mileage need be paid. Fees for witnesses shall be tendered in advance by the party requesting the subpoena, except that fees and mileage need not be tendered in advance where the Board is the party requesting the subpoena. The Board shall not be required to pay any fees to, or expenses of, any witness not subpoenaed by the Board.

### SECTION 263.15—Opportunity for Informal Settlement

Any respondent may, at any time in the proceeding, unilaterally submit to enforcement counsel written offers or proposals for settlement of a proceeding, without prejudice to the rights of any of the parties. No such offer or proposal shall be made to any Board representative other than enforcement counsel. Submission of a written settlement offer does not provide a basis for adjourning or otherwise delaying all or any portion of a proceeding under this part. No settlement offer or proposal, or any subsequent negotiation or resolution, is admissible as evidence in any proceeding.

### SECTION 263.16—The Board’s Right to Conduct Examination

Nothing contained in this subpart limits in any manner the right of the Board or any Federal Reserve Bank to conduct any examination, inspection, or visitation of any institution or institution-affiliated party, or the right of the Board or any Federal Reserve Bank to conduct or continue any form of investigation authorized by law.

### SECTION 263.17—Collateral Attacks on Adjudicatory Proceeding

If an interlocutory appeal or collateral attack is brought in any court concerning all or any part of an adjudicatory proceeding, the challenged adjudicatory proceeding shall continue without regard to the pendency of that court proceeding. No default or other failure to act as directed in the adjudicatory proceeding within the times prescribed in this subpart shall be excused based on the pendency before any court of any interlocutory appeal or collateral attack.

### SECTION 263.18—Commencement of Proceeding and Contents of Notice

#### (a) *Commencement of proceeding.*

- (1) (i) Except for change-in-control proceedings under section 7(j)(4) of the FDIA, 12 U.S.C. 1817(j)(4), a proceeding governed by this subpart is commenced by issuance of a notice by the Board.

- (ii) The notice must be served by the Board upon the respondent and given to any other appropriate financial institution supervisory authority where required by law.

- (iii) The notice must be filed with OFIA.

- (2) Change-in-control proceedings under section 7(j)(4) of the FDIA (12 U.S.C. 1817(j)(4)) commence with the issuance of an order by the Board.

(b) *Contents of notice.* The notice must set forth:

- (1) The legal authority for the proceeding and for the Board’s jurisdiction over the proceeding;
- (2) A statement of the matters of fact or law showing that the Board is entitled to relief;
- (3) A proposed order or prayer for an order granting the requested relief;
- (4) The time, place, and nature of the hearing as required by law or regulation;
- (5) The time within which to file an answer as required by law or regulation;
- (6) The time within which to request a hearing as required by law or regulation; and
- (7) That the answer and/or request for a hearing shall be filed with OFIA.

### SECTION 263.19—Answer

(a) *When.* Within 20 days of service of the notice, respondent shall file an answer as designated in the notice. In a civil money penalty proceeding, respondent shall also file a request for a hearing within 20 days of service of the notice.

(b) *Content of answer.* An answer must specifically respond to each paragraph or allegation of fact contained in the notice and must admit, deny, or state that the party lacks sufficient information to admit or deny each allegation of fact. A statement of lack of information has the effect of a denial. Denials must fairly meet the substance of each allegation of fact denied; general denials are not permitted. When a respondent denies part of an allegation, that part must be denied and the remainder specifically admitted. Any allegation of fact in the notice which is not denied in the

answer must be deemed admitted for purposes of the proceeding. A respondent is not required to respond to the portion of a notice that constitutes the prayer for relief or proposed order. The answer must set forth affirmative defenses, if any, asserted by the respondent.

(c) *Default.*

(1) *Effect of failure to answer.* Failure of a respondent to file an answer required by this section within the time provided constitutes a waiver of his or her right to appear and contest the allegations in the notice. If no timely answer is filed, enforcement counsel may file a motion for entry of an order of default. Upon a finding that no good cause has been shown for the failure to file a timely answer, the administrative law judge shall file with the Board a recommended decision containing the findings and the relief sought in the notice. Any final order issued by the Board based upon a respondent's failure to answer is deemed to be an order issued upon consent.

(2) *Effect of failure to request a hearing in civil money penalty proceedings.* If respondent fails to request a hearing as required by law within the time provided, the notice of assessment constitutes a final and unappealable order.

**SECTION 263.20—Amended Pleadings**

(a) *Amendments.* The notice or answer may be amended or supplemented at any stage of the proceeding. The respondent shall answer an amended notice within the time remaining for the respondent's answer to the original notice, or within 10 days after service of the amended notice, whichever period is longer, unless the Board or administrative law judge orders otherwise for good cause.

(b) *Amendments to conform to the evidence.* When issues not raised in the notice or answer are tried at the hearing by express or implied consent of the parties, they will be treated in all respects as if they had been raised in the notice or answer, and no formal amendments are required. If evidence is objected to at the hearing on the ground that it is not within the issues raised by the notice or

answer, the administrative law judge may admit the evidence when admission is likely to assist in adjudicating the merits of the action and the objecting party fails to satisfy the administrative law judge that the admission of such evidence would unfairly prejudice that party's action or defense upon the merits. The administrative law judge may grant a continuance to enable the objecting party to meet such evidence.

**SECTION 263.21—Failure to Appear**

Failure of a respondent to appear in person at the hearing or by a duly authorized counsel constitutes a waiver of respondent's right to a hearing and is deemed an admission of the facts as alleged and consent to the relief sought in the notice. Without further proceedings or notice to the respondent, the administrative law judge shall file with the Board a recommended decision containing the findings and the relief sought in the notice.

**SECTION 263.22—Consolidation and Severance of Actions**

(a) *Consolidation.*

(1) On the motion of any party, or on the administrative law judge's own motion, the administrative law judge may consolidate, for some or all purposes, any two or more proceedings, if each such proceeding involves or arises out of the same transaction, occurrence, or series of transactions or occurrences, or involves at least one common respondent or a material common question of law or fact, unless such consolidation would cause unreasonable delay or injustice.

(2) In the event of consolidation under paragraph (a)(1) of this section, appropriate adjustment to the prehearing schedule shall be made to avoid unnecessary expense, inconvenience, or delay.

(b) *Severance.* The administrative law judge may, upon the motion of any party, sever the proceeding for separate resolution of the matter as to any respondent only if the administrative law judge finds that:

(1) Undue prejudice or injustice to the

moving party would result from not severing the proceeding; and

(2) Such undue prejudice or injustice would outweigh the interests of judicial economy and expedition in the complete and final resolution of the proceeding.

#### SECTION 263.23—Motions

(a) *In writing.*

(1) Except as otherwise provided herein, an application or request for an order or ruling must be made by written motion.

(2) All written motions must state with particularity the relief sought and must be accompanied by a proposed order.

(3) No oral argument may be held on written motions except as otherwise directed by the administrative law judge. Written memoranda, briefs, affidavits, or other relevant material or documents may be filed in support of or in opposition to a motion.

(b) *Oral motions.* A motion may be made orally on the record unless the administrative law judge directs that such motion be reduced to writing.

(c) *Filing of motions.* Motions must be filed with the administrative law judge, except that following the filing of the recommended decision, motions must be filed with the Board.

(d) *Responses.*

(1) Except as otherwise provided herein, within 10 days after service of any written motion, or within such other period of time as may be established by the administrative law judge or the Board, any party may file a written response to a motion. The administrative law judge shall not rule on any oral or written motion before each party has had an opportunity to file a response.

(2) The failure of a party to oppose a written motion or an oral motion made on the record is deemed a consent by that party to the entry of an order substantially in the form of the order accompanying the motion.

(e) *Dilatory motions.* Frivolous, dilatory, or repetitive motions are prohibited. The filing of such motions may form the basis for sanctions.

(f) *Dispositive motions.* Dispositive motions are governed by sections 263.29 and 263.30.

#### SECTION 263.24—Scope of Document Discovery

(a) *Limits on discovery.*

(1) Subject to the limitations set out in paragraphs (b), (c), and (d) of this section, a party to a proceeding under this subpart may obtain document discovery by serving a written request to produce documents. For purposes of a request to produce documents, the term “documents” may be defined to include drawings, graphs, charts, photographs, recordings, data stored in electronic form, and other data compilations from which information can be obtained, or translated, if necessary, by the parties through detection devices into reasonably usable form, as well as written material of all kinds.

(2) Discovery by use of deposition is governed by section 263.53 of subpart B of this part.

(3) Discovery by use of interrogatories is not permitted.

(b) *Relevance.* A party may obtain document discovery regarding any matter, not privileged, that has material relevance to the merits of the pending action. Any request to produce documents that calls for irrelevant material, that is unreasonable, oppressive, excessive in scope, unduly burdensome, or repetitive of previous requests, or that seeks to obtain privileged documents will be denied or modified. A request is unreasonable, oppressive, excessive in scope, or unduly burdensome if, among other things, it fails to include justifiable limitations on the time period covered and the geographic locations to be searched, the time provided to respond in the request is inadequate, or the request calls for copies of documents to be delivered to the requesting party and fails to include the requestor’s written agreement to pay in advance for the copying, in accordance with section 263.25.

(c) *Privileged matter.* Privileged documents are not discoverable. Privileges include the attorney-client privilege, work-product privilege, any government’s or government agen-

cy's deliberative-process privilege, and any other privileges the Constitution, any applicable act of Congress, or the principles of common law provide.

(d) *Time limits.* All discovery, including all responses to discovery requests, shall be completed at least 20 days prior to the date scheduled for the commencement of the hearing. No exceptions to this time limit shall be permitted, unless the administrative law judge finds on the record that good cause exists for waiving the requirements of this paragraph.

#### SECTION 263.25—Request for Document Discovery from Parties

(a) *General rule.* Any party may serve on any other party a request to produce for inspection any discoverable documents that are in the possession, custody, or control of the party upon whom the request is served. The request must identify the documents to be produced either by individual item or by category, and must describe each item and category with reasonable particularity. Documents must be produced as they are kept in the usual course of business or must be organized to correspond with the categories in the request.

(b) *Production or copying.* The request must specify a reasonable time, place, and manner for production and performing any related acts. In lieu of inspecting the documents, the requesting party may specify that all or some of the responsive documents be copied and the copies delivered to the requesting party. If copying of fewer than 250 pages is requested, the party to whom the request is addressed shall bear the cost of copying and shipping charges. If a party requests 250 pages or more of copying, the requesting party shall pay for the copying and shipping charges. Copying charges are the current per-page copying rate imposed by 12 CFR 261 implementing the Freedom of Information Act (5 U.S.C. 552). The party to whom the request is addressed may require payment in advance before producing the documents.

(c) *Obligation to update responses.* A party who has responded to a discovery request with a response that was complete when made is not required to supplement the response to

include documents thereafter acquired, unless the responding party learns that:

- (1) The response was materially incorrect when made; or
- (2) The response, though correct when made, is no longer true and a failure to amend the response is, in substance, a knowing concealment.

(d) *Motions to limit discovery.*

- (1) Any party that objects to a discovery request may, within 10 days of being served with such request, file a motion in accordance with the provisions of section 263.23 to strike or otherwise limit the request. If an objection is made to only a portion of an item or category in a request, the portion objected to shall be specified. Any objections not made in accordance with this paragraph and section 263.23 are waived.
- (2) The party who served the request that is the subject of a motion to strike or limit may file a written response within five days of service of the motion. No other party may file a response.

(e) *Privilege.* At the time other documents are produced, the producing party must reasonably identify all documents withheld on the grounds of privilege and must produce a statement of the basis for the assertion of privilege. When similar documents that are protected by deliberative process, attorney-work-product, or attorney-client privilege are voluminous, these documents may be identified by category instead of by individual document. The administrative law judge retains discretion to determine when the identification by category is insufficient.

(f) *Motions to compel production.*

- (1) If a party withholds any documents as privileged or fails to comply fully with a discovery request, the requesting party may, within 10 days of the assertion of privilege or of the time the failure to comply becomes known to the requesting party, file a motion in accordance with the provisions of section 263.23 for the issuance of a subpoena compelling production.
- (2) The party who asserted the privilege or failed to comply with the request may file a written response to a motion to compel

within five days of service of the motion. No other party may file a response.

(g) *Ruling on motions.* After the time for filing responses pursuant to this section has expired, the administrative law judge shall rule promptly on all motions filed pursuant to this section. If the administrative law judge determines that a discovery request, or any of its terms, calls for irrelevant material, is unreasonable, oppressive, excessive in scope, unduly burdensome, or repetitive of previous requests, or seeks to obtain privileged documents, he or she may deny or modify the request, and may issue appropriate protective orders, upon such conditions as justice may require. The pendency of a motion to strike or limit discovery or to compel production is not a basis for staying or continuing the proceeding, unless otherwise ordered by the administrative law judge. Notwithstanding any other provision in this part, the administrative law judge may not release, or order a party to produce, documents withheld on grounds of privilege if the party has stated to the administrative law judge its intention to file a timely motion for interlocutory review of the administrative law judge's order to produce the documents, and until the motion for interlocutory review has been decided.

(h) *Enforcing discovery subpoenas.* If the administrative law judge issues a subpoena compelling production of documents by a party, the subpoenaing party may, in the event of noncompliance and to the extent authorized by applicable law, apply to any appropriate United States district court for an order requiring compliance with the subpoena. A party's right to seek court enforcement of a subpoena shall not in any manner limit the sanctions that may be imposed by the administrative law judge against a party who fails to produce subpoenaed documents.

#### SECTION 263.26—Document Subpoenas to Nonparties

(a) *General rules.*

(1) Any party may apply to the administrative law judge for the issuance of a document discovery subpoena addressed to any person who is not a party to the proceeding.

The application must contain a proposed document subpoena and a brief statement showing the general relevance and reasonableness of the scope of documents sought. The subpoenaing party shall specify a reasonable time, place, and manner for making production in response to the document subpoena.

(2) A party shall only apply for a document subpoena under this section within the time period during which such party could serve a discovery request under section 263.24(d). The party obtaining the document subpoena is responsible for serving it on the subpoenaed person and for serving copies on all parties. Document subpoenas may be served in any state, territory, or possession of the United States, the District of Columbia, or as otherwise provided by law.

(3) The administrative law judge shall promptly issue any document subpoena requested pursuant to this section. If the administrative law judge determines that the application does not set forth a valid basis for the issuance of the subpoena, or that any of its terms are unreasonable, oppressive, excessive in scope, or unduly burdensome, he or she may refuse to issue the subpoena or may issue it in a modified form upon such conditions as may be consistent with the uniform rules.

(b) *Motion to quash or modify.*

(1) Any person to whom a document subpoena is directed may file a motion to quash or modify such subpoena, accompanied by a statement of the basis for quashing or modifying the subpoena. The movant shall serve the motion on all parties, and any party may respond to such motion within 10 days of service of the motion.

(2) Any motion to quash or modify a document subpoena must be filed on the same basis, including the assertion of privilege, upon which a party could object to a discovery request under section 263.25(d), and during the same time limits during which such an objection could be filed.

(c) *Enforcing document subpoenas.* If a subpoenaed person fails to comply with any subpoena issued pursuant to this section or any order of the administrative law judge which

directs compliance with all or any portion of a document subpoena, the subpoenaing party or any other aggrieved party may, to the extent authorized by applicable law, apply to an appropriate United States district court for an order requiring compliance with so much of the document subpoena as the administrative law judge has not quashed or modified. A party's right to seek court enforcement of a document subpoena shall in no way limit the sanctions that may be imposed by the administrative law judge on a party who induces a failure to comply with subpoenas issued under this section.

#### SECTION 263.27—Deposition of Witness Unavailable for Hearing

##### (a) *General rules.*

(1) If a witness will not be available for the hearing, a party desiring to preserve that witness's testimony for the record may apply, in accordance with the procedures set forth in paragraph (a)(2) of this section, to the administrative law judge for the issuance of a subpoena, including a subpoena duces tecum, requiring the attendance of the witness at a deposition. The administrative law judge may issue a deposition subpoena under this section upon a showing that:

- (i) The witness will be unable to attend or may be prevented from attending the hearing because of age, sickness or infirmity, or will otherwise be unavailable;
- (ii) The witness's unavailability was not procured or caused by the subpoenaing party;
- (iii) The testimony is reasonably expected to be material; and
- (iv) Taking the deposition will not result in any undue burden to any other party and will not cause undue delay of the proceeding.

(2) The application must contain a proposed deposition subpoena and a brief statement of the reasons for the issuance of the subpoena. The subpoena must name the witness whose deposition is to be taken and specify the time and place for taking the deposition. A deposition subpoena may require the witness to be deposed at any place within the country in which that wit-

ness resides or has a regular place of employment or such other convenient place as the administrative law judge shall fix.

(3) Any requested subpoena that sets forth a valid basis for its issuance must be promptly issued, unless the administrative law judge on his or her own motion requires a written response or requires attendance at a conference concerning whether the requested subpoena should be issued.

(4) The party obtaining a deposition subpoena is responsible for serving it on the witness and for serving copies on all parties. Unless the administrative law judge orders otherwise, no deposition under this section shall be taken on fewer than 10 days' notice to the witness and all parties. Deposition subpoenas may be served in any state, territory, possession of the United States, or the District of Columbia, on any person or company doing business in any state, territory, possession of the United States, or the District of Columbia, or as otherwise permitted by law.

##### (b) *Objections to deposition subpoenas.*

(1) The witness and any party who has not had an opportunity to oppose a deposition subpoena issued under this section may file a motion with the administrative law judge to quash or modify the subpoena prior to the time for compliance specified in the subpoena, but not more than 10 days after service of the subpoena.

(2) A statement of the basis for the motion to quash or modify a subpoena issued under this section must accompany the motion. The motion must be served on all parties.

##### (c) *Procedure upon deposition.*

(1) Each witness testifying pursuant to a deposition subpoena must be duly sworn, and each party shall have the right to examine the witness. Objections to questions or documents must be in short form, stating the grounds for the objection. Failure to object to questions or documents is not deemed a waiver except where the ground for the objection might have been avoided if the objection had been timely presented. All questions, answers, and objections must be recorded.

(2) Any party may move before the admin-

administrative law judge for an order compelling the witness to answer any questions the witness has refused to answer or submit any evidence the witness has refused to submit during the deposition.

(3) The deposition must be subscribed by the witness, unless the parties and the witness, by stipulation, have waived the signing, or the witness is ill, cannot be found, or has refused to sign. If the deposition is not subscribed by the witness, the court reporter taking the deposition shall certify that the transcript is a true and complete transcript of the deposition.

(d) *Enforcing subpoenas.* If a subpoenaed person fails to comply with any order of the administrative law judge which directs compliance with all or any portion of a deposition subpoena under paragraph (b) or (c)(3) of this section, the subpoenaing party or other aggrieved party may, to the extent authorized by applicable law, apply to an appropriate United States district court for an order requiring compliance with the portions of the subpoena that the administrative law judge has ordered enforced. A party's right to seek court enforcement of a deposition subpoena in no way limits the sanctions that may be imposed by the administrative law judge on a party who fails to comply with, or procures a failure to comply with, a subpoena issued under this section.

#### SECTION 263.28—Interlocutory Review

(a) *General rule.* The Board may review a ruling of the administrative law judge prior to the certification of the record to the Board only in accordance with the procedures set forth in this section and section 263.23.

(b) *Scope of review.* The Board may exercise interlocutory review of a ruling of the administrative law judge if the Board finds that:

- (1) The ruling involves a controlling question of law or policy as to which substantial grounds exist for a difference of opinion;
- (2) Immediate review of the ruling may materially advance the ultimate termination of the proceeding;
- (3) Subsequent modification of the ruling at

the conclusion of the proceeding would be an inadequate remedy; or

(4) Subsequent modification of the ruling would cause unusual delay or expense.

(c) *Procedure.* Any request for interlocutory review shall be filed by a party with the administrative law judge within 10 days of his or her ruling and shall otherwise comply with section 263.23. Any party may file a response to a request for interlocutory review in accordance with section 263.23(d). Upon the expiration of the time for filing all responses, the administrative law judge shall refer the matter to the Board for final disposition.

(d) *Suspension of proceeding.* Neither a request for interlocutory review nor any disposition of such a request by the Board under this section suspends or stays the proceeding unless otherwise ordered by the administrative law judge or the Board.

#### SECTION 263.29—Summary Disposition

(a) *In general.* The administrative law judge shall recommend that the Board issue a final order granting a motion for summary disposition if the undisputed pleaded facts, admissions, affidavits, stipulations, documentary evidence, matters as to which official notice may be taken, and any other evidentiary materials properly submitted in connection with a motion for summary disposition show that:

- (1) There is no genuine issue as to any material fact; and
- (2) The moving party is entitled to a decision in its favor as a matter of law.

(b) *Filing of motions and responses.*

(1) Any party who believes that there is no genuine issue of material fact to be determined and that he or she is entitled to a decision as a matter of law may move at any time for summary disposition in its favor of all or any part of the proceeding. Any party, within 20 days after service of such a motion, or within such time period as allowed by the administrative law judge, may file a response to such motion.

(2) A motion for summary disposition must be accompanied by a statement of the material facts as to which the moving party contends there is no genuine issue. Such mo-



tion must be supported by documentary evidence, which may take the form of admissions in pleadings, stipulations, depositions, investigatory depositions, transcripts, affidavits, and any other evidentiary materials that the moving party contends support his or her position. The motion must also be accompanied by a brief containing the points and authorities in support of the contention of the moving party. Any party opposing a motion for summary disposition must file a statement setting forth those material facts as to which he or she contends a genuine dispute exists. Such opposition must be supported by evidence of the same type as that submitted with the motion for summary disposition and a brief containing the points and authorities in support of the contention that summary disposition would be inappropriate.

(c) *Hearing on motion.* At the request of any party or on his or her own motion, the administrative law judge may hear oral argument on the motion for summary disposition.

(d) *Decision on motion.* Following receipt of a motion for summary disposition and all responses thereto, the administrative law judge shall determine whether the moving party is entitled to summary disposition. If the administrative law judge determines that summary disposition is warranted, the administrative law judge shall submit a recommended decision to that effect to the Board. If the administrative law judge finds that no party is entitled to summary disposition, he or she shall make a ruling denying the motion.

#### SECTION 263.30—Partial Summary Disposition

If the administrative law judge determines that a party is entitled to summary disposition as to certain claims only, he or she shall defer submitting a recommended decision as to those claims. A hearing on the remaining issues must be ordered. Those claims for which the administrative law judge has determined that summary disposition is warranted will be addressed in the recommended decision filed at the conclusion of the hearing.

#### SECTION 263.31—Scheduling and Prehearing Conferences

(a) *Scheduling conference.* Within 30 days of service of the notice or order commencing a proceeding or such other time as parties may agree, the administrative law judge shall direct counsel for all parties to meet with him or her in person at a specified time and place prior to the hearing or to confer by telephone for the purpose of scheduling the course and conduct of the proceeding. This meeting or telephone conference is called a “scheduling conference.” The identification of potential witnesses, the time for and manner of discovery, and the exchange of any prehearing materials including witness lists, statements of issues, stipulations, exhibits, and any other materials may also be determined at the scheduling conference.

(b) *Prehearing conferences.* The administrative law judge may, in addition to the scheduling conference, on his or her own motion or at the request of any party, direct counsel for the parties to meet with him or her (in person or by telephone) at a prehearing conference to address any or all of the following:

- (1) Simplification and clarification of the issues;
- (2) Stipulations, admissions of fact, and the contents, authenticity, and admissibility into evidence of documents;
- (3) Matters of which official notice may be taken;
- (4) Limitation of the number of witnesses;
- (5) Summary disposition of any or all issues;
- (6) Resolution of discovery issues or disputes;
- (7) Amendments to pleadings; and
- (8) Such other matters as may aid in the orderly disposition of the proceeding.

(c) *Transcript.* The administrative law judge, in his or her discretion, may require that a scheduling or prehearing conference be recorded by a court reporter. A transcript of the conference and any materials filed, including orders, becomes part of the record of the proceeding. A party may obtain a copy of the transcript at his or her expense.

(d) *Scheduling or prehearing orders.* At or

within a reasonable time following the conclusion of the scheduling conference or any prehearing conference, the administrative law judge shall serve on each party an order setting forth any agreements reached and any procedural determinations made.

#### SECTION 263.32—Prehearing Submissions

(a) Within the time set by the administrative law judge, but in no case later than 14 days before the start of the hearing, each party shall serve on every other party, his or her:

- (1) Prehearing statement;
- (2) Final list of witnesses to be called to testify at the hearing, including name and address of each witness and a short summary of the expected testimony of each witness;
- (3) List of the exhibits to be introduced at the hearing along with a copy of each exhibit; and
- (4) Stipulations of fact, if any.

(b) *Effect of failure to comply.* No witness may testify and no exhibits may be introduced at the hearing if such witness or exhibit is not listed in the prehearing submissions pursuant to paragraph (a) of this section, except for good cause shown.

#### SECTION 263.33—Public Hearings

(a) *General rule.* All hearings shall be open to the public, unless the Board, in the Board's discretion, determines that holding an open hearing would be contrary to the public interest. Within 20 days of service of the notice or, in the case of change-in-control proceedings under section 7(j)(4) of the FDIA (12 U.S.C. 1817(j)(4)), within 20 days from service of the hearing order, any respondent may file with the Board a request for a private hearing, and any party may file a reply to such a request. A party must serve on the administrative law judge a copy of any request or reply the party files with the Board. The form of, and procedure for, these requests and replies are governed by section 263.23. A party's failure to file a request or a reply constitutes a waiver of any objections regarding whether the hearing will be public or private.

(b) *Filing document under seal.* Enforcement counsel, in his or her discretion, may file any document or part of a document under seal if disclosure of the document would be contrary to the public interest. The administrative law judge shall take all appropriate steps to preserve the confidentiality of such documents or parts thereof, including closing portions of the hearing to the public.

#### SECTION 263.34—Hearing Subpoenas

(a) *Issuance.*

(1) Upon application of a party showing general relevance and reasonableness of scope of the testimony or other evidence sought, the administrative law judge may issue a subpoena or a subpoena duces tecum requiring the attendance of a witness at the hearing or the production of documentary or physical evidence at the hearing. The application for a hearing subpoena must also contain a proposed subpoena specifying the attendance of a witness or the production of evidence from any state, territory, or possession of the United States, the District of Columbia or as otherwise provided by law at any designated place where the hearing is being conducted. The party making the application shall serve a copy of the application and the proposed subpoena on every other party.

(2) A party may apply for a hearing subpoena at any time before the commencement of a hearing. During a hearing, such applications may be made orally on the record before the administrative law judge.

(3) The administrative law judge shall promptly issue any hearing subpoena requested pursuant to this section. If the administrative law judge determines that the application does not set forth a valid basis for the issuance of the subpoena, or that any of its terms are unreasonable, oppressive, excessive in scope, or unduly burdensome, he or she may refuse to issue the subpoena or may issue it in a modified form upon any conditions consistent with this subpart. Upon issuance by the administrative law judge, the party making the ap-

plication shall serve the subpoena on the person named in the subpoena and on each party.

(b) *Motion to quash or modify.*

(1) Any person to whom a hearing subpoena is directed or any party may file a motion to quash or modify the subpoena, accompanied by a statement of the basis for quashing or modifying the subpoena. The movant must serve the motion on each party and on the person named in the subpoena. Any party may respond to such motion within 10 days of service of the motion.

(2) Any motion to quash or modify a hearing subpoena must be filed prior to the time specified in the subpoena for compliance, but not more than 10 days after the date of service of the subpoena upon the movant.

(c) *Enforcing subpoenas.* If a subpoenaed person fails to comply with any subpoena issued pursuant to this section or any order of the administrative law judge which directs compliance with all or any portion of a document subpoena, the subpoenaing party or any other aggrieved party may seek enforcement of the subpoena pursuant to section 263.26(c).

### SECTION 263.35—Conduct of Hearings

(a) *General rules.*

(1) Hearings shall be conducted so as to provide a fair and expeditious presentation of the relevant disputed issues. Each party has the right to present its case or defense by oral and documentary evidence and to conduct such cross examination as may be required for full disclosure of the facts.

(2) *Order of hearing.* Enforcement counsel shall present its case-in-chief first, unless otherwise ordered by the administrative law judge, or unless otherwise expressly specified by law or regulation. Enforcement counsel shall be the first party to present an opening statement and a closing statement, and may make a rebuttal statement after the respondent's closing statement. If there are multiple respondents, respondents may agree among themselves as to their order of presentation of their cases, but if they do

not agree the administrative law judge shall fix the order.

(3) *Examination of witnesses.* Only one counsel for each party may conduct an examination of a witness, except that in the case of extensive direct examination, the administrative law judge may permit more than one counsel for the party presenting the witness to conduct the examination. A party may have one counsel conduct the direct examination and another counsel conduct re-direct examination of a witness, or may have one counsel conduct the cross examination of a witness and another counsel conduct the re-cross examination of a witness.

(4) *Stipulations.* Unless the administrative law judge directs otherwise, all stipulations of fact and law previously agreed upon by the parties, and all documents, the admissibility of which have been previously stipulated, will be admitted into evidence upon commencement of the hearing.

(b) *Transcript.* The hearing must be recorded and transcribed. The reporter will make the transcript available to any party upon payment by that party to the reporter of the cost of the transcript. The administrative law judge may order the record corrected, either upon motion to correct, upon stipulation of the parties, or following notice to the parties upon the administrative law judge's own motion.

### SECTION 263.36—Evidence

(a) *Admissibility.*

(1) Except as is otherwise set forth in this section, relevant, material, and reliable evidence that is not unduly repetitive is admissible to the fullest extent authorized by the Administrative Procedure Act and other applicable law.

(2) Evidence that would be admissible under the Federal Rules of Evidence is admissible in a proceeding conducted pursuant to this subpart.

(3) Evidence that would be inadmissible under the Federal Rules of Evidence may not be deemed or ruled to be inadmissible in a proceeding conducted pursuant to this subpart if such evidence is relevant, material, reliable, and not unduly repetitive.

(b) *Official notice.*

(1) Official notice may be taken of any material fact which may be judicially noticed by a United States district court and any material information in the official public records of any federal or state government agency.

(2) All matters officially noticed by the administrative law judge or Board shall appear on the record.

(3) If official notice is requested or taken of any material fact, the parties, upon timely request, shall be afforded an opportunity to object.

(c) *Documents.*

(1) A duplicate copy of a document is admissible to the same extent as the original, unless a genuine issue is raised as to whether the copy is in some material respect not a true and legible copy of the original.

(2) Subject to the requirements of paragraph (a) of this section, any document, including a report of examination, supervisory activity, inspection or visitation, prepared by an appropriate federal financial institution regulatory agency or state regulatory agency, is admissible either with or without a sponsoring witness.

(3) Witnesses may use existing or newly created charts, exhibits, calendars, calculations, outlines, or other graphic material to summarize, illustrate, or simplify the presentation of testimony. Such materials may, subject to the administrative law judge's discretion, be used with or without being admitted into evidence.

(d) *Objections.*

(1) Objections to the admissibility of evidence must be timely made, and rulings on all objections must appear on the record.

(2) When an objection to a question or line of questioning propounded to a witness is sustained, the examining counsel may make a specific proffer on the record of what he or she expected to prove by the expected testimony of the witness, either by representation of counsel or by direct interrogation of the witness.

(3) The administrative law judge shall retain rejected exhibits, adequately marked for

identification, for the record, and transmit such exhibits to the Board.

(4) Failure to object to admission of evidence or to any ruling constitutes a waiver of the objection.

(e) *Stipulations.* The parties may stipulate as to any relevant matters of fact or the authentication of any relevant documents. Such stipulations must be received in evidence at a hearing, and are binding on the parties with respect to the matters therein stipulated.

(f) *Depositions of unavailable witnesses.*

(1) If a witness is unavailable to testify at a hearing, and that witness has testified in a deposition to which all parties in a proceeding had notice and an opportunity to participate, a party may offer as evidence all or any part of the transcript of the deposition, including deposition exhibits, if any.

(2) Such deposition transcript is admissible to the same extent that testimony would have been admissible had that person testified at the hearing, provided that if a witness refused to answer proper questions during the depositions, the administrative law judge may, on that basis, limit the admissibility of the deposition in any manner that justice requires.

(3) Only those portions of a deposition received in evidence at the hearing constitute a part of the record.

## SECTION 263.37—Post-Hearing Filings

(a) *Proposed findings and conclusions and supporting briefs.*

(1) Using the same method of service for each party, the administrative law judge shall serve notice upon each party, that the certified transcript, together with all hearing exhibits and exhibits introduced but not admitted into evidence at the hearing, has been filed. Any party may file with the administrative law judge proposed findings of fact, proposed conclusions of law, and a proposed order within 30 days following service of this notice by the administrative law judge or within such longer period as may be ordered by the administrative law judge.

(2) Proposed findings and conclusions must

be supported by citation to any relevant authorities and by page references to any relevant portions of the record. A post-hearing brief may be filed in support of proposed findings and conclusions, either as part of the same document or in a separate document. Any party who fails to file timely with the administrative law judge any proposed finding or conclusion is deemed to have waived the right to raise in any subsequent filing or submission any issue not addressed in such party's proposed finding or conclusion.

(b) *Reply briefs.* Reply briefs may be filed within 15 days after the date on which the parties' proposed findings, conclusions, and order are due. Reply briefs must be strictly limited to responding to new matters, issues, or arguments raised in another party's papers. A party who has not filed proposed findings of fact and conclusions of law or a post-hearing brief may not file a reply brief.

(c) *Simultaneous filing required.* The administrative law judge shall not order the filing by any party of any brief or reply brief in advance of the other party's filing of its brief.

#### SECTION 263.38—Recommended Decision and Filing of Record

(a) *Filing of recommended decision and record.* Within 45 days after expiration of the time allowed for filing reply briefs under section 263.37(b), the administrative law judge shall file with and certify to the Board, for decision, the record of the proceeding. The record must include the administrative law judge's recommended decision, recommended findings of fact, recommended conclusions of law, and proposed order; all prehearing and hearing transcripts, exhibits, and rulings; and the motions, briefs, memoranda, and other supporting papers filed in connection with the hearing. The administrative law judge shall serve upon each party the recommended decision, findings, conclusions, and proposed order.

(b) *Filing of index.* At the same time the administrative law judge files with and certifies to the Board for final determination the record of the proceeding, the administrative law

judge shall furnish to the Board a certified index of the entire record of the proceeding. The certified index shall include, at a minimum, an entry for each paper, document, or motion filed with the administrative law judge in the proceeding, the date of the filing, and the identity of the filer. The certified index shall also include an exhibit index containing, at a minimum, an entry consisting of exhibit number and title or description for: each exhibit introduced and admitted into evidence at the hearing; each exhibit introduced but not admitted into evidence at the hearing; each exhibit introduced and admitted into evidence after the completion of the hearing; and each exhibit introduced but not admitted into evidence after the completion of the hearing.

#### SECTION 263.39—Exceptions to Recommended Decision

(a) *Filing exceptions.* Within 30 days after service of the recommended decision, findings, conclusions, and proposed order under section 263.38, a party may file with the Board written exceptions to the administrative law judge's recommended decision, findings, conclusions or proposed order, to the admission or exclusion of evidence, or to the failure of the administrative law judge to make a ruling proposed by a party. A supporting brief may be filed at the time the exceptions are filed, either as part of the same document or in a separate document.

(b) *Effect of failure to file or raise exceptions.*

(1) Failure of a party to file exceptions to those matters specified in paragraph (a) of this section within the time prescribed is deemed a waiver of objection thereto.

(2) No exception need be considered by the Board if the party taking exception had an opportunity to raise the same objection, issue, or argument before the administrative law judge and failed to do so.

(c) *Contents.*

(1) All exceptions and briefs in support of such exceptions must be confined to the particular matters in, or omissions from, the administrative law judge's recommendations to which that party takes exception.

(2) All exceptions and briefs in support of

exceptions must set forth page or paragraph references to the specific parts of the administrative law judge's recommendations to which exception is taken, the page or paragraph references to those portions of the record relied upon to support each exception, and the legal authority relied upon to support each exception.

#### SECTION 263.40—Review by the Board

(a) *Notice of submission to the Board.* When the Board determines that the record in the proceeding is complete, the Board shall serve notice upon the parties that the proceeding has been submitted to the Board for final decision.

(b) *Oral argument before the Board.* Upon the initiative of the Board or on the written request of any party filed with the Board within the time for filing exceptions, the Board may order and hear oral argument on the recommended findings, conclusions, decision, and order of the administrative law judge. A written request by a party must show good cause for oral argument and state reasons why arguments cannot be presented adequately in writing. A denial of a request for oral argument may be set forth in the Board's final decision. Oral argument before the Board must be on the record.

(c) *Agency final decision.*

(1) Decisional employees may advise and assist the Board in the consideration and disposition of the case. The final decision of the Board will be based upon review of the entire record of the proceeding, except that the Board may limit the issues to be reviewed to those findings and conclusions to which opposing arguments or exceptions have been filed by the parties.

(2) The Board shall render a final decision within 90 days after notification of the parties that the case has been submitted for final decision, or 90 days after oral argument, whichever is later, unless the Board orders that the action or any aspect thereof be remanded to the administrative law judge for further proceedings. Copies of the final decision and order of the Board shall be served upon each party to the proceeding, upon other persons required by statute,

and, if directed by the Board or required by statute, upon any appropriate state or federal supervisory authority.

#### SECTION 263.41—Stays Pending Judicial Review

The commencement of proceedings for judicial review of a final decision and order of the Board may not, unless specifically ordered by the Board or a reviewing court, operate as a stay of any order issued by the Board. The Board may, in its discretion, and on such terms as it finds just, stay the effectiveness of all or any part of its order pending a final decision on a petition for review of that order.

#### SUBPART B—BOARD LOCAL RULES SUPPLEMENTING THE UNIFORM RULES

##### SECTION 263.50—Purpose and Scope

(a) This subpart prescribes the rules of practice and procedure governing formal adjudications set forth in section 263.50(b) of this subpart, and supplements the rules of practice and procedure contained in subpart A of this part.

(b) The rules and procedures of this subpart and subpart A of this part shall apply to the formal adjudications set forth in section 263.1 of subpart A and to the following adjudications:

(1) Suspension of a member bank from use of credit facilities of the Federal Reserve System under section 4 of the FRA (12 U.S.C. 301);

(2) Termination of a bank's membership in the Federal Reserve System under section 9 of the FRA (12 U.S.C. 327);

(3) Issuance of a cease-and-desist order under section 11 of the Clayton Act (15 U.S.C. 21);

(4) Adjudications under sections 2, 3, or 4 of the BHC Act (12 U.S.C. 1841, 1842, 1843);

(5) Formal adjudications on bank merger applications under section 18(c) of the FDIA (12 U.S.C. 1828(c));

(6) Issuance of a divestiture order under

section 5(e) of the BHC Act (12 U.S.C. 1844(e));

(7) Imposition of sanctions upon any municipal securities dealer for which the Board is the appropriate regulatory agency, or upon any person associated or seeking to become associated with such a municipal securities dealer, under section 15B(c)(5) of the Exchange Act (15 U.S.C. 78o-4);

(8) Proceedings where the Board otherwise orders that a formal hearing be held;

(9) Termination of the activities of a state branch, state agency, or commercial lending company subsidiary of a foreign bank in the United States, pursuant to section 7(e) of the IBA (12 U.S.C. 3105(d));

(10) Termination of the activities of a representative office of a foreign bank in the United States, pursuant to section 10(b) of the IBA (12 U.S.C. 3107(b));

(11) Issuance of a prompt-corrective-action directive to a member bank under section 38 of the FDI Act of (12 U.S.C. 1831o);

(12) Reclassification of a member bank on grounds of unsafe or unsound condition under section 38(g)(1) of the FDI Act (12 U.S.C. 1831o(g)(1));

(13) Reclassification of a member bank on grounds of unsafe and unsound practice under section 38(g)(1) of the FDI Act (12 U.S.C. 1831o(g)(1));

(14) Issuance of an order requiring a member bank to dismiss a director or senior executive officer under section 38 (e)(5) and 38(f)(2) (F)(ii) of the FDI Act (12 U.S.C. 1831o(e)(5) and 1831o(f)(2) (F)(ii));

(15) Adjudications under section 10 of the HOLA (12 U.S.C. 1467a).

#### SECTION 263.51—Definitions

As used in subparts B through G of this part:

(a) *Secretary* means the secretary of the Board of Governors of the Federal Reserve System;

(b) *Member bank* means any bank that is a member of the Federal Reserve System;

(c) *Institution* has the same meaning as that assigned to it in section 263.3(f) of subpart A, and includes any foreign bank with a representative office in the United States.

#### SECTION 263.52—Address for Filing

(a) All papers to be filed with the Board shall be filed with the secretary of the Board of Governors of the Federal Reserve System, Washington, DC 20551.

#### SECTION 263.53—Discovery Depositions

(a) *In general.* In addition to the discovery permitted in subpart A of this part, limited discovery by means of depositions shall be allowed for individuals with knowledge of facts material to the proceeding that are not protected from discovery by any applicable privilege, and of identified expert witnesses. Except in unusual cases, accordingly, depositions will be permitted only of individuals identified as hearing witnesses, including experts. All discovery depositions must be completed within the time set forth in section 263.24(d).

(b) *Application.* A party who desires to take a deposition of any other party's proposed witnesses, shall apply to the administrative law judge for the issuance of a deposition subpoena or subpoena duces tecum. The application shall state the name and address of the proposed deponent, the subject matter of the testimony expected from the deponent and its relevancy to the proceeding, and the address of the place and the time, no sooner than 10 days after the service of the subpoena, for the taking of the deposition. Any such application shall be treated as a motion subject to the rules governing motions practice set forth in section 263.23.

(c) *Issuance of subpoena.* The administrative law judge shall issue the requested deposition subpoena or subpoena duces tecum upon a finding that the application satisfies the requirements of this section and of section 263.24. If the administrative law judge determines that the taking of the deposition or its proposed location is, in whole or in part, unnecessary, unreasonable, oppressive, excessive in scope, or unduly burdensome, he or she may deny the application or may grant it upon such conditions as justice may require. The party obtaining the deposition subpoena or subpoena duces tecum shall be responsible for

servicing it on the deponent and all parties to the proceeding in accordance with section 263.11.

(d) *Motion to quash or modify.* A person named in a deposition subpoena or subpoena duces tecum may file a motion to quash or modify the subpoena or for the issuance of a protective order. Such motions must be filed within ten days following service of the subpoena, but in all cases at least five days prior to the commencement of the scheduled deposition. The motion must be accompanied by a statement of the reasons for granting the motion and a copy of the motion and the statement must be served on the party which requested the subpoena. Only the party requesting the subpoena may file a response to a motion to quash or modify, and any such response shall be filed within five days following service of the motion.

(e) *Enforcement of a deposition subpoena.* Enforcement of a deposition subpoena shall be in accordance with the procedures set forth in section 263.27(d).

(f) *Conduct of the deposition.* The deponent shall be duly sworn, and each party shall have the right to examine the deponent with respect to all nonprivileged, relevant, and material matters. Objections to questions or evidence shall be in the short form, stating the ground for the objection. Failure to object to questions or evidence shall not be deemed a waiver except where the grounds for the objection might have been avoided if the objection had been timely presented. The discovery deposition shall be transcribed or otherwise recorded as agreed among the parties.

(g) *Protective orders.* At any time during the taking of a discovery deposition, on the motion of any party or of the deponent, the administrative law judge may terminate or limit the scope and manner of the deposition upon a finding that grounds exist for such relief. Grounds for terminating or limiting the taking of a discovery deposition include a finding that the discovery deposition is being conducted in bad faith or in such a manner as to:

- (1) Unreasonably annoy, embarrass, or oppress the deponent;
- (2) Unreasonably probe into privilege, irrelevant, or immaterial matters; or
- (3) Unreasonably attempt to pry into a party's preparation for trial.

#### SECTION 263.54—Delegation to the Office of Financial Institution Adjudication

Unless otherwise ordered by the Board, administrative adjudications subject to subpart A of this part shall be conducted by an administrative law judge of OFIA.

#### SECTION 263.55—Board as Presiding Officer

The Board may, in its discretion, designate itself, one or more of its members, or an authorized officer, to act as presiding officer in a formal hearing. In such a proceeding, proposed findings and conclusions, briefs, and other submissions by the parties permitted in subpart A shall be filed with the secretary for consideration by the Board. Sections 263.38 and 263.39 of subpart A will not apply to proceedings conducted under this section.

#### SECTION 263.56—Initial Licensing Proceedings

Proceedings with respect to applications for initial licenses shall include, but not be limited to, applications for Board approval under section 3 of the BHC Act and section 10 of HOLA and such proceedings as may be ordered by the Board with respect to applications under section 18(c) of the FDIA. In such initial licensing proceedings, the procedures set forth in subpart A of this part shall apply, except that the Board may designate a Board Counsel to represent the Board in a nonadversary capacity for the purpose of developing for the record information relevant to the issues to be determined by the Presiding Officer and the Board. In such proceedings, Board Counsel shall be considered to be a decisional employee for purposes of sections 263.9 and 263.40 of subpart A.