Federal Deposit Insurance Corporation

Annual Performance Plan

2001

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FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

2001 Annual Performance Plan

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CHAIRMAN'S MESSAGE

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) 2001 Annual Performance Plan.

The Plan defines what we propose to accomplish during the year to support our strategic goals and objectives, which center on the FDIC's role in maintaining stability and public confidence in the nation's banking system. In outlining our goals, the Plan helps to assure the Corporation's continued success in insuring deposits, promoting the safety and soundness of insured institutions, protecting consumer rights, assessing community investments and managing receiverships.

I urge anyone with an interest in the Corporation or in the American banking system to read our Plan.

Donna A. Tanoue

Donna A. Tanoue
Chairman

FDIC's
MISSION, VISION AND VALUES

Mission The FDIC, an independent agency created by Congress, contributes to stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions, and managing receiverships.

Vision To assure that the FDIC is an organization dedicated to identifying and addressing existing and emerging risks in order to promote stability and public confidence in the nation's financial system.

Values The FDIC has identified six core values that illustrate the principles that should guide our corporate operations. The values reflect the ideals we expect all of our employees to strive for as they accomplish the tasks needed to fulfill our mission.

Effectiveness. The FDIC's reputation rests on its professionalism, its adherence to the highest ethical standards, and its skilled and dedicated workforce.

Responsiveness. The FDIC responds rapidly, innovatively, and effectively to risks to the financial system. It works effectively with other federal and state supervisors to achieve consistency in policy and regulation. It seeks and considers information from the Congress, the financial industry, individuals seeking and receiving financial services, and others outside the FDIC in the development of policy. In the development and execution of these policies, the FDIC seeks to minimize regulatory burden while fulfilling the FDIC's statutory responsibilities.

Teamwork. The FDIC promotes and reinforces a corporate perspective and challenges its employees to work cooperatively across internal and external organizational boundaries.

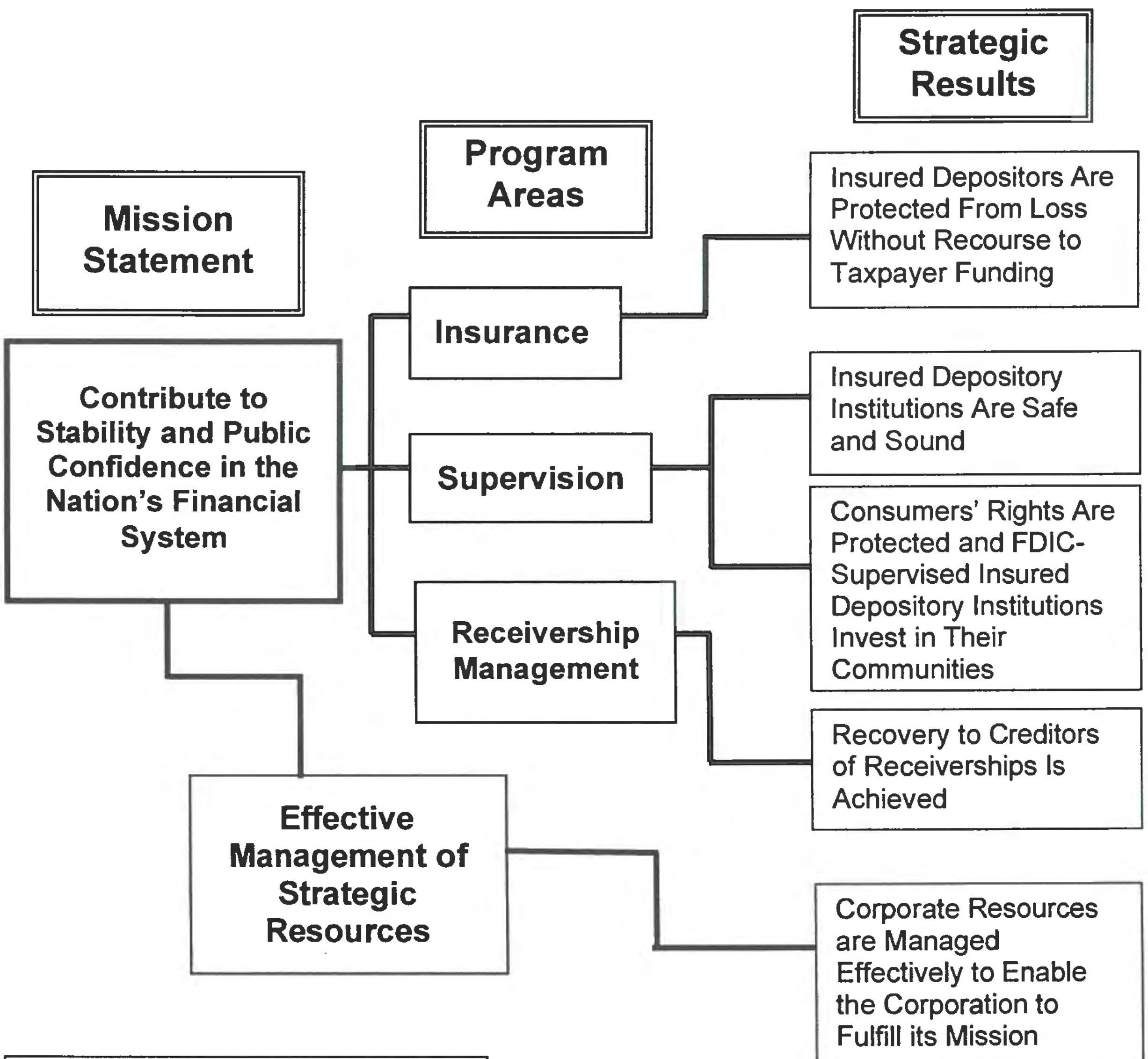
Fairness. The FDIC treats everyone with whom it deals fairly and equally. It exercises its responsibilities with care and impartiality. It promotes a work environment that is free of discrimination and that values diversity. The FDIC adheres to equal opportunity standards.

Service. The FDIC's long and continuing tradition of public service is supported and sustained by a highly skilled and diverse workforce that responds rapidly and successfully to changes in the financial environment.

Integrity. The FDIC performs its work with the highest sense of integrity. Integrity requires the FDIC to be, among other things, honest and fair. It can accommodate the honest difference of opinion; it cannot accommodate the compromise of principle. Integrity is measured in terms of what is right and just, standards to which the FDIC is committed.

FDIC's MAJOR PROGRAM AREAS

The following diagram represents the FDIC's major program areas and the associated strategic results that the FDIC is striving to achieve.



Note: The Mission Statement shown above is an abbreviated form of the FDIC's official Mission Statement.

PROGRAM RESOURCE REQUIREMENTS

The FDIC Budget is developed in a manner which recognizes the core business processes of the Corporation. These business processes are the foundation of the Corporation's major program areas. The following chart presents the budgetary resources (in millions) that the FDIC plans to expend in its three major program areas during 2001 to pursue the goals and indicators set forth in this plan and to carry out other program related activities. These dollars represent only a portion of the FDIC's total budget and are not intended to represent the total dollars required for the Corporation to carry out its mission.

Insurance Program	**$102.6**
Supervision Program	**633.9**
Receivership Management Program	**229.7**
Total Budget for Program Areas	**$996.2**

FDIC's MAJOR PROGRAMS
AND
2001 ANNUAL PERFORMANCE GOALS

INSURANCE

SUPERVISION

RECEIVERSHIP MANAGEMENT

INSURANCE PROGRAM

Program Description

The FDIC was established to insure bank and savings association deposits in order to help ensure the stability of the financial system and the consequent faith in the U.S. banking system in times of stress. As insurer, the FDIC continually evaluates how changes in the economy, the financial markets and the banking system affect the adequacy and the viability of the deposit insurance funds. In addition, the FDIC contributes to U.S. leadership on global deposit insurance issues to support international financial stability.

The deposit insurance funds must remain viable so that adequate funds are available to protect insured depositors in the event of an institution's failure. To protect the funds, the FDIC identifies risks to the insurance funds by analyzing economic, financial and banking developments, and communicating those findings to the industry and its supervisors. As the insurer, the FDIC, by statute, has back-up supervisory authority for all insured depository institutions. Should the FDIC identify significant emerging risks or have serious concerns relative to any of these non-FDIC-supervised insured depository institutions, the FDIC and the institution's primary federal supervisor[1] work in conjunction to resolve them. The FDIC maintains sufficient deposit insurance fund balances by collecting risk-based insurance premiums from insured depository institutions and through prudent fund investment strategies.

The FDIC promotes financial stability by exercising leadership in deposit insurance outreach efforts for insured institutions, the other federal and international banking agencies and other industry experts.

The FDIC reviews whether insured depository institutions make accurate disclosures regarding insured and uninsured products. The FDIC makes deposit insurance information available to the industry and consumers through various media, including the internet, pamphlets, educational materials and training. Educational outreach efforts for financial institution staff are conducted so that insured depository institutions are able to make accurate disclosures to consumers and depositors about financial products and services.

[1] The terms "primary federal supervisor" and "federal banking agencies" are synonymous and include, along with the FDIC, the following federal agencies: the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS).

Insurance Program

Strategic Result, Strategic Goals, and 2001 Annual Performance Goals

Strategic Result	Strategic Goals	2001 Annual Performance Goals
Insured depositors are protected from loss without recourse to taxpayer funding	Customers of failed insured depository institutions have timely access to insured funds and services	FDIC is prepared to deal with all financial institution closings and emerging issues
	Deposit insurance funds remain viable	Identify and address risks to the insurance funds
		Maintain and improve the deposit insurance system
	Consumers know what funds are insured	Financial institution staff is better prepared to educate consumers
	Provide U.S. leadership on deposit insurance to ensure international financial stability	Increase global awareness and knowledge of deposit insurance issues

Strategic Goal Customers of failed insured depository institutions have timely access to insured funds and services.

Annual Performance Goal FDIC is prepared to deal with all financial institution closings and emerging issues.

Indicators and Targets

1. Number of business days from institution failure when depositors will have access to insured funds either through transfer of deposits to successor insured depository institution or depositor payout.
   - *If the failure occurs on Friday, the target is one business day.*
   - *If the failure occurs on any other day, the target is two business days.*

2. Assess reporting and other requirements for potentially failing banks to support pre-resolution activity and address potential resolution and receivership management needs.
   - *Complete by June 30, 2001.*

3. Revise resolution and receivership management policies, procedures, training programs, and functional support tools to respond to "internet" banks or banks with significant e-commerce lines of business (e.g., trade name bank, bill presentment and bill payment services, internet service provider, or application service provider functions, etc.).
   - *Complete by September 30, 2001.*

4. Develop a plan for quickly conducting insurance determinations and providing deposit insurance coverage to depositors of a large FDIC-insured depository institution.
   - *Prepare options paper and distribute it to the FDIC's Board of Directors for consideration by December 31, 2001.*

Background Timely insurance payments to depositors are critical in maintaining stability and public confidence in the nation's banking system. While current law provides that the FDIC must pay insured deposits "as soon as possible," the FDIC has set a target of one or two business days. Once the FDIC is appointed receiver, it initiates the closing process for the failed insured depository institution on a Friday and provides the depositors access to their accounts the following Monday.

To keep pace with the evolving banking industry, the FDIC must develop contingency plans for future banking crises, particularly in light of the continuing evolution of the banking industry and technology. Integral to our planning in 2001 is the need to address possible technological failures, large insured depository institution failures and multiple, simultaneous failures. The FDIC is cross-training personnel to maintain its readiness capacity.

Means and Strategies
Deposit Claims

Operational Processes (strategies and initiatives): When an insured institution is identified as a potential failure, the FDIC prepares a plan to handle the possible resolution and closing of the institution.

The FDIC begins the resolution process with an assessment of the assets and liabilities of the failed institution. From this review and assessment, the FDIC develops an Information Package (IP), which is used as a marketing tool, and is sent to all interested potential assuming institutions. The FDIC solicits proposals from approved bidders in an attempt to find a buyer for the deposit franchise.

Once the chartering authority (federal or state) chooses to close the institution, the FDIC takes control of the failed institution and determines which deposits are insured. The FDIC then works with the assuming institution so that the insured deposit accounts are transferred to the assuming institution as soon as possible. If no assuming institution is found during the resolution process, the FDIC makes disbursements for the insured amount in each account to customers of the failed insured depository institution.

The FDIC will work to assess and identify possible modifications in the records and reporting maintained by FDIC-insured depository institutions, which may assist in the resolution/closing process. In this regard, the FDIC will also work with the other federal banking agencies on the sharing of information on troubled FDIC-insured depository institutions.

Strategic and Contingency Planning for Failures

The FDIC will complete a contingency plan to address the possible failure of an internet bank or a bank with e-commerce capabilities. The FDIC plans to review and revise as necessary its policies, procedures, and manuals to reflect the strategies developed from this plan.

The FDIC will continue to develop, refine, and implement its contingency plan for managing and resolving a large complex insured depository institution. The FDIC currently has an interdivisional task force working to identify the significant issues, such as insurance determinations and systemic risk, which arise from a potential large bank failure and develop possible courses of action in order to prepare the FDIC. During 2001, the FDIC expects to work with the other federal banking agencies and other governmental agencies as necessary to complete the contingency plan and implement necessary changes.

Human Resources (staffing and training): Staffing needs will continuously be assessed to balance the staff to the needs of the FDIC in carrying out its resolution/closing activities. The FDIC will develop, review, and revise its policies and procedures to allow for the efficient temporary reallocation of resources should the need arise.

Information Technology: The FDIC's Receivership Liability System (RLS) is the system used to support pre-closing insurance estimates, insurance determinations at closing, and the transfer or payout of insured deposits at the closing. Among the RLS enhancements planned for 2001 is increased capacity to perform insurance determinations on a large number of deposit accounts.

Crosscutting Efforts: The FDIC works with other banking agencies to coordinate efforts and planning for possible failures. These efforts will include the collection and sharing of information on insured depository institutions that appear likely to fail and the maintenance of open communications between the FDIC and the other federal banking agencies and state authorities.

Verification and Validation

The timeliness of payments to depositors can be verified through the Treasury's Financial Management System via the special account established for the wiring of funds to the assuming institution or the FDIC for direct payment to depositors.

For the remaining targets, project plans with milestones and deliverables were developed early in 2001. These project plans will be reviewed quarterly by senior FDIC management.

Impact of External Factors

Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

- Economy (C & D)

Strategic Goal Deposit insurance funds remain viable.

Annual Performance Goal Identify and address risks to the insurance funds.

Indicators and Targets

1. Maintain and improve off-site risk identification model(s).
- *Review and enhance existing FDIC off-site risk identification models to address credit risks, agricultural risks, real estate risks, electronic banking activity risks and other risks by December 31, 2001.*

2. Large insured depository institutions assessed offsite.
- *Assess risks in 100 percent of large insured depository institutions and adopt appropriate strategy.*

3. Identify and follow up on concerns referred for examination or other action (i.e., contact the bank or primary supervisor).
- *Identify and follow up on 100 percent of referrals.*

4. Disseminate the off-site analyses of current issues and risks affecting the banking industry to bankers, supervisors, and stakeholders.
- *Analyses are included in regular publications or as ad hoc reports on a timely basis.*
- *Conduct industry outreach aimed at the banking community and industry trade groups to convey sound practices and discuss regulator concerns.*

Background The proactive identification of risks to the deposit insurance funds is an ongoing and critical function. As the insurer, a primary function is to identify risks emerging in 2001 to insured depository institutions through off-site risk identification processes and to communicate those risks through a variety of reports to the banking industry, the other federal banking agencies, and state authorities. The FDIC is working on enhancing large bank analysis and risk assessment by implementing a system that combines the institution-specific perspective with a macro-analysis perspective of the potential insurance fund exposures posed by large banking organizations.

Off-site monitoring is an integral part of the FDIC's risk assessment program. It facilitates pre-examination planning, serves as an early warning (or indication) of potential deterioration of a specific institution and helps identify macro issues. The FDIC currently employs systems to monitor large insured depository institutions (generally those with assets exceeding $10 billion), the asset growth rate of all insured institutions and institutions exhibiting significantly deteriorating financial trends since their last examination. The FDIC will continue to enhance existing systems or develop new ones in response to emerging risks related to evolving banking industry practices and technologies.

Means and Strategies
Risk Analysis - Insurance

Operational Processes (strategies and initiatives): The FDIC monitors the condition of the banking and savings association industries and formulates forecasts of bank and savings association failures as well as associated failed resolution costs. The FDIC tracks economic events and market changes that might influence failure rates and failure resolution costs. The FDIC will maintain and improve models that forecast supervisory rating downgrades and agricultural downturns. Finally, the FDIC will analyze relevant legislation that might affect risk to the insurance fund. As appropriate, draft legislation may be proposed that could serve to reduce risk. Court decisions that could impact risk or increase risk to the banking system will continue to be monitored and evaluated.

The FDIC will enhance its monitoring of large financial institutions by continuing to refine the Large Insured Depository Institution (LIDI) program in 2001; expanding Washington Office oversight and analysis of aggregate emerging risks and trends; coordinating and expanding shared national credit analysis; continuing quarterly regional video-teleconferences and the annual case managers training conference; and visiting the Regional Offices to discuss large bank issues.

The FDIC produces and disseminates information and analyses on risks to the deposit insurance funds through various mechanisms such as periodic reports, presentations, regular publications and continued participation in outreach efforts, surveys (the *Underwriting Survey*), Financial Institution Letters (FILs) and participation in industry events.

Human Resources (staffing and training): The FDIC will expand its Shared National Credit program by implementing an industry credit program, appointing industry specialists, developing industry credit manuals, and developing and implementing additional training to increase examiner expertise in analyzing syndicated credits and related products.

Information Technology: To facilitate off-site analyses, the FDIC is developing the Virtual Supervisory Information on the Net (ViSION), which will replace a key mainframe system. ViSION uses a web-based user interface to obtain data from numerous systems, facilitating a top-down view of banking organizations.

Crosscutting Efforts: The FDIC continues to work with other federal banking agencies to leverage and improve existing statistical databases and management reporting systems. The FDIC extensively coöperates, communicates and shares pertinent database information with the other federal regulators on an ongoing basis to ensure that emerging risks and trends are identified and promptly addressed.

Verification and Validation

Validation for offsite monitoring is accomplished in a number of ways. FDIC Regional Directors must concur with LIDI analyses. Additionally, compliance with the LIDI program review requirements is reviewed under a formal Internal Control Review program.

Follow-up actions on supervisory concerns are certified in quarterly Regional Director reports. Independent verification that action has been taken is performed by accessing institution data on the Summary Analysis Examination Report (SAER) System. The FDIC developed guidelines to ensure appropriate internal control of the review and verification of the accuracy of analytical reports and presentations. The data in the analyses presented is reviewed for accuracy, and the documentation supports the analytical conclusions.

The validation measure for the effectiveness of communications and the usefulness of the analyses is largely qualitative. Responses from FDIC senior management, the other federal banking agencies, and the public will determine the appropriate course of action. Further, surveys will be conducted to obtain information on the quality and relevance of the information being provided to bankers and the other federal banking agencies. The data collected and analyzed will develop a baseline for future surveys.

Impact of External Factors

Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

- Economy (General Description)
- Industry Consolidation

Strategic Goal Deposit insurance funds remain viable.

Annual Performance Goal Maintain and improve the deposit insurance system.

Indicators and Targets

1. Complete the comprehensive deposit insurance review.
- *Recommendations are finalized by December 31, 2001.*

2. Identify and review possible modifications to the Risk Related Premium System (RRPS).
- *Develop and analyze baseline data of implemented modification results.*
- *Assess the feasibility of developing objective screens for the RRPS that identify banks demonstrating excessive risk, such as types of credit risk, market risk, operational risk, and technological risk.*

3. Analyze the accuracy of projected losses to and reserves for the insurance funds.
- *Annually, analyze and explain differences between projected failed assets and actual failed assets (at time of failure).*
- *Conduct a quarterly evaluation of current reserving methodology compared to alternative methods for the purpose of improving accuracy.*

4. Maintain the reserve balance to insured deposits
- *Maintain the designated reserve ratio at or above 1.25 percent.*

Background The FDIC is completing a comprehensive review of the U.S. deposit insurance system. Industry consolidation, expanded business activities, globalization, and the use of technology have advanced the business of banking and the products offered to depositors. The FDIC wants to ensure that the deposit insurance system continues to protect depositors and to assure the ability of the system to meet its current and future responsibilities.

The viability of the deposit insurance funds depends on the FDIC's adjustment of the risk-related deposit insurance premium system to accurately reflect and respond to risks in the banking industry. Premiums charged should correspond to the relative risk posed by these institutions while maintaining or exceeding the statutorily mandated target reserve ratio.

The proactive identification of risks to the deposit insurance funds is an ongoing critical function. The FDIC will periodically assess the overall adequacy of the deposit insurance fund balances relative to current industry conditions and potential indicators of risks. Significant increases in insurance fund exposures must be identified on a timely basis so decision makers can take necessary measures to ensure the viability of the deposit insurance funds.

Means and Strategies
Fiduciary Responsibilities/ Insurance Premium Assessments

Operational Processes (strategies and initiatives): The FDIC is analyzing three major deposit insurance areas: pricing risk, funding arrangements, and coverage levels. The FDIC is also reviewing public comments received on the Deposit Insurance Options Paper of August 2000. The FDIC continues to solicit comments and specific suggestions on deposit insurance issues from the other federal banking agencies, the private sector, and academic analysts. Feedback and comments will be incorporated, as appropriate, into policy recommendations.

The FDIC's Financial Risk Committee (FRC) develops quarterly bank and savings association failure projections and estimates to establish contingent loss reserves for the insurance funds. The FRC assesses the overall adequacy of the deposit insurance fund balances relative to current industry conditions and potential indicators of risk, including supervisory and market information.

The FRC will keep pace with changing techniques and methodologies used to analyze the changing nature of risk exposure including scenario analysis and stress test analysis. Models that forecast failures and failure projection costs will be maintained and enhanced, as necessary. The FRC will regularly review adverse events to identify lessons or implications for monitoring and addressing risks. Supervisory and other information about large banks will be incorporated into insurance-related business decisions.

The FRC analyzes emerging risks, the growth or shrinkage of insured deposits, the current assessment base, loss expectations, and interest income earned on the funds and Corporate operating expenses. This information is used to project the level of assessment revenue necessary to at least maintain the designated reserve ratio.

Human Resources (staffing and training): The FDIC has commissioned work from scholars and industry experts as part of the comprehensive review and recommendation development.

Information Technology: As part of the RRPS process, financial data from the Call Reports is used in the assessment of appropriate insurance premiums. The RRPS will be modified to respond to changes made in the Call Report Processing System and implementation of the Core Call Report in March 2001. The RRPS will also be enhanced consistently with improvements made in the FDIC's Virtual Supervisory Information on the Net (ViSION) system that houses the RRPS.

Crosscutting Efforts: The FDIC will solicit comments and specific suggestions on deposit insurance issues from the other federal banking agencies, the private sector, and academic analysts. The FRC meets quarterly with the FRB, the OCC, and the OTS to discuss the reserving process and to receive feedback and listen to concerns with regard to industry trends.

Verification and Validation

The FDIC staff recommendations for changes to improve the deposit insurance system will be presented to the FDIC's Board of Directors for consideration.

To ensure that the Risk Related Premium System identifies riskier institutions to assess higher insurance premiums as appropriate and in a timely manner, the FDIC reviews the assessment history of all failed insured depository institutions to determine if any adjustments to the system are necessary.

Based on an analysis of the projected failed bank assets and other pertinent information, the FRC recommends provisions to the contingent reserve process to the FDIC's Chief Financial Officer. Annually, the General Accounting Office (GAO) audits the methodology used to determine the contingent loss reserve. The FRC also evaluates the loss reserve process on a quarterly basis.

Impact of External Factors

Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

- Economy (General Description)

Strategic Goal Consumers know what funds are insured.

Annual Performance Goal Financial institution staff is better prepared to educate consumers.

Indicators and Targets The test results from FDIC-sponsored seminars for financial institution staff.

- *Implement a methodology to assess participants' understanding of deposit insurance rules at the close of the seminars in order to create baseline data by December 31, 2001.*

Background The FDIC provides deposit insurance education and educational tools to insured financial institutions. For example, the FDIC offers deposit insurance seminars either directly or in conjunction with regional and local branches of trade groups. The FDIC also mails brochures containing current material on deposit insurance to all FDIC-insured financial institutions. The Electronic Deposit Insurance Estimator (EDIE), an interactive tool to help determine deposit insurance coverage amounts, is also available on FDIC's web site. The deposit insurance seminars and educational tools are designed to assist insured financial institutions in providing their customers with information they need to understand their deposit insurance coverage.

Means and Strategies
Deposit Insurance Outreach

Operational Processes (initiatives and strategies): The FDIC conducts training on all aspects of deposit insurance for financial institution employees. The purpose of the training seminars is to heighten awareness and understanding of deposit insurance rules so that financial institution employees can provide their customers with accurate deposit insurance information.

The FDIC will focus on the effectiveness of its deposit insurance outreach efforts by measuring whether financial institution staff, after attending an FDIC-sponsored deposit insurance seminar, are able to answer the more commonly asked questions related to deposit insurance rules.

Verification and Validation Verification and validation aspects will be considered in developing a methodology for measuring seminar participants' understanding of deposit insurance rules.

Challenges remain in gathering valid test and self-evaluation data, particularly in venues that are not conducted in a classroom setting such as conference call, video tape and internet deliveries. FDIC is committed to exploring options for gathering as much evaluative data as possible.

Impact of External Factors Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

- Economy (A)

Strategic Goal Provide U.S. leadership on deposit insurance to ensure international financial stability.

Annual Performance Goal Increase global awareness and knowledge of deposit insurance issues.

Indicators and Targets

1. Leadership of the Research Committee of the Financial Stability Forum's (FSF) Working Group. The FSF brings together on a regular basis national authorities responsible for financial stability in significant financial centers, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central-bank experts.

- *Conduct research activities and prepare draft reports to support the Working Group.*
- *Prepare the final draft report of the Working Group on Deposit Insurance by September 30, 2001.*

2. Research on deposit insurance issues.

- *Disseminate results of original research through the FDIC's Banking Review and other formats, as appropriate.*
- *Conduct original research as required by the Basle Committee Research Task Force Workshop on Empirical Research on Bank Supervision.*
- *Incorporate the economic literature from the year 2000 into the FDIC publication "Deposit Insurance: An Annotated Bibliography, 1989-1999."*
- *Publish updated "International Directory of Deposit Insurers" by December 31, 2001.*

Background In keeping with its role as a leading expert on deposit insurance issues, the FDIC is committed to providing high-quality research, scholarship, and technical assistance on deposit insurance. The FDIC chairs the Research Committee of the Financial Stability Forum's Working Group on Deposit Insurance. Twelve countries plus the IMF and The World Bank constitute the Working Group. The FDIC receives a large number of inquiries on deposit insurance issues from a wide audience, which includes representatives of foreign governments, deposit insurance systems, and regulatory authorities.

The Annotated Bibliography of Deposit Insurance consists of abstracts of major studies and other documents on deposit insurance topics. This document has gathered deposit insurance research into one database.

Means and Strategies
International Deposit Insurance

Operational Processes (strategies and initiatives): In its role as Chair of the Research Committee of the Financial Stability Forum's Working Group on Deposit Insurance, the FDIC will coordinate the research activities of member organizations, undertake research on relevant topics, develop consensus on the research results, and take responsibility for publishing the final product. The Research Committee will prepare discussion papers as well as a summary report that will provide guidance to countries establishing deposit insurance systems or revamping existing systems.

FDIC staff conducts original research on deposit insurance issues, with the results disseminated through various FDIC publications. FDIC staff participates on the Research Task Force of the Basle Committee on Bank Supervision and the Basle Committee Workshop on Empirical Research on Bank Supervision by preparing and presenting papers relating to the supervision and regulation of banking institutions. *Deposit Insurance: An Annotated Bibliography* will be updated to incorporate the economic literature relating to deposit insurance from the year 2000. *The International Directory of Deposit Insurers*, which is available in a searchable format on-line and in hard copy, will be updated.

Information Technology: The FDIC's external web site has a section devoted to international deposit insurance activities. Key FDIC operations documents on resolutions and receivership management are available in the Public Information Center and on the FDIC's external web page.

Verification and Validation

FDIC will maintain documentation on the completion of each of these activities.

Impact of External Factors

No external factors identified.

SUPERVISION PROGRAM

Program Description

The FDIC's Supervision Program helps to fulfill the FDIC's mission of contributing to stability and public confidence in the nation's financial system. The Program is composed of two result areas, Safety and Soundness and Consumer Rights. The desired result of the Safety and Soundness area is that insured depository institutions are safe and sound. The Consumer Rights area desired strategic result is that consumers' rights are protected and that FDIC-supervised insured depository institutions invest in their communities.

Safety and Soundness

The FDIC supervises 5,660[2] FDIC-insured state-chartered commercial banks that are not members of the Federal Reserve System, described as state nonmember banks. This includes state-licensed insured branches of foreign banks and state-chartered mutual savings banks. The FDIC also has examination authority and back-up enforcement authority for state member banks that are supervised by the Federal Reserve Board (FRB), national banks that are supervised by the Office of the Comptroller for the Currency (OCC) and savings associations that are supervised by the Office of Thrift Supervision (OTS).

As supervisor, the FDIC performs safety and soundness examinations of FDIC-supervised institutions to assess overall financial condition, management practices and policies and compliance with applicable laws and regulations. Through the examination process, the FDIC also assesses the adequacy of management and internal control systems to identify and control risks. Procedures normally performed in completing this assessment may disclose the presence of fraud or insider abuse.

In the event weaknesses are detected through the examination process, the FDIC takes appropriate action. For institutions identified as having significant weaknesses or those that are operating in a deteriorated financial condition, the FDIC may oversee the re-capitalization, merger, closure or other resolution of the institution. Otherwise, the FDIC may issue a formal or informal enforcement action, which the institution must operate under until the weakness is

[2] 3rd Quarter 2000 FDIC Banking Profile.

remedied.

The FDIC also reviews the applications for new or expanded activities by FDIC-supervised insured depository institutions. Institutions applying for expansion of existing activities or locations must be well-capitalized, possess a qualified management team, be capable of operating in a safe and sound manner and be compliant with applicable laws and regulations.

Consumer Rights The FDIC engages in a variety of activities related to consumer protection and fair lending. These activities include: 1) providing consumers with access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws; and 2) examining FDIC-supervised insured depository institutions to determine their compliance with consumer and fair lending laws, including the Community Reinvestment Act of 1977 (CRA).

The FDIC makes available information about consumer protection, fair lending, and deposit insurance to help consumers understand their rights. The FDIC also provides FDIC-supervised institutions with updated information regarding consumer laws and regulations to help them better understand and comply with the laws.

Through community outreach efforts and technical assistance, the FDIC encourages lenders to work with members of their local communities in meeting the communities' credit needs.

The compliance examination process evaluates FDIC-supervised insured depository institution practices regarding consumer protection, CRA and fair lending laws and regulations. In addition to the examination process, the FDIC investigates consumer complaints of unfair or deceptive practices by insured depository institutions. Non-compliance with consumer laws can result in civil liability and negative publicity as well as formal or informal actions by the FDIC to correct the identified violations.

An institution's compliance with consumer protection, CRA, and fair lending laws is considered in an institution's application for entry or expansion within the insured depository institution system.

Supervision Program: Safety and Soundness

Strategic Result, Strategic Goals, and 2001 Annual Performance Goals

Strategic Result	Strategic Goals	2001 Annual Performance Goals
Insured depository institutions are safe and sound	Insured depository institutions appropriately manage risk	Conduct on-site safety and soundness examinations to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies, and compliance with applicable regulations
	Problem insured depository institutions are recapitalized, merged, closed or otherwise resolved	Prompt supervisory actions are taken to address problems identified during the FDIC examination of institutions identified as problem insured depository institutions. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored

Strategic Goal Insured depository institutions appropriately manage risk.

Annual Performance Goal Conduct on-site safety and soundness examinations to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies, and compliance with applicable regulations.

Indicators and Targets

1. Initiate required examinations in accordance with statute and FDIC policy.
   - *100 percent of required examinations are initiated on time.*
   - *Mail examination reports to FDIC-supervised banks within an average of 90 days of the examination start date.*

2. Identify, monitor and examine institutions for risks associated with E-banking and information systems (IS) activities.
   - *Conduct 100% of the IS/E-banking examinations of banks that are identified as priorities by FDIC regional management.*

3. Maintain and update processes and systems to identify and communicate to FDIC-supervised institutions any issues and sound practices related to emerging bank technologies in a timely manner.
   - *Provide information to bankers about technology outsourcing.*

Background The examination process is a critical part of the supervisory framework established to promote stability and public confidence in the nation's banking system. These examinations assess an FDIC-supervised institution's overall financial condition, management practices and policies, and compliance with applicable regulations. If weaknesses are detected, the FDIC takes steps to ensure their correction. The effects of industry and legislative changes on the Supervision Program are analyzed as necessary.

The FDIC performs safety and soundness, trust, and IS examinations of FDIC-supervised institutions. In addition, the FDIC periodically participates with the other federal banking agencies in the examination of institutions that they supervise. In 2001, the FDIC's examination workload includes 2,636 examinations required under statute or agreement with state supervisors.

The FDIC provides information to financial institutions on E-banking standards and guidelines through the publication of financial institution letters (FILs) and banker outreach programs. The FDIC is enhancing its ability to identify issues and sound practices relative to emerging bank technologies and to communicate this information to the industry in a timely manner.

Means and Strategies
Risk Management, Safety and Soundness

Operational Processes (initiatives and strategies): The FDIC will undertake a comprehensive assessment of its supervisory process, including its processes and procedures for examining FDIC-supervised institutions and its role in the supervision of other insured institutions for which the FDIC is not the primary federal supervisor. This assessment will be conducted to ensure that the FDIC's supervisory approach is comprehensive and efficient, reflects changing industry risk sources, and incorporates industry, internal, and other supervisory best practices. This effort will determine the relevance of FDIC's current supervisory process to its future needs, the feasibility of streamlining procedures to improve quality and efficiency, and eliminating any gaps or unwarranted redundancies that may exist in the supervisory process.

Continuing industry consolidation, new technologies, and product innovation have resulted in larger, more complex organizations. The FDIC will continue to modify its examination procedures as necessary in light of changing risk profiles for the industry and for individual institutions. The FDIC has implemented a Large State Nonmember Bank Onsite Supervision Program that includes visitations and targeted reviews throughout the year as opposed to the traditional annual point-in-time examinations. In general, state nonmember institutions with total assets of $10 billion or more will be subject to this program. In addition, other institutions may be subject to this more flexible onsite supervision, depending upon their complexity and risk profiles.

By implementing a risk-focussed approach, the FDIC balances its need to conduct timely and comprehensive examinations against the need to strive for greater efficiencies in the examination process by streamlining procedures where appropriate to minimize unnecessary regulatory burden. In order to ensure timeliness and efficiency, the FDIC has established informal guidelines for maximum timeframes from the examination start date to the date the examination report is mailed to the institution. In keeping with the concepts of the risk-focused examination program, the FDIC will implement an abbreviated examination report for small well-managed banks that pose the least risk to the deposit insurance funds. Implementation of this initiative during the first quarter of 2001 will enable the FDIC to better reallocate its examiner resources to focus on areas of greater or more complex risk.

To address conditions that indicate a higher potential for fraudulent activities, such as excessive growth through low-quality loans, the

FDIC will use more intensified examination procedures. For example, the examiners will implement procedures for reviewing independent public accountant's work papers during examinations of troubled banks. Where reviews or examinations lead to suspicions of fraud, examination procedures will be modified and intensified to include an increased volume of transaction testing.

The FDIC developed an offsite analysis model for use by regulatory agencies in identifying banks that may be susceptible to a downturn in local commercial real estate markets. Examiners may use this analysis during the examination planning stage. Exposures identified by the model can better focus examiners on risk areas to review during the onsite examination.

Onsite safety and soundness and IS examinations also include E-banking activities and are conducted to determine how each FDIC-supervised institution appropriately manages risk. Because of the increased emphasis on bank technology and its related effect on the banking industry and the examination process, the FDIC will be implementing several initiatives in 2001.

The FDIC will revise its current procedures covering IS examinations and E-banking activities. By March 2001, the FDIC will develop uniform and consistent guidance for prioritizing and scheduling IS/E-banking examinations. By June 30, 2001, the FDIC will have prioritized institutions involved in E-banking and IS activities for examination.

The FDIC is also developing a defined risk-focused approach for selecting Internet Service Providers (ISPs) and Commerce Service Providers (CSPs) to be examined. FDIC staff will be researching selection criteria for determining the examination of ISPs and CSPs.

The FDIC will also develop a formal framework for defining and identifying significant Internet Banking Vendors (IBV) to include in the examination process.

The FDIC will continue to provide information to the industry relative to risks associated with technology outsourcing (contracting out computer services) practices. The FDIC is refining guidance to the industry and examiners relative to the identification and authentication of customers banking over the internet. The FDIC is engaged in dialogue with technology vendors, bank trade associations, and standard and rule-setting entities to identify effective practices with respect to utilization of emerging technologies.

Human Resources (staffing and training): Additional staff will be allocated to a specially-dedicated E-banking unit that was established in 2000 to ensure that supervision and examination programs, policies, procedures, and practices stay abreast of industry developments and to minimize the FDIC's response time to changes in bank technology.

FDIC is also developing a standard level of training for all E-banking/information systems examiners and safety and soundness examiners who choose to attain a higher-than-average proficiency level in E-banking/information systems examinations. The intent is to establish a solid fundamental base of general computer system/E-banking knowledge.

Information Technology: The FDIC will continue to use supervision-related computer technology such as the General Examination System (GENESYS), Examination Documentation (ED), and the Automated Loan Examination and Review Tool (ALERT) to improve the efficiency of its examinations.

In-house data information systems are being modified or developed to improve the FDIC's ability to identify and analyze the capabilities of institutions engaged in various E-banking activities.

Crosscutting Efforts: The FDIC periodically participates with the other federal banking agencies in the examination of insured depository institutions that they supervise. Both internally and in conjunction with the other federal banking agencies, the FDIC will continue its efforts to leverage and improve existing statistical databases and management reporting systems. The data should be readily exchanged among the agencies.

The FDIC continues to build upon interagency efforts relative to E-banking guidance to the industry and examiners. In addition to the interagency forum, the FDIC will draw upon the expertise of consultants, research firms, bank trade associations, and technology providers to identify effective practices.

Verification and Validation

The FDIC will perform 100% of safety and soundness and E-banking/IS examinations required by statutes, FDIC policy or state agreements. During 2001, it is projected that 2,636 examinations will be started, but this number may change due to the number of FDIC-supervised insured depository institution mergers, closings, newly approved charters or other acceptable reasons. The number of examinations started and the number of delinquent statutorily required examinations will be reported. In addition, adherence to FDIC informal guidelines regarding time frames from examination start date to the date the report of examination is mailed to the institution will be tracked.

Impact of External Factors

Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

- Economy (B)
- Industry Consolidation

In addition to external factors relative to the economy and industry consolidation or trends, achievement of this goal may also be impacted by scheduling, staffing or other resource constraints that may arise in connection with examinations conducted under the alternate examination program. Under this program, examinations may be conducted in alternate 12 (or 18) month periods by the appropriate state supervisory authority. Constraints outside the control of the FDIC that may impact the completion of examinations by the state authorities represent an external factor that can impact FDIC performance under this goal.

Strategic Goal Problem insured depository institutions are recapitalized, merged, closed, or otherwise resolved.

Annual Performance Goal Prompt supervisory actions are taken to address problems identified during the FDIC examination of institutions identified as problem insured depository institutions. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored.

Indicators and Targets

1. Number of months from last examination of a problem bank until a follow-up examination is conducted.
   - *Follow-up examination conducted within 12 months of completion of the prior examination.*

2. Average number of days after completion of examination that a Report of Examination of a problem institution is transmitted to the financial institution.
   - *Within 45 days.*

Background Through on-site safety and soundness examinations, the FDIC identifies those institutions that operate in a weakened or an unsafe and unsound condition or with unsafe and unsound practices. The FDIC's actions may include informal or formal enforcement actions against the institution or responsible individuals to address these identified problems. Follow-up examinations in all cases will encompass a review of compliance with supervisory actions and additional appropriate follow-up where compliance is insufficient.

The Report of Examination identifies problems and provides suggestions and recommendations to management; therefore, it is important that Reports of Examinations be provided to FDIC-supervised institutions in a timely manner.

Means and Strategies
Risk Management, Safety and Soundness

Operational Processes (strategies and initiatives): Problem insured depository institutions are identified primarily through the examination process. While reason and moral suasion are the primary corrective tools, the FDIC has been granted broad enforcement powers to correct practices, conditions or violations of law that threaten an insured depository institution's safety and soundness.

On average, reports of examination for problem institutions are conveyed to the institution within 45 days from the date of receipt of the completed report of examination from the examiner to the Regional Office. Once an examination is completed, findings and recommendations are subject to review before a final corrective action is recommended. Depending on the extent and severity of the identified problems, the FDIC may initiate formal or informal enforcement actions.

The responsible case manager and senior regional officials will closely monitor problem institutions. Progress on compliance with such actions will be assessed via review of progress reports required to be submitted by institutions, direct communication with bank management, offsite monitoring or visitations.

Information Technology: Technological developments in document imaging now allow cases to be processed internally without the time consuming movement of the voluminous amount of paper and its physical transmission from field to regional and headquarters offices historically associated with regulatory decision-making. The FDIC will continue to use the imaging technology already on hand and will explore the feasibility of expanding the use of document imaging.

Crosscutting Efforts: The means and strategies for this annual goal include activities conducted with state and other federal authorities.

Verification and Validation

Monthly reports of problem institutions are generated from the Summary Analysis Examination Report (SAER) System and are reviewed each month for accuracy. Reports provided by the regions regarding follow-up examinations will be compared to data on SAER. Since the examination report identifies supervisory actions, in order to ensure that supervisory actions are promptly taken, the FDIC will monitor the time it takes to provide FDIC-supervised institutions with the examination report. Additional reports will be generated from the SAER System to monitor the time it takes the Regional Offices to process examination reports for FDIC-supervised problem institutions.

The FDIC will also continue to utilize the Regional Office Internal Control Review program to ensure that the Regions are monitoring FDIC-supervised insured depository institution compliance with formal and informal enforcement actions. This review incorporates various components of the supervisory process, including assessment of the appropriateness, implementation and the follow-up of formal and informal corrective actions. Any material exceptions noted during the Regional Office Internal Control Reviews will be raised to management's attention for appropriate action.

Impact of External Factors

No external factors identified.

Supervision Program: Consumer Rights

Strategic Result, Strategic Goals, and 2001 Annual Performance Goals

Strategic Result	Strategic Goals	2001 Annual Performance Goals
Consumers' rights are protected and FDIC-supervised insured depository institutions invest in their communities	Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws	Effective outreach, technical assistance, and training are provided on topics related to the Community Reinvestment Act (CRA), fair lending, and community development
		Effectively respond to written complaints and inquiries related to deposit insurance and consumer protection laws
	FDIC-supervised insured depository institutions comply with consumer protection, CRA and fair lending laws	Conduct comprehensive and compliance-only examinations in accordance with FDIC examination frequency policy
		Prompt supervisory actions are taken and monitored on all institutions rated 4 or 5 for compliance

Strategic Goal Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.

Annual Performance Goal Effective outreach, technical assistance, and training are provided on topics related to the Community Reinvestment Act (CRA), fair lending, and community development.

Indicators and Targets

1. The numeric ratings provided by financial education instructors at One Stop Centers who complete self-evaluation forms upon being trained by the FDIC.
   - *85 percent of instructors who complete self-evaluation forms rate as "4" or better on a scale of 1 to 5 that the financial education curriculum is a useful tool to teach One Stop Center clients.*

2. Assessment of One Stop Center clients' understanding of the financial education topics after attending a financial education workshop.
   - *By December 31, 2001, develop and implement a methodology to assess if workshop participants increased their understanding of the financial education topics.*

Background The FDIC participates in a variety of community outreach activities with community-based organizations and insured depository institutions. The FDIC participates in these activities either individually or in conjunction with other government agencies or public/private organizations. The activities are designed to increase awareness of community and economic development; increase knowledge of CRA regulations and fair lending laws; enhance lending, investment and service performance; and assist FDIC-supervised institutions in developing strategies to respond to credit, investment and service opportunities.

Means and Strategies
Consumer Rights, Outreach

Operational Processes (initiatives and strategies): The FDIC and DOL are implementing the national financial education initiative through a national network of more than 800 local One Stop Centers, which are local employment centers that offer a variety of employment support services. The One Stop Centers, through the Welfare-to-Work and Workforce Investment Act programs, reach a significant segment of low-income adults outside the financial mainstream.

The FDIC will develop financial education material that the One Stop Centers, banks, and others can use to sponsor financial education workshops in their communities. Initially, material will be targeted to Welfare-to-Work and Workforce Investment programs supported by

DOL. The FDIC plans to conduct seminars to train One Stop Center financial education instructors. The training will include information on how the One Stop Centers can work with local financial institutions to bring the training and financial services to clients of the Centers. The FDIC will gather feedback from the instructors who attend the train-the-trainer seminars on the usefulness of the curriculum for One Stop clients.

Comprehensive instructor and participant guides will be developed for ten one-hour training modules covering basic financial concepts. The ten modules will be piloted and a methodology developed during the year will be used to assess if participants at the pilot workshops increased their understanding of the financial education topics presented in the modules. Based on the results of the pilot sessions, the FDIC will determine the feasibility of continuing to measure individual participants' understanding of the financial education material versus another alternative such as measuring demand for the product.

In addition, FDIC will make the materials available to financial institutions and encourage them to use the materials in partnership with One Stop Centers or other community partners. The financial education curriculum will help low-income adults build financial skills and establish relationships with insured financial institutions.

Crosscutting Efforts: As discussed above, the FDIC is working with DOL through the One Stop Centers.

The FDIC is also working with other bank regulatory agencies on a variety of financial literacy initiatives.

Verification and Validation The self-evaluation forms completed by One Stop financial education instructors are accurately summarized.

Impact of External Factors No external factors identified.

Strategic Goal Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.

Annual Performance Goal Effectively respond to written complaints and inquiries related to deposit insurance and consumer protection laws.

Indicators and Targets

1. A method to assess satisfaction with FDIC responses to written inquiries.
   - *By September 30, 2001, identify methodology to evaluate and determine the effectiveness of the survey methodology used by the Washington Office, and if necessary, develop a method for refining the current survey tool.*
   - *By December 31, 2001, develop a method to expand the use of the survey instrument to assess customer satisfaction with responses to written inquiries answered by the regional offices.*

2. A method to assess satisfaction with FDIC responses to written complaints.
   - *Develop assessment method and plan for implementation by December 31, 2001.*

Background Consumers contact the FDIC with complaints and inquiries regarding consumer protection and fair lending issues. Complaints and inquiries investigated and answered in an effective manner result in consumers having access to easily understood information about their rights under federal consumer protection and fair lending laws. In 2000, the FDIC received over 7,000 written complaints and inquiries.

Some consumer protection and fair lending laws require financial institutions to provide consumers with information intended to help them make informed decisions. For example, lenders must disclose annual percentage rates calculated in a prescribed manner and inform consumers of the period in which a real estate transaction may be rescinded. Information provided to consumers by FDIC-supervised institutions regarding consumers' rights and disclosures as required under consumer protection laws and regulations are reviewed as part of the exam process.

Means and Strategies
Consumer Affairs

Operational Processes (initiatives and strategies): The FDIC responds to written complaints and inquiries and provides consumer protection and deposit insurance information to banks and the public. The FDIC wants to measure the level of public satisfaction to our responses. As a first step in determining customer satisfaction, the FDIC includes survey cards with its replies to mail inquiries completed by the Washington Office. In 2001, the FDIC will evaluate the effectiveness of this survey and, if necessary, refine the survey instrument. After the evaluation and possible refinement of the survey instrument, FDIC Regional offices will begin using the instrument to measure customer satisfaction with Regional office responses to mail inquiries.

The FDIC will develop a method and an implementation plan to assess whether consumers are satisfied with FDIC's responses to their complaints. However, an otherwise timely and accurate response that does not resolve the issue on behalf of the consumer may result in some consumers being dissatisfied with the FDIC's responses. To resolve this dilemma, the FDIC will analyze the timeliness and quality of its responses separately from measuring consumer satisfaction with the outcome of the investigations.

The FDIC delivers consumer protection and deposit insurance information through its internet web site. Consumers may process electronic inquiries and complaints by completing the Customer Assistance Form located on the FDIC's internet web site. Statistical information is reviewed periodically to determine how frequently consumer information located on the web site is accessed.

Verification and Validation The FDIC has developed procedures related to the survey methodology currently used in the Washington Office. As the survey related to consumer inquiries is expanded and an assessment method for consumer complaints is developed, verification and validation procedures will be developed and implemented.

Impact of External Factors Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

- Economy (C)

Strategic Goal FDIC-supervised insured depository institutions comply with consumer protection, CRA, and fair lending laws.

Annual Performance Goal Conduct comprehensive and compliance-only examinations in accordance with FDIC examination frequency policy.

Indicators and Targets

1. Initiate required examinations in accordance with statute and FDIC policy.
- *100 percent of required examinations are initiated on time.*

2. Hours per exam based on asset and risk categories.
- *Evaluate actual per exam hours against preliminary targets and establish refined benchmarks by December 31, 2001.*

3. Compliance procedures and guidance to monitor and examine institutions engaged in internet banking activities.
- *Guidance is in place by December 31, 2001.*

Background Comprehensive (concurrent compliance and CRA examinations) and compliance-only examinations of FDIC-supervised financial institutions are the mechanism by which the FDIC determines the extent to which a financial institution is meeting its responsibility to comply with federal consumer and fair lending laws and regulations and the CRA. The frequency of examinations is established by FDIC policy, which incorporates the CRA examination frequency provisions of the Gramm-Leach-Bliley Act (GLBA).

Means and Strategies *Consumer Rights, Supervision and Regulation*

Operational Processes (initiatives and strategies): The FDIC revised its examination frequency policy to conform with GLBA provisions pertaining to CRA examinations. GLBA sets the CRA exam cycle for most institutions with less than $250 million in assets. More specifically, institutions with aggregate assets of $250 million or less and a CRA rating of "Outstanding" are subject to a CRA examination no more than once every 60 months; those with aggregate assets of $250 million or less and a "Satisfactory" CRA rating are subject to a CRA examination no more than once every 48 months.

As a result of lengthening the CRA exam cycle under GLBA, a "compliance-only" examination requirement has been established for institutions with a satisfactory CRA rating and less than $250 million in assets. Such exams will generally be conducted at the mid-point in the cycle for the comprehensive examination.

The FDIC estimates the average amount of time required to complete comprehensive and compliance-only examinations will increase by 15 percent. This increase reflects the implementation of new exam procedures imposed by GLBA in areas such as consumer privacy, sale of insurance products, and the Fair Credit Reporting Act.

The FDIC is committed to increasing the efficiency and effectiveness of the examination process through a variety of initiatives in 2001:

- The FDIC will analyze the time required to complete compliance-only and comprehensive examinations at institutions of various size and risk profiles against current targets and establish refined efficiency benchmarks by year end. Staffing requirements will be evaluated to ensure the field office structure aligns with our anticipated business needs.

- The FDIC will implement various quality enhancement initiatives within the compliance-only and CRA exam processes as identified through internal peer reviews completed late in 2000. These initiatives will evaluate consistency in conducting exams and in preparing written examination reports and CRA Public Evaluations.

As part of the Emerging Bank Technologies Project Plan, the FDIC will complete work on several projects involving emerging technologies and internet banking that will affect the compliance examination program. Specifically, the FDIC is evaluating the feasibility of an internet web site Compliance Monitoring Program. The web site monitoring program, expected to operate in coordination with the FDIC's existing compliance examination program, would establish policies and procedures for conducting a compliance review of FDIC-supervised financial institution web sites and produce management reports on technology platforms, technology-related deficiencies, and consumer complaints.

Human Resources (staffing and training): During 2001, the FDIC will implement enhancements to the examiner curriculum to ensure it continues to match current examination job requirements, incorporates enabling technologies, internal FDIC employee development and diversity concepts, and allows for consistent yet flexible training for all examiners. In addition, staff will be trained on the new consumer privacy regulations.

Information Technology: In 2001, the system of record for compliance and CRA examinations, the Compliance Statistical System (CSS), will be replaced by the System of Uniform Reporting of Compliance and CRA Examinations (SOURCE). SOURCE will provide improved and new capabilities for scheduling and tracking bank compliance examinations, support for pre-examination planning, and management information.

The FDIC will evaluate uses of technology to streamline the examination process and conduct a larger percentage of compliance examinations from remote locations outside of financial institutions. Small enhancements to current exam tools and applications, such as Report of Exam and Data Conversion Module, will keep software current and address business policy changes. Enhancements may be required to examination software applications and management reporting tools as a result of new provisions in the GLBA affecting examination scheduling, scope, and procedures.

Crosscutting Efforts: The FDIC coordinates with the other federal banking agencies in developing uniform examination procedures for compliance and CRA examinations. Data are routinely shared with the other federal banking agencies and state authorities. The FDIC will also continue coordination with other government units at federal and state levels on compliance issues.

Verification and Validation

To verify and validate performance data, the FDIC will analyze examination-related data collected in SOURCE to determine if targeted performance levels were achieved during the reporting period.

In order to access information on compliance and CRA examinations, the FDIC also uses the Management Reporting System (MRS). MRS serves as an internet-based compliance reporting system that accesses several FDIC databases to produce summary and detailed reports, including information about examination starts and examination delinquencies.

Impact of External Factors

No external factors identified.

Strategic Goal FDIC-supervised insured depository institutions comply with consumer protection, CRA, and fair lending laws.

Annual Performance Goal Prompt supervisory actions are taken and monitored on all institutions rated 4 or 5 for compliance.

Indicator and Target Timely follow-up examination and related activity confirms whether the institution is in compliance with the enforcement action.

- *A follow-up exam or related activity is conducted within 12 months from the date of a formal enforcement action confirming compliance with the enforcement action.*

Background The FDIC devotes resources to ensure that FDIC-supervised financial institutions understand and comply with consumer protection, fair lending laws and CRA. During compliance examinations, violations of consumer protection and fair lending laws may be identified. When examinations reveal substantive violations and weaknesses in an institution's compliance program, the examination staff develops measures to target the areas in need of corrective action. The measures selected are based on the frequency and severity of the problems identified.

Means and Strategies *Consumer Rights, Supervision and Regulation* *Operational Processes (initiatives and strategies):* The FDIC will implement informal and formal corrective actions in the form of Board Resolutions, Memorandums of Understanding, Cease and Desist Orders and Civil Money Penalties, as appropriate.

Technology: The FDIC uses the Formal and Informal Action Tracking (FIAT) System as the system of record for monitoring all enforcement action activity. The FDIC also uses MRS and other examination-related reporting systems to analyze data from examinations to determine what problems were identified and what corrective measures were taken.

Crosscutting Efforts: The FDIC will continue to work with the other federal banking agencies to develop interagency supervisory policies and procedures for compliance and CRA issues. The FDIC will also continue coordination with other government units at federal and state levels to achieve cooperation on compliance issues.

Verification and Validation To verify and validate performance data, the FDIC analyzes examination-related data collected in the FIAT System.

Impact of External Factors No external factors identified.

RECEIVERSHIP MANAGEMENT PROGRAM

Program Description

The Receivership Management Program is designed to ensure that the claims of creditors are satisfied consistent with applicable law and the resources of individual receivership estates.

The FDIC resolves failing insured institutions in the least costly manner. The FDIC is proactive in identifying troubled insured depository institutions and begins its resolution efforts, such as valuing assets and identifying potential purchasers of these institutions, before the institutions fail. At failure, the FDIC is appointed receiver and succeeds to the rights, powers, and privileges of the insured depository institution and its stockholders, officers and directors.

Once the FDIC is appointed as receiver for any insured depository institution, the FDIC assumes the responsibility to marshal the institution's assets for the benefit of the creditors. The FDIC, acting as receiver, assumes responsibility to the creditors of the receivership to recover for them, as quickly as it can, the maximum amount possible on their claims. As the FDIC is the largest creditor after fulfilling its obligations as deposit insurer, this also allows the FDIC to maintain the viability of the deposit insurance funds.

The FDIC immediately works to identify and notify potential creditors of the failed insured depository institution of the failure and the process for submitting claims against the receivership. The FDIC reviews all claims and provides those creditors with valid claims receivership certificates entitling them to a share in the receivership (to the extent funds are available), in accordance with priorities mandated by statute and applicable regulations.

In order to fulfill its responsibilities to creditors of the failed institution, the FDIC, as receiver, manages and sells the assets through a variety of strategies and identifies and collects monies due to the receivership. In addition, the receiver may have valid claims against former directors, officers, attorneys, accountants or other professionals who may have caused harm to the institution. Funds collected through the management and sale of assets, and through the pursuit of valid claims, are distributed according to the requirements of law.

To ensure that each new receivership is managed effectively toward an orderly and timely termination, the FDIC has an active receivership oversight program. The purpose of this program is to foster an efficient and responsible business approach to receivership management. This business approach focuses on the economics of each receivership, through the establishment of unique business plans, the monitoring of performance, and timely termination.

Receivership Management Program

Strategic Result, Strategic Goals, and 2001 Annual Performance Goals

Strategic Result	Strategic Goals	2001 Annual Performance Goals
Recovery to creditors of receiverships is achieved	Failing insured depository institutions are resolved in the least-costly manner in accordance with law	Market failing institutions to all known qualified and interested potential bidders
	Receivership assets are managed and marketed to maximize net return	The FDIC values, manages, and markets assets of failed institutions and their subsidiaries in a timely manner to maximize net return
	Professional liability and other claims of the receivership are pursued in a fair and cost effective manner	Investigations are conducted into all potential professional liability claim areas in all failed insured depository institutions
	Receivership claims and other liabilities are resolved in a fair and cost effective manner	FDIC, as receiver, manages the receivership estate and its subsidiaries toward an orderly termination

Strategic Goal Failing insured depository institutions are resolved in the least-costly manner in accordance with law.

Annual Performance Goal Market failing institutions to all known qualified and interested potential bidders.

Indicator and Target List of qualified and interested bidders.
- *Contact all known qualified and interested bidders.*

Background The degree of competition is obviously a key factor in the FDIC's ability to resolve failing institutions in the least-costly manner. While cognizant of confidentiality concerns, the FDIC markets the deposits and assets of the failing institutions to all known qualified and interested potential bidders, in an attempt to stimulate as much competition as possible.

Means and Strategies
Franchise Marketing *Operational Processes (initiatives and strategies):* The FDIC maintains a list of qualified and interested potential bidders, consisting of financial institutions and private investors. In preparing the list for the failing institution, the FDIC takes into account the failed institution's geographic location, competitive environment, minority-owned status, overall financial condition, asset size, capital level and regulatory ratings. Using the list, the FDIC contacts the potential bidders and holds an informational meeting and/or uses the internet to provide information regarding the failing institution. Potential bidders are then given the opportunity to conduct due diligence of the failing institution's assets and liabilities, prior to submitting their bid(s).

Verification and Validation The franchise marketing process is tracked through the FDIC's Overarching Automation System (OASIS).

Impact of External Factors Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

Economy (D)

Strategic Goal Receivership assets are managed and marketed to maximize net return.

Annual Performance Goal The FDIC values, manages, and markets assets of failed institutions and their subsidiaries in a timely manner to maximize net return.

Indicator and Target Failed institution's assets marketed.

- *80 percent of book value of failed institution's marketable assets are marketed within 90 days of failure.*

Background The quick and efficient marketing of failed institution assets is beneficial to the FDIC, the customers of the failed institution, and the public. Returning private assets to the private sector quickly allows the FDIC to maximize net recoveries and to minimize any disruption to the local community. The FDIC's goal is to expedite the return of assets to the private sector by marketing most assets soon after an insured institution fails.

Means and Strategies
Franchise Marketing, Financial Services, Asset Marketing and Asset Management

Operational Processes (strategies and initiatives): Given adequate time, the FDIC prepares an information package and an asset valuation review for each failing insured depository institution to assist in the solicitation of bidders, analysis of bids received for the assumption of deposits, and sale of assets at resolution or shortly thereafter. For asset sales, the failed institution's assets are grouped into pools that will be most appealing to acquirers. Additionally, the FDIC works with potential acquirers to schedule a due diligence review of assets before the submission of bids.

After the resolution of the failed institution, the FDIC collects and manages the remaining assets in a cost-effective manner to preserve value until the assets can be marketed widely using current market strategies. For specific asset marketing and disposition decisions, the FDIC uses the Standard Asset Valuation Estimation (SAVE) methodology to value most assets. SAVE methodology uses standard assumptions and market information to ensure consistency in valuing assets. The valuation methodology and assumptions used to value assets will be maintained and updated. The FDIC will continue to develop and refine strategies to market assets quickly and efficiently. During 2001, the FDIC will continue to explore the use of new technology to enhance the marketing of assets to the private sector. This includes using the internet as a tool to deliver asset-marketing information to potential investors and to auction/sell assets on-line.

Human Resources (staffing and training): Staff will receive external training in sales and marketing innovations during 2001.

Information Technology: The FDIC is standardizing the asset valuation processes and will continue to coordinate internally to keep the asset-related systems aligned with any new valuation procedures.

Verification and Validation Asset marketing information is compiled from the actual sale initiatives that are offered by the FDIC to bidders prior to and/or within 90 days of failure. The offerings are compared to the beginning inventory of marketable assets prepared by FDIC at the time of the institution's failure.

Impact of External Factors In a failed insured depository institution where fraud is prevalent, the FDIC's ability to market receivership assets may be impaired. In instances where failure is sudden, the preparation of the information package and asset valuation review cannot be accomplished by the FDIC prior to failure. This may impair the Corporation's ability to market 80 percent of the marketable assets within a 90-day time frame.

Strategic Goal Professional liability and other claims of the receivership are pursued in a fair and cost effective manner.

Annual Performance Goal Investigations are conducted into all potential professional liability claim areas in all failed insured depository institutions.

Indicator and Target Percentage of investigated claim areas closed or pursued within 18 months after the failure date.

- *80% of all claim areas closed or pursued.*

Background Prompt investigation and evaluation of potential claims against professionals who may have caused losses to the institution (such as directors, officers, attorneys and accountants) and insurance companies enhances the fairness of the process and leads to more cost-effective results.

Most professional liability claims have a three-year statute of limitations. Making a decision to pursue or close a claim within 18 months provides assurance that FDIC will have ample time to pursue those claims that are valid and cost effective. However, in order to investigate potential claims properly, FDIC must explore the events and circumstances related to losses suffered by failed institutions. Experience has shown that certain institutions generate potential claims that are particularly complex and time-consuming to investigate and evaluate. The target completion percentage and time frame were selected in light of historical experience. In the FDIC's judgment, they represent reasonable targets given the nature and size of expected workloads and the need for careful review of all professional liability claim recommendations by FDIC's senior management.

Means and Strategies
Investigations and Professional Litigation

Operational Processes (initiatives and strategies): The FDIC's attorneys and investigators work together to assure that valid claims arising from a failure of an insured institution are properly pursued. The team conducts a factual investigation of the events that contributed to losses at the institution as well as legal research and analysis of the facts and potential claims. The team prepares additional analysis to determine the likelihood of a recovery in excess of estimated costs of pursuing claims. Finally, the team prepares a memorandum recommending that claims be pursued or that an investigation be closed for the appropriate level of approval.

Human Resources (staffing and training): As the number of open receiverships declines, both workload and staff size will continue to decline. The FDIC will provide staff attorneys training in the necessary litigation skills, and as the caseload is reduced, the FDIC expects an increasing proportion of litigation tasks to be handled in-house.

Verification and Validation

Data necessary to track failure dates of insured depository institutions, potential statute of limitations expiration dates and other pertinent dates is routinely collected and stored in FDIC systems. Status information and decision events are also input for each matter on a current basis. Periodic data scrubs and audits are also conducted to ensure accuracy and currency of information. Consistent maintenance of these systems ensures that accurate data needed to measure compliance with the annual performance goal is readily available.

Impact of External Factors

The failure of a larger, more complex insured depository institution, with more diverse product lines and businesses, will present investigation issues not presented in the typical failure situation and could have an impact on the FDIC's ability to achieve this annual performance goal.

Strategic Goal Receivership claims and other liabilities are resolved in a fair and cost effective manner.

Annual Performance Goal FDIC, as receiver, manages the receivership estate and its subsidiaries toward an orderly termination.

Indicator and Target Reduction in the number of active receiverships.

- *Inactivate 76 of the 106 active receiverships not impacted by goodwill claims in inventory at January 1, 2001.*

Background The reduction in the number of active receiverships is an overall indicator that claims and other liabilities have been resolved and results in lower costs. The target inactivation is based on an exhaustive review of the status of each active receivership and the identification and review of outstanding claims, liabilities, and other impediments.

Means and Strategies

Management of Subsidiaries and Oversight Operations

Operational Processes (strategies and initiatives): In 2001, the FDIC will continue to refine its receivership oversight program to foster an efficient and responsible business approach to receivership management. This business approach focuses on the economics of each receivership, through the establishment of unique business plans, the monitoring of performance, and timely termination.

The termination process requires interdivisional coordination and agreement. To be eligible for termination, a receivership must be free of impediments that represent material financial or legal risks to the FDIC. These impediments may include: outstanding contractual liabilities; outstanding offensive or defensive litigation; potential representation and warranty asset sale claims; open employee benefit plans; open subsidiary corporations where articles of dissolution have not been approved; and known or potential environmental contamination liabilities. The FDIC will continue to actively manage and resolve any outstanding obligations, receivership claims, legal impediments, and prudential mootness issues to expedite the orderly and cost-effective termination of active receiverships. Additionally, the FDIC will continue to evaluate its responses to creditors and other stakeholders to ensure that they are treated in a fair and equitable manner.

Information Technology: The FDIC uses the Subsidiaries Management Information Network (SIMAN) to manage and track the dissolution of subsidiaries of failed institutions.

Verification and The number of inactivations is tracked in the Receivership Tracking

Validation System and the Financial Information Management System. Monthly reports of inactivations are generated from both systems and are reviewed each month for accuracy. Users of the system validate the data and any discrepancies are reconciled.

Impact of External Factors Please refer to the Appendix of the Annual Plan for the specific narrative discussion of the following external factor(s) which might impact the achievement of the annual goal:

- Economy (E)

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

Program Description

Information, technology, human resources, and internal controls are essential to the achievement of the FDIC's mission. The FDIC has established as its *basic operating principle* that it will effectively manage these critical resources in order to accomplish the annual performance goals set forth in the Plan. Several of the initiatives in this program focus on reducing the FDIC's operating costs. These initiatives include expanding the FDIC's ability to conduct business electronically through the internet, reducing cost and inefficiencies associated with managing financial institution data, improving contract oversight practices, and benchmarking Corporate performance to reduce overhead and indirect costs.

Information is an important corporate asset and its effective management is crucial to fulfilling FDIC's mission. Information and analysis on banking, financial services, and the economy form the basis for the development of sound public policies and promote public understanding and confidence in the financial system. Solid information is necessary to meet other FDIC goals and objectives as well.

The effective use of technology supports the accomplishment of annual performance goals. Technological solutions can be used to simplify the FDIC's various business processes and reduce costs.

The FDIC is committed to providing an environment that attracts, develops, manages and retains a workforce that is professional, diverse, efficient, flexible, and dedicated and has the right skills to successfully contribute to the achievement of the FDIC's mission and business goals. As part of that commitment, the FDIC continues to implement its Diversity Strategic Plan. The FDIC will also plan for and implement effective, coordinated human capital strategies in order to leverage the human resources needed to achieve the Corporation's mission and business goals.

In order for the FDIC to continue to operate as an efficient and effective organization strong internal controls and risk management are essential. The FDIC monitors its internal control programs, identifies risks and weaknesses, and ensures all corrective actions are completed in a timely manner. In addition, the FDIC continues to focus on maintaining the strength of its information security program to ensure that information systems remain operational and secure and that data is not compromised.

Effective Management of Strategic Resources

Operating Principle, Resource Goals, and 2001 Annual Performance Goals

Operating Principle	Resource Goals	2001 Annual Performance Goals
Corporate resources are managed effectively to enable the Corporation to fulfill its mission	Sufficient and reliable information is maintained and disseminated	Improve management reporting in order to provide information that is relevant, easy to understand and easily accessible to all users to support management decisions
		Reduce costs and inefficiencies in the processing and usage of banking institution data through the modernization of the collection, processing, storage, and accessibility of institution data to meet current and emerging business requirements
		Provide Congress, other regulatory agencies, insured depository institutions, and the public critical and timely information and analyses on the financial condition of the banking industry
	Information technology is provided to support the Corporation's strategic direction and annual performance objectives	An Annual Goal related to information technology is reflected under the risk management resource goal.
	The FDIC's workforce is professional, efficient and highly skilled	Continue the implementation of the Corporate Diversity Strategic Plan according to schedules as published in the Plan
	The FDIC has a strong internal control and risk management program	Weaknesses identified by the FDIC's Office of Inspector General (OIG) and the General Accounting Office (GAO) are resolved on or before the estimated completion date, and are not repeated
		Strengthen FDIC's agency-wide information resources security program

Resource Goal Sufficient and reliable information is maintained and disseminated.

Annual Performance Goal Improve management reporting in order to provide information that is relevant, easy to understand and easily accessible to all users to support management decisions.

Indicator and Target Develop recommendation for a new FDIC financial environment solution that will satisfy the Annual Performance Goal when implemented.

- *Recommendation completed by September 30, 2001.*

Background Our current systems allow us to keep accurate records and supply all internal and external customers with the financial data they require. However, the costs to achieve this effort are high both in terms of human resources and infrastructure. Also the FDIC needs to better integrate non-financial data with financial data to understand and manage costs and program performance. Much of this work is now done manually.

The FDIC has the opportunity to use available current technology to transform our financial environment from simply a transaction-processing accounting role to one that satisfies the financial management needs of our business processes.

Means and Strategies
Strategic Program Support

Operational Processes (strategies and initiatives): The FDIC will be evaluating financial business processes to identify opportunities for improving workflow through adaptable and efficient technology. All FDIC divisions and offices will be interviewed to determine their decision-making needs. The FDIC will also document the mandatory financial requirements set forth in legislation such as the Federal Deposit Insurance Act and the Chief Financial Officer's Act of 1990.

The FDIC will research and gather information on available financial systems. Interviews will be conducted with other government agencies and other private sector organizations to help determine the best financial environment model. The FDIC will meet with vendors to determine which product(s) would best meet the needs of the Corporation. In addition, FDIC will meet with users in outside organizations to obtain their feedback on various vendor products. After gathering all appropriate information, FDIC will perform a cost/benefit analysis on various financial environment options. A recommendation will be prepared and presented to senior management by September 30, 2001.

Human Resources (staffing and training): The majority of the work on this phase of the New Financial Environment project will be accomplished with existing in-house FDIC staff. Contractors will be used to support market research, technical analysis, documentation, and to assist in the cost/benefit analysis and other administrative functions.

Verification and Validation A recommendation paper on a new or enhanced financial environment will be presented to FDIC management by September 30, 2001.

Impact of External Factors Legislation: Future legislation (banking, accounting, etc.) could significantly impact the data collection and financial reporting environment of the FDIC. This could require a more or less complex financial environment.

Government Agency Requirements: Changes in the information that FDIC is required to submit to such entities as the Office of Management and Budget, Congressional Budget Office, U.S. Treasury, etc. could significantly impact the accounting and reporting requirements of the FDIC and increase the complexity of the business needs of the FDIC's financial environment.

Accounting Profession: Standard-setting bodies such as the Financial Accounting Standards Board and the American Institute of Certified Public Accountants could have a significant impact on accounting and reporting requirements of the FDIC. Any new requirements could increase the complexity of the business needs of the FDIC's financial environment.

Resource Goal Sufficient and reliable information is maintained and disseminated.

Annual Performance Goal Reduce costs and inefficiencies in the processing and usage of banking institution data through the modernization of the collection, processing, storage, and accessibility of institution data to meet current and emerging business requirements.

Indicators and Targets

1. Establish Institution Data Management (IDM) requirements, through analysis and documentation of the current and projected use of institution data in functional business processes throughout the FDIC.
- *Develop and prioritize recommendations regarding functional business requirements, data collection, and data management, by August 31, 2001.*

2. Develop functional, data, security, and performance requirements and project scope for phased systems development efforts.
- *Evaluate technical alternatives, prepare recommendations, and establish phased development schedule by December 31, 2001.*

Background The FDIC is planning modifications and improvements of its data management routines to more effectively manage information and develop better information-sharing techniques. These modifications will reduce costs and systems inefficiencies while strengthening the FDIC's ability to identify, monitor, assess and address institution and industry risks.

Most of the banking industry information collected and prepared by the FDIC, whether for internal or external dissemination and analysis, has at its base Call Report and Structure data. This basic foundation data contains financial and demographic (structure) information on all insured banking institutions.

The FDIC is evaluating the design requirements for an official institution data repository. This project is called Institution Data Management (IDM). One of the project goals is to bring about a major shift in the way FDIC approaches data management from division and system specific to a wider Corporate perspective -- IDM proposes an FDIC-wide, cross-divisional approach to modernize the collection, processing, storage, and accessibility of institution data, creating a central repository for institution "source" data.

Under IDM, all FDIC automated information systems would use the same single source for current and historical data for analysis and reporting.

Means and Strategies
Risk Analysis, Insurance

As proposed, the development and implementation of IDM will be phased in over a five-year period. The initial phase of IDM entails a business planning exercise that will help define the requirements for subsequent information technology systems work.

The second phase will address the immediate need for the redesign of the existing CALL Processing System to accommodate changes in the Call Report mandated by the FFIEC, as well as address the need to modernize the legacy collections and processing system.

Later IDM Phases would integrate structure, high-level examination and closed bank data. These phases would result in the capture of the "life cycle" of an institution within the single source Institution Data Repository. The final IDM phase would provide FDIC with an integrated method for all applications and automated systems to analyze, report and deliver information to support FDIC goals and initiatives.

A listing of IDM's major implementation steps follows below:

- Establish cross-divisional project team, with representatives from FDIC's major programs and support functions.
- Evaluate existing business processes to determine if modifications are required.
- Develop long-range Corporate institution data management strategy, functional requirements and design specifications.

Human Resources (staffing and training): FDIC staff will perform phase one work on IDM. Resources, information technology training needs, efficiency improvements and time and cost savings related to subsequent phases will be determined during the initial stage of IDM development.

Information Technology: FDIC is currently focusing on the business requirement gathering aspect of the project. As the project matures and the business requirements are gathered, the appropriate information technology infrastructure will be determined.

Crosscutting Efforts: The IDM process will involve all of the FDIC's divisions. In addition, the IDM process will solicit input on how such a centralized system would be used by the FDIC, other federal and state regulators and the public.

Verification and Validation

The multi-division working team will work closely together and monitor the progress of this project on a biweekly basis. Progress reports will be submitted quarterly to the Corporate Data Sharing

Group and Corporate Operating Committee. The validation process will become an integral part of the IDM process that will describe and document all Corporate data.

Impact of External Factors

IDM acknowledges that external stakeholders are an essential constituency of open institution data, and their requirements will be considered in the course of the project. In particular, IDM will entail collaboration between FDIC and the other FFIEC agencies, as well as with the financial services industry and its service providers.

Resource Goal Sufficient and reliable information is maintained and disseminated.

Annual Performance Goal Provide Congress, other regulatory agencies, insured depository institutions, and the public critical and timely information and analyses on the financial condition of the banking industry.

Indicator and Target Timely publication of financial, economic, and statistical analyses and publications affecting the banking industry.

- *Regular publications include: Quarterly Banking Profile, Institution Directory, Statistics on Depository Institutions, Historical Statistics on Banking, Statistics on Banking, and Summary of Deposits.*

Background Accurate and timely information is critical to the operations and effectiveness of the FDIC. The FDIC prepares economic, financial and statistical analyses, offers opinions and advice on a variety of analytical and policy issues, and develops and disseminates comprehensive data on banking. These activities provide for more informed decisions by the FDIC and the banking industry and ensure that the public is informed of banking industry developments.

Means and Strategies *Strategic Program Support* The FDIC will make extensive changes in all major components of its databases to accommodate data changes. FDIC will undertake a comprehensive review of the existing publications to ascertain if they meet customer needs and to identify opportunities to add value. Some of the new data which may offer insight into the activities of financial institutions are in the areas of securitization, asset-backed securities, investment banking/brokerage/underwriting, venture capital financing, loan servicing, and Federal Home Loan Bank borrowing.

Verification and Validation Data validation and verification is performed on the data underlying most publications. Five control techniques are used in this process:

1. Testing of calculations for new or changed items via independent calculation of expected results and comparison to query results;
2. For pre-existing, unchanged items, programmatic quarter-to-quarter comparisons;
3. Upon completion of a new cycle of processing, intensive comparison of independently calculated industry summations of items to summations;
4. Feedback during the quarter from a large universe of users; and
5. Ongoing comparison of results to results independently calculated for various ad hoc purposes.

Validation and verification of other data is assumed to be done at its source.

Impact of External Factors	No external factors identified.

Resource Goal The FDIC's workforce is professional, efficient, and highly skilled.

Annual Performance Goal Continue the implementation of the Corporate Diversity Strategic Plan according to schedules as published in the Plan.

Indicator and Targets The published schedules for the six areas described in the Diversity Strategic Plan.

- *By March 31, 2001, publish the FDIC Diversity Annual Performance Report to measure goal achievement.*
- *Implementation of the Diversity Strategic Plan by FDIC divisions and offices according to published schedules.*

Background In 1999, the FDIC adopted and implemented its first Diversity Strategic Plan. This plan established diversity as a business imperative for the Corporation and is designed to create an organizational culture that will enable all employees to contribute their talent, expertise and skills to carrying out the mission of the FDIC.

In 2000, the FDIC made substantial progress in achieving the milestones in the Diversity Strategic Plan. The Corporation will build upon these successes and continue implementation of the Plan in 2001.

Means and Strategies
General and Administrative Management Expense

Operational Processes (initiatives and strategies): The Corporation will continue to implement the Diversity Strategic Plan in accordance with the published schedules for the six areas described in the plan.

- *Building Commitment.* This will include the development of learning and performance support tools for managers and supervisors.
- *Enhancing the Corporate Recruiting Program.* A structured college relations program and a corporate recruitment strategy for filling positions will be developed.
- *Creating Developmental Opportunities.* We will begin the development of a General Skills Curriculum that will provide all employees with the basic skills to take advantage of cross-divisional opportunities.
- *Enhancing the Internal and External Selection Process.* Procedures for the Corporation's merit promotion plan will be updated.
- *Addressing Benefits and Workplace Issues.* The FDIC will develop a Flexible Cafeteria Benefits Program that addresses the differing priorities and needs of employees.
- *Monitoring Progress and Establishing Accountability.* The FDIC

will publish the first Diversity Annual Performance Report in 2001, which will provide a comprehensive assessment and measurement of the impact of the Diversity Strategic Plan.

Human Resources (staffing and training): Some contractor resources may be used to support some of the diversity initiatives.

Verification and Validation

Progress in meeting Year 2001 milestones for the six areas in the Diversity Strategic Plan will be tracked based on the Corporate Diversity Initiatives Matrix and reviewed quarterly by FDIC senior management.

Data and information collected in the Diversity Data Repository will be periodically assessed.

Impact of External Factors

No external factors identified.

Resource Goal The FDIC has a strong internal control and risk management program.

Annual Performance Goal Weaknesses identified by the FDIC's Office of Inspector General (OIG) and the General Accounting Office (GAO) are resolved on or before the estimated completion date and are not repeated.

Indicators and Targets

1. The number of OIG and GAO audit conditions closed before the estimated completion date or the revised estimated completion date.
   - *FDIC divisions and offices will close 100% of their audit conditions on or before the estimated completion date or revised estimated completion date based upon management's approval of division and office written documentation and justification.*

2. The number of repeat audit conditions identified in final audit reports.
   - *The number of repeat audit conditions identified in 2001 will be zero.*
   - *FDIC will receive an unqualified opinion from the GAO on FDIC's Financial Statements.*

3. Implementation of FDIC's contract oversight program enhancements.
   - *Enhancements will be implemented in accordance with project plan.*
   - *FDIC divisions and offices will close 100% of their contractor oversight audit conditions within one year of their identification.*

Background The FDIC's internal control management staff works with divisions and offices to identify, resolve and manage internal control weaknesses. This cooperative effort is designed to ensure that controls are in place to effectively manage risks and to provide the FDIC with a strong internal control and risk management program.

The FDIC contracts with the private sector as necessary to accomplish its mission. The FDIC is responsible for ensuring that it is receiving the goods and services it is paying for and that it has sufficient controls over contractor oversight to help prevent fraud and abuse. The OIG has continued to focus on auditing contracts and has identified millions of dollars in questioned costs.

Means and Strategies *General and Administrative Management Expense*

Operational Processes (initiatives and strategies): The FDIC has a comprehensive Risk Management and Internal Control Program. The FDIC internally completes an Inventory of Accountability Units (AUs). The FDIC prepares a Risk Assessment Worksheet and

Management Control Plan for each AU and reviews and analyzes these documents to ensure that 1) major business processes are identified, 2) appropriate risk rankings are assigned, and 3) internal controls are in place to effectively manage the risks. This analysis also assists in determining areas requiring additional guidance and/or training to support the FDIC's internal control program.

The FDIC analyzes various sources of FDIC-produced and industry information to identify emerging internal control and risk management issues. If significant issues are identified, the FDIC conducts research to determine any impact on the FDIC's internal controls and provides recommendations to senior management for further actions, as necessary.

The FDIC Audit Committee and senior management assign special projects to the FDIC's internal control management staff to determine whether weaknesses are being adequately corrected.

The FDIC's internal control management staff conducts Internal Control Reviews, either independently or jointly with FDIC's program and support offices, in order to monitor risks and to verify that completed corrective actions have resolved internal control weaknesses. FDIC division and office directors certify annually to the adequacy of their internal controls and identify any material weaknesses.

The FDIC works throughout the year to resolve issues identified by the OIG. The FDIC prepares a management response to the OIG Semiannual Report to the Congress, which highlights the FDIC's internal control accomplishments and provides the status of management's corrective actions to address weaknesses identified.

The FDIC formed a working group to address contract oversight issues because of the importance of contracting to FDIC's operations. The group developed a Contract Oversight action plan that includes the following key initiatives: (1) Host a Best Practices Conference, (2) Deliver a Restructured Contract Oversight Training Program, (3) Implement Tools for Contract Oversight Managers (i.e., development of a deskbook for oversight of information technology contracts), (4) Review Ethics Issues in Contracts (non-legislative), (5) Review Contract Structure, and (6) Establish Requirements to Automate Contract Oversight.

Verification and Validation

Audit information is tracked through the Internal Risks Information System (IRIS). OIG and GAO audit data is entered into IRIS by one FDIC OICM staff member and reviewed by another to ensure that IRIS data is accurate. In addition, internal control management staff and OIG perform joint periodic reviews and reconciliations of the data.

IRIS produces a variety of management reports to enable responsible officials to monitor the timely completion of corrective actions and repeat audit conditions.

There will be periodic reporting of milestones and deliverables of the Contract Oversight Action Plan to the contract oversight working group.

Impact of External Factors An unexpected increase in audit activities in any one area may impact management's ability to resolve all audit conditions within one year. Audit conditions may remain open past one year due to litigation, protracted settlement repayment plans, or review of issues by outside groups.

Resource Goal The FDIC has a strong internal control and risk management program.

Annual Performance Goal Strengthen FDIC's agency-wide information resources security program.

Indicators and Targets

1. Management accountability for the development, maintenance, and operation of major applications and general support systems is increased.
   - *All security plans for major applications and general support systems are completed by December 31, 2001.*
   - *All independent security reviews for major applications and general support systems are completed by December 31, 2001.*
   - *The Information Security Officer (ISO) Model Program is implemented fully by December 31, 2001.*

2. Corporate downtime and damage caused by viruses is minimized through the implementation of real-time monitoring tools.
   - *The volume of viruses inside the firewall falls below a monthly average of 1,630, the number of viruses reported in 2000.*

3. Effective and verifiable disaster recovery capabilities are in place.
   - *Tests in July and December 2001, prove that the capability exists to resume operations of important information processing in the event of disruptive events.*

4. Current and emerging digital signature and encryption requirements are met to support high-risk applications and the migration to Windows 2000.
   - *Entrust 3.0 is converted successfully to version 5.0 by December 2001.*

Background Increasing incidents of security violations have caused public and private institutions across the nation to assess their application and general support systems to identify risks and ways to mitigate them. The FDIC must strengthen its information security program to prevent, detect and investigate security threats, insure complete recovery in the event of a disaster, insure accountability on the part of every manager in protecting information resources.

In their audit report on the FDIC's 1999 financial statements, the United States General Accounting Office (GAO) identified weaknesses in FDIC's Corporate-wide security program planning and management, access controls, segregation of duties, and service continuity. GAO stated that the underlying cause of many of the identified weaknesses is the lack of a fully implemented security program as prescribed by OMB A-130.

OMB A-130 requires that agencies perform an independent review or audit of the security controls in each general support system and major application whenever significant modifications are made to the system, but at least every three years, develop and implement security plans, and obtain a written management authorization for the use of general support systems and major applications prior to operation and a reauthorization for use at least every three years thereafter.

OMB is currently in the process of developing additional guidelines regarding information security. FDIC will monitor these guidelines to determine what specific requirements have developed.

In order to implement the strategies developed under this plan, the Chief Information Officer and management of the Information Security Staff estimates a timeframe of one year and a continued minimum annual budget of $10 million.

Means and Strategies
Strategic Program Support

Operational Processes (initiatives and strategies): The free flow of information between authorized users requires that strategies and controls be in place to ensure that the required automated information systems remain operational and that the information flow remains secure and is not compromised. The FDIC is working to ensure that our systems are protected and the connections with outside entities are not vulnerable to security breaches.

Management Accountability. Recommendations from an internal review and OIG audits will be implemented in 2001 to strengthen the risk management program. The Information Security Staff will be involved in all application development projects to insure that security considerations are factored into development during the design phase. Security plans will be tested for adequacy. In addition, independent security reviews of all major applications and general support systems will be completed by year end and a three-year plan for subsequent reviews will be established by mid-May. The risk management procedures manual will be revised to incorporate more streamlined processes and best practices. These actions will improve management accountability for information security and will more effectively mitigate the risks associated with an increasingly automated and interconnected environment at the FDIC.

Intrusion Alert. Intruder Alert is a security management package for the NT and Unix platform. Its implementation will permit the monitoring of NT/Unix in real time and has the ability to send e-mails to designated monitoring personnel as soon as an incident has been identified. It consists of two components: Manager and Agent. The manager is installed on an NT server, and the Agent may be installed on other NT and Unix servers. It is anticipated that the Agent component will be installed on all of the domain controllers and any other server that has been identified as sensitive. The firewall hardware was replaced in 2000, so only new service requirements and maintenance hardware will be acquired in 2001.

Disaster Recovery. Contracts were awarded in February 2001 for the mainframe backup site and for server tapes offsite storage. Staff will be completing documentation and preparation for disaster recovery tests during a weekend in July and one weekend in December.

An additional firewall will be secured to allow for full redundancy of the Disaster Recovery site. After the installation and configuration of the firewall, all external FDIC network segments will be accessed through the firewall.

Digital Signature and Encryption. A Public Key Infrastructure (PKI) is the set of hardware, software, policies and procedures that support the management and use of encryption and digital signature services. The PKI digital signature capability will allow for a paperless environment. It will enable e-commerce and satisfy statutory requirements. The PKI supports encryption and digital signature of files, e-mail, and provides the foundation for secure e-mail communications with non-FDIC parties. During 2001, the FDIC will upgrade the PKI to support high-risk applications and will upgrade it to work with Windows 2000. This project includes a cooperative effort with the GAO and the National Institute of Standards and Technology for the purpose of ensuring the highest level of integrity. Entrust version 3.0 will be converted, through a phased approach, to version 5.0 by the end of 2001.

Verification and Validation FDIC will maintain documentation on the completion of each of these activities.

Impact of External Factors No external factors identified.

APPENDIX

Planning Process

Program Evaluation

Crosscutting Efforts

External Factors

Performance Matrices

Revisions to FDIC's 1998 – 2003 Strategic Plan

Planning Process The FDIC's planning process, leading to development of the Annual Performance Plan (Plan), involves Corporation management and staff at all levels. In addition, the National Treasury Employees Union is provided predecisional opportunities to review and comment on workload assumptions, the Plan, and staffing and budget requirements. Corporate goals, priorities, and planning decisions are communicated to managers and staff of the Corporation through the Strategic and Annual Plans, staff meetings, newsletters, and the FDIC's web site. Communicating Corporate priorities and soliciting input from employees at all levels promotes accountability on the part of managers and staffs for achieving the goals they have helped develop. FDIC senior management also is committed to educating FDIC management and staff on the implementation of the Government Performance and Results Act of 1993 (GPRA) and the positive effect it continues to have on the FDIC.

Strategic Plan The FDIC Strategic Plan provides a framework for implementing the Corporation's mission by setting a course for the organization and guiding decisions about the effective use of resources. The Strategic Plan contains goals and objectives that have a six-year strategic focus. It is implemented through the Annual Performance Plan that is augmented by individual FDIC division- and office-level performance plans from which staffing and other budgeted resources are determined.

Annual Performance Plan The Plan defines, through annual performance goals, what will be accomplished during the year to achieve the FDIC strategic goals and objectives. The Plan mirrors the Strategic Plan in structure: it is built around the Corporation's three major program areas: Insurance, Supervision, and Receivership Management. The FDIC also recognizes that effective management of resources is critical to the achievement of its mission and strategic goals. An additional section of the Plan focuses on the management of human, information and technological resources, and internal controls.

The Plan's format is centered on strategic goals and annual performance goals. Each annual performance goal has at least one performance indicator and target level of performance and is accompanied by a discussion of the means and strategies to be employed in pursuit of the annual performance goal. There are three components to the means and strategies. Where appropriate, a narrative discussion of the operational processes, human resources, and technological requirements necessary for the annual goal to be achieved will be included. Also, crosscutting efforts or efforts conducted by the FDIC in conjunction with the other federal banking agencies, the National Credit Union Administration and others are specifically mentioned. Finally, the Plan identifies the processes by which performance data is verified and validated for each annual performance goal and the impact that identified external factors may have on the achievement of the annual goals.

Performance Reporting As has been the FDIC's past practice, a quarterly performance report is prepared for FDIC's senior management which includes information on the status of annual performance goal achievement as set forth in the Plan. The quarterly performance report is one of the mechanisms by which Corporate program performance and results are evaluated and recommendations are made for changes to current strategies, goals, objectives, or resource allocation, where appropriate. In the second quarter of 2001, the FDIC will report on the achievement of the 2000 annual performance goals in its Annual Program Performance Report to Congress as required by the GPRA.

Other FDIC Plans The FDIC has developed three other plans that are strategic in nature and guide the Corporation in the areas of Corporate diversity, information technology, and integrity and effectiveness. These plans supplement the FDIC Strategic and Annual Performance Plans. They are summarized below:

Corporate Diversity At the core of FDIC's values: effectiveness, responsiveness, teamwork, service and integrity, are its employees. In 2001, the FDIC will continue to implement the Corporation's Diversity Strategic Plan. This plan contains multi-year goals, strategies and initiatives that are results-oriented and are expected to impact the FDIC corporate culture. The FDIC remains committed to building a work environment that supports and fosters the contributions of a diverse workforce. Diversity initiatives to be implemented in 2001 include diversity awareness training for new employees, Corporate recruitment strategies, increased career development opportunities, continued enhancement of the internal and external selection process, and improved employee benefits.

Information Technology The FDIC constantly strives to enhance its use of technology to accomplish its mission and strategic goals. The FDIC's Information Technology (IT) Strategic Plan contains specific goals and objectives focused on providing effective technology to support Corporate goals associated with the FDIC's major program areas, as well as strategic resources. The IT Strategic Plan also contains detailed discussions of various types of information technology with forecasts of how they can be used to enhance the FDIC's operations.

In 2001, major IT initiatives will include intensifying the Corporate-wide security program, assessing the effect of technological change on the banking industry, and continuing FDIC's e-government programs. Other IT initiatives will focus on identifying, developing and implementing new information technologies to improve the effectiveness and efficiency of FDIC's business practices.

Integrity and Effectiveness

The Office of Inspector General (OIG), an independent office established within the FDIC under the Inspector General Act (IG Act), promotes the economy, efficiency, integrity and effectiveness of FDIC programs and activities. The OIG accomplishes its mission, as authorized by the IG Act, by conducting and supervising independent and objective audits, investigations, and evaluations and by keeping the FDIC's Chairman and the Congress informed of its work.

The OIG has independently prepared and published its own Annual Performance Plan for 2001. The OIG's annual plan contains specific performance goals addressing OIG strategic initiatives to conduct audits, evaluations, and investigations that add value to Corporate programs and activities; provide professional advice to assist the Corporation; and communicate effectively with the Chairman, the Congress and other stakeholders. Annual targets have been set to continue to achieve improved client satisfaction, product timeliness, quality, productivity, and impact. Priority initiatives include the continued implementation of proactive investigative projects.

Program Evaluation Program Evaluations "are important because they potentially can be critical sources of information for ensuring that goals are reasonable, strategies for achieving goals are effective, and that corrective actions are taken in program implementation."[3] Evaluations also are a mechanism to determine whether a program has clearly defined goals and well-developed measures of program outcomes. Results of program evaluations are included in the Annual Program Performance Report and will be used to revise the FDIC's Annual Performance Plan and/or division- or office-level annual performance plans. They will also be used as input to FDIC's revised strategic plan to be submitted to Congress in September.

Evaluation Process The FDIC's Division of Research and Statistics (DRS) has primary responsibility for coordinating and reporting on the evaluations of the Corporation's programs. This role is independent of the program areas. DRS has access to corporate program resources as well as Office of Inspector General and U.S. General Accounting Office reports. Program Evaluations are interdivisional, collaborative efforts and involve management and staff from the division(s) and office(s) responsible for a program as well as personnel from the FDIC's Division of Finance and the Office of Internal Control Management. Such participation is critical to not only fully understand the program being evaluated, but also to give the division(s) and office(s) a stake in the process.

Evaluation Schedule During 1999 and 2000 the FDIC conducted evaluations of its Insurance and Receivership Management programs respectively. The results of these evaluations will be available to FDIC Senior Managers as they develop the 2001-2006 Strategic Plan.

A program evaluation for the Safety and Soundness Program began in 2001 and is expected to be completed during the first quarter of 2002.

[3] General Accounting Office, *Managing for Results: Critical Issues for Improving Federal Agencies Strategic Plans,* September 1997, GAO/GGD-97-180, page 5.

Crosscutting Efforts

The FDIC works closely with the other three federal banking agencies which include: 1) the Board of Governors of the Federal Reserve System (FRB), 2) the Office of the Comptroller of the Currency (OCC), and 3) the Office of Thrift Supervision (OTS) to address issues and programs that transcend the jurisdiction of each agency. The FDIC and the other federal banking agencies also work closely with the National Credit Union Administration (NCUA) which supervises and insures credit unions. In addition, the directors of the OCC and the OTS are members of the FDIC Board of Directors, which facilitates crosscutting policy development and regulatory practices among the FDIC, the OCC and the OTS.

The Federal Financial Institutions Examination Council (FFIEC), comprised of members of each of the five federal agencies listed above, is empowered to prescribe uniform principles, standards, and report forms for the federal examination of insured depository institutions and federally insured credit unions. The FFIEC makes recommendations to promote uniformity in the supervision of insured depository institutions and federally insured credit unions, develops standardized software and provides uniform examiner training.
As a member of the FFIEC, the FDIC participates on taskforces to carry out interagency objectives and activities. These taskforces focus on Consumer Compliance, Examiner Education, Information Sharing, Reports, Supervision, and Surveillance Systems. In addition, the FDIC participates in the FFIEC's Legal Advisory Group and Appraisal Subcommittee.

In support of GPRA, the interagency Financial Institutions Regulatory Working Group, comprised of all four federal banking agencies and the NCUA, was formed in October 1997. The Office of Federal Housing Enterprise Oversight, which supervises *Freddie Mac* and *Fannie Mae*, and the U.S. Department of the Treasury, also participate. Collectively, this group works to identify the general goals and objectives that cross these organizations and their programs and activities as well as other general GPRA requirements.

The number of goals listed in the following table for which crosscutting efforts were identified evidences the extent of the FDIC's interagency coordination.

Crosscutting Goals *Insurance*	FDIC is prepared to deal with all financial institution closings and emerging issues.
	Identify and address risks to the insurance funds.
	Maintain and improve the deposit insurance system.
	Financial institution staff is better prepared to educate consumers.
Supervision: Safety & Soundness	Conduct on-site safety and soundness examinations to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies, and compliance with applicable regulations.
	Prompt supervisory actions are taken to address problems identified during the FDIC examination of institutions identified as problem insured depository institutions. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored.
Supervision: Consumer Rights	Effective outreach, technical assistance, and training are provided on topics related to the Community Reinvestment Act (CRA), fair lending, and community development.
	Effectively respond to written complaints and inquiries related to deposit insurance and consumer protection laws.
	Conduct comprehensive and compliance-only examinations in accordance with FDIC examination frequency policy.
	Prompt supervisory actions are taken and monitored on all institutions rated 4 or 5 for compliance.
Effective Management of Strategic Resources	Improve management reporting in order to provide information that is relevant, easy to understand and easily accessible to all users to support management decisions.
	Reduce costs and inefficiencies in the processing and usage of banking institution data through the modernization of the collection, processing, storage, and accessibility of institution data to meet current and emerging business requirements.

External Factors The following external factors are beyond the FDIC's control and could significantly affect the achievement of the annual performance goals for 2001.

Economy The performance of the economy at the national and regional levels affects the way the banking industry carries out its business strategies and may affect the industry's performance. Changes in the business cycle, that is, changes in interest rates, the rate of inflation and unemployment rates, influence the lending and funding strategies of insured depository institutions. Economic conditions have a significant effect on the risk profiles of insured depository institutions.

(A) Changes in the economy such as a declining stock market may result in investors switching from the equities and bond markets to safer certificates of deposit. This trend would likely increase the need for outreach activities and distribution of information and educational materials and could reduce our reserve below the mandated Designated Reserve Ratio.

(B) An economic slowdown could have an adverse impact on the banking industry by slowing asset growth, increasing loan losses and impairing profitability. Increases in asset losses could result in an increase in the amount of time spent on an examination and could possibly have an impact on the number of exams conducted during the year.

(C) An increase in the number of failed insured depository institutions could affect the amount of resources the FDIC has available to devote to other activities including training and contingency planning.

(D) A severe economic slowdown could have an adverse impact on the banking industry and, as a result, the ability of an insured depository institution to acquire deposits of failed institutions.

(E) The current economic environment has had a positive effect on the banking industry. Recent insured depository institution failure activity has been low, and little intervention has been required on the part of the FDIC. As a result, the FDIC has been able to focus more on disposing its existing inventory of assets and eliminating impediments to the closeout of receiverships. However, an economic downturn could trigger a higher rate of institution failures as well as increased failure costs and, in turn, could impact the FDIC's efforts to terminate receiverships.

(F) Many of the positive trends of recent years that have been associated with the so-called "New Economy" involve globalization, investment in new technologies, and, especially, more widespread reliance on market-based sources of financing. While these changes have in general boosted economic performance, there is now a higher risk that sudden financial market disruptions could create problems for the economy. An example that illustrates this risk is the episode of financial disruptions that occurred in the Fall of 1998. As such, the FDIC may need to devote additional resources to monitoring the apparently far-reaching changes that have recently come about in the "New Economy" because of the effect that these factors could have on the operating environment for banks.

(G) Entry and expansion in the system are closely related to the economy. When economic conditions are positive, there typically is an increase in applications for deposit insurance for de novo entry.

(H) In the case of a sudden, unexpected failure, the FDIC may not have a sufficient amount of time to widely market the failed institution and its assets.

Industry Consolidation

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 became fully phased-in during 1997, accelerating the pace of industry consolidation.

Continued industry consolidation will require additional examination mechanisms and different supervisory techniques to assess and monitor the increasingly complex financial conglomerates. Mergers between large insured depository institutions will increase individual company concentrations of risks to the deposit insurance funds. Mergers across industry lines could further increase risk.

Industry consolidation presents both benefits and risks. While the risks to the deposit insurance funds are diminished because of the diversification benefits of consolidation (along both geographic and product lines), the concentration of deposits into fewer insured depository institutions increases the risks to the funds in the event one of these larger insured depository institutions fails. The FDIC continues its contingency planning to prepare for the failure of a large insured depository institution should one occur.

Performance Matrices The matrices below depict "like" annual performance goals the FDIC has implemented in its three program areas over the past several calendar years and continued in 2001. For the 1997, 1998, and 1999 annual performance goals, the performance results achieved by implementing those goals are reflected. Targeted performance for the 2000 annual performance goals is presented, as year-end performance information for 2000 was not available at the time the 2001 Annual Performance Plan was published.

Depositor Payouts in Instance of Failure

Year	Annual Goal	*Results*
1997	Reopen new institution or begin depositor payouts within 3 calendar days of the institution failure.	*One financial institution failure occurred in 1997. Depositors had access to their funds within 3 calendar days.*
1998	Reopen new institution or begin depositor payouts within 3 calendar days of the institution's failure.	*Three insured depository institutions failed in 1998. Depositors of each failed insured institution had access to their funds within 3 calendar days of failure.*
1999	Insured deposits are transferred to successor insured depository institution or depositor payouts are begun within three days of insured depository institution failure.	*Depositors had access to their funds within 3 calendar days of the failure in 7 of 8 insured depository institutions that failed in 1999. The exception was the First National Bank of Keystone, Keystone, WV.*
2000	Insured deposits are transferred to successor insured depository institution or depositor payouts are begun within 3 days of institution failure.	*Depositors had access to their funds within three calendar days of the failure in 7 of 7 insured depository institution failures that occurred in 2000.*
2001	FDIC is prepared to deal with all financial institution closings and emerging issues.	

Risk Classifications

Year	Annual Goal	*Results*
1998	Conduct semiannual risk classifications assigned and reviewed for Board approval of BIF and SAIF premium rate cases.	*Produced and presented insurance premium rate cases to the FDIC's operating committee and to the FDIC's Board of Directors within the semiannual deadline. The staff recommended maintaining the existing assessment rate schedules of 0 to 27 basis points per year.*
1999	The Risk Based Premium System appropriately reflects risks to the deposit insurance funds and modifications are explored that may make the system more forward-looking.	• *Financial Risk Committee established to include a broader consideration of changes in fund exposure.* • *Developed and tested "objective screens" for use in the review process for premium assignments.* • *Developed procedures to re-classify screened banks with inadequate risk management practices.*
2000	Assessment rate schedules and risk classifications correspond with relative risk rankings of insured institutions, subject to statutory constraints.	• *Reserve ratio was maintained at or above the statutory mandated ratio of 1.25%.* • *New offsite screens were developed for reviewing and re-classifying atypically high-risk institutions (focus on rapid growth, high loan yields, and other factors).* • *Converted RBPS databases from Datacom to DB2 and completed conversion from mainframe screens to web-based screens.*
2001	Maintain and improve the deposit insurance system.	

Risk Identification and Reporting

Year	Annual Goal	Results
1997	Regular reports discussing developments affecting the risk profiles of FDIC-insured institutions. Produce reports each quarter.	*In each quarter of 1997, copies of the FDIC's Regional Outlook report were distributed to the 8 regions.*
1998	Produce regular Division of Supervision and Division of Insurance reports discussing the condition of the industry and developments affecting the risk profiles of FDIC-insured institutions.	*During 1998, several analyses and reports were produced on the condition of the industry and developments affecting the risk profiles of FDIC-insured institutions including the following:* • *3 deposit insurance issue papers* • *Various <u>Regional Outlook</u> articles* • *four <u>Regional Commentaries</u> on the Web* • *Published <u>Condition of the Funds and Assessment Analysis Report</u>* • *The <u>Regional Economic Conditions: Report for Examiners</u> - - a Web-based tool* • *Published <u>Bank Trends</u>*
1999	Risks emerging in 1999 to insured depository institutions are identified through off-site and on-site risk identification processes and are communicated through a variety of reports to the banking industry and its supervisors.	*Risk identification processes highlighted the following risks areas and concerns:* • *Subprime lending* • *High loan-to-value lending (HLTV)* • *Acquisition, development, and construction (ADC) lending practices* • *Loan underwriting standards* • *Agricultural risks* • *Electronic banking* • *Privacy*
2000	Economic trends and emerging risks in banking are identified, monitored and addressed appropriately.	*Economic trends and emerging risks were identified, monitored, and addressed through the publication of surveys, guidance, and report and outreach including the following:* • *<u>Survey on Real Estate Trends</u>* • *<u>Report on Underwriting Practices</u>* • *<u>Semi-Annual Report on Economic Conditions and Emerging Risks in Banking</u>* • *Conducted 614 risk-targeted outreach efforts on key issues including emerging technology risks, credit risks, agricultural*

		lending and sub prime lending.
2001	Identify and address risks to the insurance funds. [4]	

[4] The indicators reported under prior year risk assessment annual goals have been consolidated into a single 2001 annual goal along with the indicators reported under prior year risk identification and reporting annual goals.

Risk Assessments

Year	Annual Goal	*Results*
1997	Quarterly risk assessment analysis of exception report. Review 100 percent of CAEL and GMS exceptions.	*100 percent of CAEL and GMS exceptions were reviewed.*
1998	Provide quarterly risk assessment analysis by reviewing 100 percent of exceptions identified by CAEL and GMS.	*During 1998, reviewed 100 percent or 565 CAEL and 100 percent or 703 GMS exceptions.*
1999	For FDIC-insured depository institutions, off-site reviews are performed of all SCOR and GMS exceptions and LIDI/BIDI reviews are conducted; appropriate follow-up course of action if any, for identified supervisory concerns is determined.	• *100% or 628 SCOR exceptions reviewed.* • *100% or 675 GMS exceptions reviewed.* • *100% of LIDI reviews conducted.* • *BIDI program was discontinued.*
2000	100 percent of supervisory concerns noted during off-site reviews of insured depository institutions are resolved without further action or are referred for examination or other supervisory action.	• *100% or 663 SCOR exceptions reviewed.* • *100% GMS exceptions reviewed, covering 656 institutions.* • *348 or 100% LIDI analyses were completed.*
2001	Identify and address risks to the insurance funds. [5]	

[5] The indicators reported under prior year risk assessment annual goals have been consolidated into a single 2001 annual goal along with the indicators reported under prior year risk identification and reporting annual goals.

Deposit Insurance Outreach

Year	Annual Goal	*Results*
1999	Deposit insurance education and training are provided to insured depository institutions and the public, with special emphasis on year 2000 awareness.	*During 1999, the FDIC:* • *Participated in 52 deposit insurance events.* • *Conducted 37 deposit insurance seminars.* • *Responded to approximately 125,000 deposit insurance related inquiries from consumers and bankers.*
2000	Effectively conduct deposit insurance outreach nationwide.	*Administered evaluation survey to rate effectiveness of deposit insurance outreach. On a scale of 1-5, with "5" being highly effective, the results were as follows:*[6] • *Seminars are beneficial = 4.39.* • *Seminars increased knowledge of deposit insurance rules = 4.58.*
2001	Financial institution staff is better prepared to educate consumers.	

International Deposit Insurance Issues

Year	Annual Goal	*Results*
2000	Assess how the FDIC can best contribute to U.S. leadership on global deposit insurance issues through 1) technical assistance, 2) research and scholarship and 3) enhanced coordination and communication.	• *Chaired and staffed the Research Committee that provides research support for the Financial Stability Forum's Working Group on Deposit Insurance.* • *Participated in two seminars on deposit insurance on designing a deposit insurance system to interested parties in Latin America and Eastern Europe.*
2001	Increase global awareness and knowledge of deposit insurance issues.	

[6] Results shown above are based on 42 deposit insurance seminars held in 2000, attended by representatives of nearly 1,000 banks.

Safety and Soundness Examinations

Year	Annual Goal	*Results*
1997	Examination frequency requirements for all institutions. Perform 3,298[7] safety and soundness examinations.	*2,719 safety and soundness examinations were started, which is 91 percent of the safety and soundness examinations required for the year.*
1998	Perform 3,081[8] safety and soundness examinations.	*2,399 safety and soundness examinations were started, which is 86 percent of the safety and soundness examinations required for calendar year 1998.*
1999	On-site safety and soundness examinations are performed in accordance with statutory requirements, FDIC policy and state agreements or as otherwise needed.	*Initiated 2,555, or 95% of required safety and soundness examinations.*
2000	On-site safety and soundness examinations on FDIC-supervised insured depository institutions are initiated in accordance with statutory requirements, FDIC policy, and state agreements or as otherwise needed.	*Initiated 2,568, or 97% of required safety and soundness examinations.*
2001	Conduct on-site safety and soundness examinations to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies, and compliance with applicable regulations.	

[7] The number of safety and soundness examinations required during a given year changes as a result of mergers and acquisitions, failures, and agreements with state authorities. As such, the actual number of examinations required during the year may not match the original estimates.
[8] Ibid.

Safety and Soundness Enforcement Actions

Year	Annual Goal	*Results*
1999	Appropriate enforcement or other supervisory actions are taken to address problems identified during insured depository institution examinations. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored.	*The number of problem institutions increased during the year from 41 at 12/31/98, to 43 as of 12/31/99. Thirty-one institutions were removed from problem status in 1999, and thirty-three problem institutions were added.*
2000	Prompt supervisory actions are taken to address problems identified during the FDIC examination of institutions identified as problem insured depository institutions. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored.	*On average, during 2000, FDIC examination reports were processed and mailed to the institution within 44 days of receipt in the Regional Office. This is within the target of 45 days.*
2001	Prompt supervisory actions are taken to address problems identified during the FDIC examination of institutions identified as problem insured depository institutions. FDIC-supervised insured depository institution compliance with formal and informal enforcement actions is monitored.	

Compliance Examinations[9]

Year	Annual Goal	Results
1997	Conduct compliance examinations in accordance with schedule guidelines. 1,955 compliance examinations.	• *1,990 compliance examinations were started, which is 102 percent of the annual target.* • *At the end of 1997, there were 515 delinquent exams.*[10]
1998	Percentage of 1,610 compliance and CRA examinations according to an agreed-upon schedule.	• *Started 1,989 examinations during 1998 or 124 percent of the annual target.*[11] • *At the end of 1998, there were 488 delinquent exams.*
1999	On-site CRA, consumer protection and Fair Lending law compliance examinations of FDIC-supervised insured depository institutions are conducted per Board policy; changes in compliance ratings of FDIC-supervised insured depository institutions are monitored.	• *Started 2,368 examinations or 102 percent of the annual target.* • *At the end of 1999, there were zero delinquent exams.*[12]
2000	Compliance and CRA examinations are initiated in accordance with FDIC policy.	• *Started 2,257 examinations or 102% of the annual target.* • *At the end of 2000, there were 3 delinquent exams.*
2001	Conduct comprehensive and compliance-only examinations in accordance with FDIC examination frequency policy.	

[9] Results for prior years have been restated to provide more accurate disclosure.

[10] A large backlog of exams had existed since 1994. In late 1996, new examiners were hired and over the next 18 months, as these examiners became fully trained and productive, the FDIC could not conduct full scope exams. Backlog was expected to steadily decrease as workforce became fully trained.

[11] Beginning in 1998, the FDIC adopted a risk-based approach to conducting exams, thereby reducing the amount of time needed to complete exams.

[12] Beginning in 1999, the number of delinquencies at year-end were adjusted downward to exclude those considered as "managed delinquencies".

Compliance Enforcement Actions

Year	Annual Goal	*Results*
1997	Use formal and informal enforcement actions. Establish a benchmark to assess the effectiveness of formal and informal enforcement actions based upon assistance provided to banks with significant patterns of non-compliance.	• *96 enforcement actions were taken.* • *Undertook efforts to identify methods to assess effectiveness of formal and informal actions.*
1998	Measure the effectiveness of formal and informal enforcement actions based upon migration of institutions of supervisory concern to satisfactory compliance and measure ratings changes after enforcement actions.	• *System of record data quality efforts resulted in the data being reported in 1999.* • *As of December 31, 1998, 10 institutions were designated as compliance problems and rated "4".*
1999	Corrective actions are taken, if appropriate, to address problems identified during compliance examinations; bank compliance with those actions is monitored.	*As of December 31, 1999, 9 institutions were designated as compliance problems and rated "4". Enforcement actions were in place against all 9 institutions.*
2000	Prompt supervisory actions are taken on all institutions rated 4 and 5 for compliance to address problems identified during compliance examinations; compliance with those actions is monitored.	• *On average, during 2000, FDIC examination reports were processed and mailed to the institution within 29 days of receipt in the Regional Office. This is well within the target of 45 days.* • *For institutions, on average rated "4" or "5", the FDIC conducted all follow up examinations within the targeted timeframe of 12 months from the issuance date of a formal enforcement action.*
2001	Prompt supervisory actions are taken and monitored on all institutions rated 4 or 5 for compliance.	

Consumer Complaints and Inquiries

Year	Annual Goal	Results
1997	Responses on complaints and inquiries. Respond within time frames established by policy.	• *Investigated and closed consumer complaints within an average of 54 days (below the target of 60 days).* • *Investigated and closed consumer inquiries within an average of 15 days (meeting the target of 15 days).* • *Investigated and closed financial institution inquiries within 13 days (below the target of 15 days).*
1998	Responses on complaints and inquiries provided within time frames established by policy.	• *Received nearly 3,900 consumer complaints in 1998 and responded in an average of 57 days, 3 days better than the response time target.* • *Received nearly 2,600 consumer and insured depository institution inquiries in 1998 and responded in an average of 11 days, four days better than the response time target.*
1999	Conduct a pilot survey in the FDIC DCA Washington Office to determine whether consumers who have received written responses from the FDIC regarding their complaints and inquiries are satisfied[13].	*A pilot customer satisfaction survey was conducted, however, baseline data were not established due to a low response rate.*
2000	Effectively respond to written and telephone complaints and inquiries related to deposit insurance and consumer protection laws within specified timeframes.	• *100% of the FDIC's responses to the 6,736 written complaints and inquiries received during 2000 were made within targeted average turnaround timeframes.* • *FDIC received over 91,000 telephone calls.* • *The abandonment rate was 0.89%, well below the target of 4% or less.* • *Average wait time was 21 seconds, well below the target of 120 seconds or less.* • *Review designed to measure the quality of responses provided by the FDIC noted no material exceptions.*
2001	Effectively respond to written complaints and inquiries related to deposit insurance and consumer protection laws.	

[13]This annual goal was revised in 1999 and is not what was originally published in FDIC's 1999 Annual Performance Plan.

CRA Outreach

Year	Annual Goal	*Results*
2000	Effective outreach, technical assistance and training are provided on topics related to the Community Reinvestment Act (CRA) and community development.	• *One pilot forum on financial literacy and predatory lending held in each Region, thus meeting target.* • *Quality of forums assessed via formal and informal surveys indicating that forum participants' knowledge of predatory lending practices increased as a result of forum attendance.*
2001	Effective outreach, technical assistance, and training are provided on topics related to the CRA, fair lending, and community development.	

Least-Cost Resolution

Year	Annual Goal	*Results*
2000	Market to all known qualified and interested potential assuming institutions.	*There were 7 bank failures in 2000. A total of 2,601 qualified and interested bidders were identified and each was contacted, thus achieving the goal of marketing assets to all known qualified and interested potential assuming institutions.*
2001	Market failing institutions to all known qualified and interested potential bidders.	

Asset Management

Year	Annual Goal	*Results*
2000	Market 80% of a failed institution's assets to franchise and non-franchise investors within 90 days of resolution.	*95% of failed institutions' assets were marketed within 90 days, thus exceeding the target of 80%.*
2001	The FDIC values, manages, and markets assets of failed institutions and their subsidiaries in a timely manner to maximize net return.	

Professional Liability Claims

Year	Annual Goal	*Results*
1999	Investigations are Conducted Into all Potential Professional Liability Claim Areas in all Failed Insured Depository Institutions and a Decision to Close or Pursue Each Claim Will be Made Within 18 Months After the Failure Date in 80% of all Investigations[14].	*Performance goal has been met.*
2000	Investigations are conducted into all potential professional liability claim areas in all failed insured depository institutions, and a decision to close or pursue each claim will be made within 18 months after the failure date in 80% of all investigations.	*A decision to close or pursue each claim was made within 18 months after the failure date for 100% of all investigations, thus exceeding the goal of 80%.*
2001	Investigations are conducted into all potential professional liability claim areas in all failed insured depository institutions.	

Receiverships Terminated

Year	Annual Goal	*Results*
2000	Achieve a 35% reduction in the number of active receiverships in 2000.	*156 receiverships were terminated, thus achieving the goal of 156.*
2001	FDIC, as receiver, manages the receivership estate and its subsidiaries toward an orderly termination.	

[14] This annual performance goal was revised from the goal published in the 1999 Annual Performance Plan. The word "investigations" replaces the last occurrence of "institutions" to more accurately capture the FDIC's workload. The original goal stated "in 80% of all *Institutions*."

Revisions to FDIC's 1998 – 2003 Strategic Plan

The FDIC has made several revisions to its 1998-2003 Strategic Plan in order to remove references to the Year 2000 date change. As reported in our 1999 Program Performance Report, no material or adverse service disruptions occurred during the 1999/2000 rollover period. Accordingly, we have deleted two strategic objectives:

- Adequacy of management ability to address Y2K is evaluated and action taken as appropriate
- Computer systems are Y2K compliant

In addition, the following strategic objective was moved from the Supervision – Safety and Soundness program area to the Insurance Program:

- FDIC takes action as appropriate to promote market discipline of insured depository institutions

The FDIC's 1998 – 2003 strategic results, goals and objectives on the proceeding pages reflect the revisions described above as well as those disclosed in our 2000 Annual Performance Plan.

Insurance Program

Strategic Result	Strategic Goals	Strategic Objectives
Insured depositors are protected from loss without recourse to taxpayer funding	Customers of failed insured depository institutions have timely access to insured funds and services	Appropriate closing procedures are in place Contingency plans are in place to deal with future banking crises
	Deposit insurance funds remain viable	Risks to insured depository institutions are identified and communicated to the industry and its supervisors Entry into the system through applications for deposit insurance is consistent with prudential standards Assessment revenues are sufficient to maintain the designated reserve ratio FDIC takes action as appropriate to promote market discipline of insured depository institutions Investment strategies provide liquidity, preserve capital, and maximize returns, subject to statutory limitations
	Consumers know what funds are insured	Insured depository institutions make accurate disclosures Deposit insurance information is provided to the industry and consumers
	Provide U.S. leadership on deposit insurance to ensure international financial stability	Coordinate the FDIC's participation on issues related to global financial stability, including the dissemination of the FDIC's expertise and experience on supervisory, resolution and receivership, and deposit insurance issues FDIC staff skills in supervisory, resolution and receivership, and deposit insurance issues are maintained and enhanced

Supervision Program: Safety and Soundness

Strategic Result	Strategic Goals	Strategic Objectives
Insured depository institutions are safe and sound	Insured depository institutions appropriately manage risk	Risks to insured depository institutions are identified and integrated into the supervisory process
		Insured depository institutions comply with laws and regulations relating to safety and soundness
		Adequacy of management systems to monitor, identify, and control risk are evaluated and action taken as appropriate
		Riskier insured depository institutions are charged higher premiums
		Industry officials are aware of FDIC's approach to safety and soundness practices
		Expansion in the system is consistent with prudential standards
	Problem insured depository institutions are recapitalized, merged, closed, or otherwise resolved	Problem insured depository institutions are identified
		Problem insured depository institutions are appropriately addressed

Supervision Program: Consumer Rights

Strategic Result	Strategic Goals	Strategic Objectives
Consumers' rights are protected and FDIC-supervised insured depository institutions invest in their communities	Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws	Consumer information is provided to FDIC-supervised insured depository institutions and the public
		Complaints and inquiries are responded to in a timely manner
		Outreach activities are conducted for community groups and insured depository institutions to promote community development
	FDIC-supervised insured depository institutions comply with consumer protection, CRA, and fair lending laws	FDIC-supervised insured depository institutions are examined to determine their understanding of and compliance with laws and regulations and CRA examination results are made public
		Effective action is taken to correct identified violations of laws and regulations
		FDIC application process properly considers consumer protection, CRA, and fair lending laws

Receivership Management Program

Strategic Result	Strategic Goals	Strategic Objectives
Recovery to creditors of receiverships is achieved	Failing insured depository institutions are resolved in the least-costly manner in accordance with law	Assets and liabilities are valued and assessed Failing insured depository institutions are marketed broadly
	Receivership assets are managed and marketed to maximize net return	Receivership assets are inventoried and valued Effective disposition strategies are executed in a timely manner Assets are effectively serviced
	Professional liability and other claims of the receivership are pursued in a fair and cost effective manner	Potential claims and recovery sources are investigated Valid claims with a reasonable potential for recovery in excess of costs are pursued in a timely manner Claims with public policy value are pursued
	Receivership claims and other liabilities are resolved in a fair and cost effective manner	Potential claimants are notified Asserted claims are reviewed and resolved in accordance with applicable law

Effective Management of Strategic Resources

Operating Principle	Resource Goals	Resource Objectives
Corporate resources are managed effectively to enable the Corporation to fulfill its mission	Sufficient and reliable information is maintained and disseminated	Information that affects the FDIC and the industry is identified and acquired Information is shared internally and externally, subject to confidentiality safeguards Accurate, consistent, and timely information and analysis are provided to the Congress, federal and state supervisory authorities, insured depository institutions, and the public
	Information technology is provided to support the Corporation's strategic direction and annual performance objectives	Application systems are provided and maintained to support Corporate activities An efficient and effective information technology infrastructure is maintained to support Corporate activities
	The FDIC's workforce is professional, efficient and highly skilled	The size and skills of the FDIC workforce are matched to current and projected workload The FDIC's workforce is well trained and flexible A new generation of managers and senior professionals is developed to succeed the current leadership The FDIC work environment is one that supports and fosters a diverse workforce
	The FDIC has a strong internal control and risk management program	Corporate risks are identified, evaluated, monitored, and managed on an on-going basis Corporate managers and employees are aware of the importance of strong internal controls