

# Statement of FDIC Chairman Jelena McWilliams on the Oversight of Financial Regulators before the Committee on Banking, Housing, And Urban Affairs, U.S. Senate

Chairman Crapo, Ranking Member Brown, and members of the Committee, thank you for the opportunity to testify before the Senate Committee on Banking, Housing, and Urban Affairs.

Exactly 18 months ago, I began serving as the 21<sup>st</sup> Chairman of the Federal Deposit Insurance Corporation (FDIC). During this period, the FDIC has undertaken a significant amount of work with a particular emphasis on three overarching goals:

- Strengthening the banking system as it continues to evolve;
- Ensuring that FDIC-supervised institutions can meet the needs of consumers and businesses; and
- Fostering technology solutions and encouraging innovation at community banks and the FDIC.

The FDIC has made significant progress in each of these areas, and I appreciate the opportunity to share with the Committee how we will continue to move each of them forward.

## I. State of the U.S. Banking Industry

Before discussing the FDIC's work to strengthen the banking system, I would like to begin by providing context regarding the current state of the industry.

The U.S. banking industry has enjoyed an extended period of positive economic growth. In July, the economic expansion became the longest on record in the United States. By nearly every metric – net income, net interest margin, net operating revenue, loan growth, asset quality, loan loss reserves, capital levels, and the number of "problem banks" – the banking industry is strong and well-positioned to continue supporting the U.S. economy.

With respect to profitability, banks of all sizes are performing well. In the third quarter of 2019, the 5,256 FDIC-insured banks and savings institutions reported net income of \$57.4 billion.<sup>i</sup> Nearly 62 percent of institutions reported annual increases in net income, and only about 4 percent of institutions were unprofitable. Notably, community banks reported net income of \$6.9 billion, an increase of 7.2 percent from a year earlier. Net

interest margin also remained stable, with an average of 3.35 percent across the industry and a particularly strong average of 3.69 percent among community banks. Finally, net operating revenue totaled over \$208 billion, an increase of 2.2 percent from a year earlier.

Key balance sheet indicators are similarly robust. Total loan balances increased by 4.6 percent, up from the 4.5 percent growth rate reported the previous quarter. Again, community banks performed particularly well in this area, with an annual rate of loan growth that was stronger than the overall industry. Asset quality also remained strong, as the rate of noncurrent loans (*i.e.*, loans that are 90 days or more past due) declined to 0.92 percent. Finally, the industry's capacity to absorb credit losses improved from a year earlier, as the reserve coverage ratio (*i.e.*, loan-loss reserves relative to total noncurrent loan balances) rose to 131 percent.

Although the current interest rate environment may result in new challenges for banks in lending and funding, the industry is well-positioned to remain resilient throughout the economic cycle, principally as a result of greater and higher-quality equity capital. Equity capital across the industry rose to \$2.1 trillion, up \$3.5 billion from the previous quarter. This capital increase translated to an aggregate common equity tier 1 capital ratio of 13.25 percent.

The number of institutions on the FDIC's "Problem Bank List" declined from 56 to 55, the lowest number since the first quarter of 2007, and four new banks opened during the third quarter for a total of 10 new banks in 2019.

Four banks failed during 2019 – the first failures since December 2017. It is important to recognize that, even in a healthy economy, some banks will inevitably fail. The economic expansion we have experienced resulted in an anomalous stretch in which there were zero bank failures. This expansion and consequent absence of failures cannot endure forever. It is normal – and indeed expected – for some banks to fail, and our job at the FDIC is to protect depositors and ensure that banks can fail in an orderly manner.

The key to the FDIC's ability to protect depositors is the administration of the Deposit Insurance Fund (DIF), which increased to a record \$108.9 billion in the third quarter.<sup>ii</sup> The DIF's reserve ratio (*i.e.*, the fund balance as a percent of estimated insured deposits) increased to 1.41 percent, the highest level since 1999.

In 2010, Congress instituted the DIF Restoration Plan, which required the FDIC to raise the DIF minimum reserve ratio from 1.15 percent to 1.35 percent by September 30, 2020. Although we continue to work toward our 2 percent target, the FDIC has met the statutory requirement and formally exited the DIF Restoration Plan. Accordingly, we have awarded \$764.4 million in credits to banks with less than \$10 billion in assets for the portion of their assessments that contributed to the increase.<sup>iii</sup>

In addition, the FDIC recently proposed a rule<sup>iv</sup> that would amend our deposit insurance assessment regulations to continue to apply small bank credits as long as the DIF remains at least 1.35 percent rather than the current 1.38 percent. This proposal seeks to make the application of small bank credits to quarterly assessments more stable and predictable for smaller institutions and simplify the FDIC's administration of these credits without impairing our ability to maintain the required minimum reserve ratio of 1.35 percent.

The FDIC will continue to manage the DIF prudently and responsibly in pursuit of our statutory mission to maintain stability and public confidence in the nation's financial system.

## II. Strengthening the Banking System

While the state of the banking system remains strong, the FDIC is not standing idly by. We continue to monitor changes in the industry and work to further strengthen the banking system by:

- Modernizing our approach to supervision and increasing transparency;
- Tailoring regulations;
- Enhancing resolution preparedness;
- Assessing new and emerging risks; and
- Creating the workforce of the future.

I will address each of these efforts in turn.

### A. Modernizing Supervision and Increasing Transparency

As the primary supervisor of the majority of the nation's small and medium-size banks, the FDIC oversees a segment of the banking system that plays a vital role in communities across the country.<sup>v</sup> Through our back-up examination authority, the FDIC also has the ability to examine the nation's largest banks.

Having worked both as a regulator and at a regulated entity before arriving at the FDIC, I have spent a great deal of time thinking about effective supervision and examination. Our supervisory approach should achieve the following objectives: (1) ensure that institutions are safe and sound; (2) provide clear rules of the road; (3) be consistent in its application; (4) be fair, effective, and holistic in the consideration of regulatory issues; (5) be timely and contemporary in providing feedback; (6) respect the business judgment of an institution's management team; and (7) promote an open, two-way dialogue between the regulated and the regulators.

In furtherance of these objectives, the FDIC has undertaken a number of reforms to modernize our approach to supervision and increase the transparency of our programs.

#### 1. CAMELS Ratings

The FDIC and the Federal Reserve Board (FRB) recently issued a notice and request for comment on the consistency of ratings assigned under the Uniform Financial Institutions Rating System (UFIRS), commonly known as CAMELS ratings because of the six evaluation components (*i.e.*, Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk).<sup>vi</sup> This system, which was established in 1979, is critical to our supervisory efforts. Despite vast changes in technology, industry practices, and regulatory standards, the system has not been materially updated in nearly 25 years. We are seeking feedback on how CAMELS ratings are assigned to supervised institutions and the implications of such ratings in the application and enforcement action processes. This request is consistent with our commitment to increase transparency, improve efficiency, support innovation, and provide opportunities for public feedback. We look forward to receiving public comments and engaging further with stakeholders and the other banking agencies on this effort.

## 2. "Trust through Transparency"

With the goal of increasing the transparency of our supervisory programs, my first major initiative as Chairman was "Trust through Transparency," which builds upon the agency's solid foundation of public trust and accountability by fostering a deeper culture of openness. As part of this initiative, we launched a new public section of our website where we publish FDIC performance metrics, including turnaround times for examinations and bank charter applications, call center usage and response times, and data on the status of supervisory and assessment appeals.<sup>vii</sup>

This program is not *just* about publishing more information. Instead, we are using the heightened public scrutiny of our work to hold ourselves publicly accountable to high standards, and our effort is already yielding positive results.

## 3. Supervision Modernization

As part of our efforts to modernize supervision, FDIC examination teams are leveraging technology to reduce the amount of time they spend on-site at supervised institutions. This reduces the compliance burden for institutions – especially community banks – without sacrificing the quality of our supervision.

As a result, our examination turnaround time (*i.e.*, the time from when field work begins to when the examination report is sent to the bank) has significantly improved. During the 12 months ended September 30, 2019, more than 87 percent of safety and soundness examinations were conducted within our 75-day goal and more than 96 percent of consumer compliance and Community Reinvestment Act (CRA) examinations were conducted within our 120-day goal. Similarly, examination report processing time (*i.e.*, the time from when field work is complete to when the report is sent to the bank) has improved, with more than 92 percent of safety and soundness reports and more than 98 percent of consumer compliance and CRA reports processed within our 45-day goal.

We recently established a new Subcommittee on Supervision Modernization – which reports to our Community Bank Advisory Committee (CBAC) – to make recommendations for improving our supervisory activities. The Subcommittee, which is comprised of 15 bankers, technologists, former regulators, and legal experts, is tasked with considering how the FDIC can further leverage technology and refine its processes to improve the efficiency of the examination program, while managing and training a geographically dispersed workforce.

#### 4. *De Novo* Application Process

Another key focus of our supervisory modernization effort has been the *de novo* application process. *De novo* banks are an important source of new capital, talent, and ideas, and many offer products and services to underserved communities and fill gaps in overlooked markets. The need for these institutions is underscored by the uneven distribution of banking offices across the country. As of June 30, 2019, 620 counties – or 20 percent of the counties across the nation – were served only by community banking offices, 127 counties had only one banking office, and 33 counties had no banking offices at all.<sup>viii</sup>

In the decade immediately following the financial crisis, very few new banks opened due to the challenging economic environment and regulatory constraints. During my first year as Chairman, the FDIC emphasized the need for greater *de novo* activity, and the FDIC has taken several actions to support this objective, including:

- Revising our process for reviewing deposit insurance proposals to provide initial feedback to organizers on draft applications prior to submission;<sup>ix</sup>
- Updating two manuals related to the deposit insurance application process;<sup>x</sup>
- Issuing a request for information to solicit additional ideas for improvement;<sup>xi</sup> and
- Engaging with stakeholders at seven roundtables across the country.

Results we have seen thus far are encouraging. Organizers have expressed renewed interest in *de novo* charters, and we approved 14 *de novo* banks in 2018 – more than the total number of approvals in the eight previous years combined.<sup>xii</sup> This momentum has continued throughout 2019, and we have approved eight *de novo* banks thus far.

#### 5. Interagency Statement on Alternative Data

Earlier this week, the FDIC, FRB, Office of the Comptroller of the Currency (OCC), Consumer Financial Protection Bureau (CFPB), and National Credit Union Administration (NCUA) jointly issued a statement<sup>xiii</sup> encouraging the responsible use of alternative data (*i.e.*, data not typically found in the consumer's credit files of the nationwide consumer reporting agencies or customarily provided as part of applications for credit) for use in credit underwriting. The agencies recognize that the use of alternative data may improve the speed and accuracy of credit decisions and may help firms evaluate the creditworthiness of consumers who currently may not obtain credit in the mainstream credit system. The statement also emphasizes that, if firms choose to

use alternative data, they must comply with applicable consumer protection laws, including fair lending laws and the Fair Credit Reporting Act.

## 6. Federal Interest Rate Authority

Our push for modernization is not limited to supervision and examination programs, but also includes work to provide clarity on key legal issues. One specific example of this approach is an ongoing effort to address marketplace uncertainty regarding the enforceability of the interest rate terms of loan agreements following a bank's assignment of a loan to a nonbank. In 2015, the United States Court of Appeals for the Second Circuit issued a decision<sup>xiv</sup> that called into question such enforceability by holding that 12 U.S.C. § 85 – which authorizes national banks to charge interest at the rate permitted by the law of the state in which the bank is located, regardless of other states' interest rate restrictions – does not apply following assignment of a loan to a nonbank. Although this decision concerned a loan made by a national bank, the statutory provision governing state banks' authority with respect to interest rates is patterned after and interpreted in the same manner.<sup>xv</sup>

Last month, we proposed a rule<sup>xvi</sup> that would clarify the law governing the interest rates state banks may charge. Among other things, the proposal would provide that whether interest on a loan is permissible under section 27 of the Federal Deposit Insurance Act (FDI Act) would be determined at the time the loan is made, and interest on a loan permissible under section 27 would not be affected by subsequent events, such as a change in state law, a change in the relevant commercial paper rate, or the sale, assignment, or other transfer of the loan.

## 7. Cooperation with State Regulators

In an effort to facilitate and increase dialogue between the FDIC and our state regulatory partners on a host of important regulatory issues, the FDIC approved the establishment of a new Advisory Committee of State Regulators (ACSR).<sup>xvii</sup> The committee will allow the FDIC and state regulators to discuss a variety of current and emerging issues that have potential implications for the regulation and supervision of state-chartered financial institutions. Once fully established, ACSR will facilitate discussions of: safety and soundness and consumer protection issues; the creation of new banks; the protection of our nation's financial system from risks such as cyberattacks or money laundering; and other timely issues.

### B. Tailoring Regulations

As we continue to think about ways to strengthen the banking system, the appropriate calibration of our regulatory framework remains a top priority. Given the wide range of risk profiles across banking organizations, it is critical that regulators continuously evaluate whether our rules are being applied properly and not imposing unnecessary regulatory burdens that might impede safe and sound banking activities. As such, the

FDIC has taken numerous actions to tailor our regulatory framework while maintaining safety and soundness, financial stability, and consumer protection.

## 1. Enhanced Prudential Standards

In May 2018, Congress enacted the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA),<sup>xviii</sup> which set forth specific legislative instructions for regulatory tailoring, including by raising the statutory asset threshold for the application of enhanced prudential standards to \$250 billion (while giving the FRB the discretion to apply such standards to firms with assets between \$100 billion and \$250 billion). Last month, the FDIC, FRB, and OCC finalized a rule that implements a key part of EGRRCPA by establishing four risk-based categories for determining capital and liquidity requirements.<sup>xix</sup> Under the rule, requirements for Category I firms (*i.e.*, U.S. global systemically important banks, or GSIBs) are unchanged, and these institutions remain subject to the most stringent standards. Requirements for Category II, Category III, and Category IV firms (*i.e.*, all other banking organizations with greater than \$100 billion in assets) are tiered based on each bank's risk profile.

Beyond the tailoring rule, the FDIC has completed all of its EGRRCPA-mandated rules. Appendix A to this testimony contains a full list of these rules.

## 2. Company-Run Stress Testing

Just as EGRRCPA raised the asset threshold for the application of enhanced prudential standards from \$50 billion to \$250 billion, it raised the asset threshold for company-run stress testing requirements from \$10 billion to \$250 billion. We recently finalized a rule<sup>xx</sup> to reflect this statutory change. We are also working on amendments to our interagency stress testing guidance<sup>xxi</sup> that would further tailor supervisory expectations. Specifically, we are considering raising the asset threshold under the guidance to \$100 billion in assets, among other potential changes.

## 3. Resolution Planning

In 2011, the FDIC and FRB finalized a rule<sup>xxii</sup> establishing new resolution planning requirements. Over the past eight years, large firms have improved their resolution strategies and governance, refined their estimates of liquidity and capital needs in resolution, and simplified their legal structures. Consistent with the new statutory asset threshold under EGRRCPA and the agencies' experience with resolution planning, the FDIC and FRB recently issued a final rule<sup>xxiii</sup> to improve the efficiency and effectiveness of the process and exempt smaller regional banks from the requirements. Under the rule, our underlying standards for reviewing resolution plans will not change. With respect to timing, the rule formalizes the agencies' existing practice of requiring U.S. GSIBs to submit resolution plans every two years and requiring other filers to submit plans every three years. The rule also introduces a new "targeted resolution plan" that will allow filers to submit a subset of information required by a full resolution plan. Such targeted plans will be submitted every other cycle.

#### 4. Incentive-Based Compensation

In June 2010 – a month prior to the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)<sup>xxiv</sup> – the FDIC, FRB, and OCC issued guidance<sup>xxv</sup> to help ensure that incentive compensation policies at banking organizations do not encourage imprudent risk-taking and are consistent with the safety and soundness of the organization. In connection with the guidance, then-FRB Governor Daniel Tarullo noted that many large banking organizations had already implemented certain changes in their incentive compensation policies.<sup>xxvi</sup> Section 956 of the Dodd-Frank Act subsequently directed the FDIC, FRB, OCC, NCUA, Securities and Exchange Commission (SEC), and Commodity Futures Trading Commission (CFTC) to jointly prescribe, within nine months of the enactment of the law, regulations or guidelines that prohibit any types of incentive-based pay arrangement that encourages inappropriate risks, based on the standards established in the FDI Act.<sup>xxvii</sup> Proposals to implement this statute were issued in 2011<sup>xxviii</sup> and 2016,<sup>xxix</sup> but neither was finalized. Although the banking agencies' 2010 guidance remains fully intact – and firms have made further changes to their incentive compensation policies following this guidance – the agencies continue to engage in discussions regarding how best to implement the statute.

#### 5. Volcker Rule

One of the most challenging post-crisis reforms for regulators and institutions to implement has been the Volcker Rule, which restricts banks from engaging in proprietary trading and from owning hedge funds and private equity funds. As written and originally implemented, the rule was so complex that it required regulators to issue 21 responses to frequently asked questions (FAQs) within three years of its adoption. This complexity has resulted in uncertainty and unnecessary burden, especially for smaller, less-complex institutions.

To address some of these concerns, EGRRCPA exempted from the Volcker Rule all banks below \$10 billion in consolidated assets that do not engage in significant trading activity. Earlier this year, the five agencies responsible for implementing the Volcker Rule finalized a rule<sup>xxx</sup> to codify this exemption.

In addition, the agencies issued a larger set of revisions<sup>xxxi</sup> to the Volcker Rule – sometimes referred to as "Volcker 2.0" – that tailor the rule's compliance requirements by establishing three tiers of banking entities based on level of trading activity for purposes of applying compliance requirements: (1) significant trading assets and liabilities, (2) moderate trading assets and liabilities, and (3) limited trading assets and liabilities.

Banking entities with significant trading assets and liabilities, which hold approximately 93 percent of total trading assets and liabilities across the U.S. banking system, will continue to be subject to the most stringent compliance standards. The revisions also provide greater clarity, certainty, and objectivity about what activities are prohibited



under the Volcker Rule. These changes, which apply specifically to the Volcker Rule's proprietary trading prohibition, will improve compliance with the rule and reduce unnecessary burdens while maintaining the statutory prohibition on proprietary trading by covered banking entities.

Additionally, the agencies are currently working on a forthcoming proposal to address the overly broad restrictions associated with covered funds, which the agencies plan to issue for comment as soon as possible.

## 6. Appraisals

Last year, the FDIC, FRB, and OCC finalized a rule<sup>xxxii</sup> that raised the appraisal threshold for federally related commercial real estate transactions from \$250,000 – the threshold established in 1994 – to \$500,000. Earlier this year, the agencies finalized a related rule<sup>xxxiii</sup> that raised the appraisal threshold for federally related residential real estate transactions from \$250,000 – also the threshold established in 1994 – to \$400,000. These changes balance current market realities and price appreciation, including needs in rural communities where access to appraisal services can be limited, with the need to ensure the safety and soundness of our institutions.

## C. Enhancing Resolution Preparedness

In addition to supervising small and medium-sized banks and appropriately tailoring regulations for banks of all sizes, one of the FDIC's most important responsibilities for strengthening the banking system is ensuring that, in the event of financial distress, large and complex banks are resolvable in a rapid and orderly manner under the Bankruptcy Code. In furtherance of this critical goal, we have taken several steps to enhance resolution preparedness.

### 1. New FDIC Division

Earlier this year, we announced the centralization of our supervision and resolution activities for the largest and most complex banks in a new Division of Complex Institution Supervision and Resolution (CISR).<sup>xxxiv</sup> This move is more than just an organizational realignment. Rather, combining these key functions will create a stronger, more coherent approach for bank resolution and supervision by enabling us to take a more holistic approach. On the supervision side, CISR is responsible for overseeing banks with more than \$100 billion in assets for which the FDIC is not the primary federal regulator. On the resolution side, CISR is responsible for executing the FDIC's resolution planning mandates for these institutions. In conjunction with this new division, we established a new position – Deputy to the Chairman for Financial Stability – to focus on financial stability issues, including the resolvability of large banks.

### 2. Cross-Border Cooperation

Given the cross-border activities of the largest, most systemically important banks, we continue to work with our international counterparts on resolution preparedness. For example, earlier this year we hosted a series of exercises with senior officials in the United States, United Kingdom, and European Banking Union to strengthen coordination on cross-border resolution and enhance understanding of one another's resolution regimes for GSIBs.<sup>xxxv</sup> In addition, we have established Crisis Management Groups that have brought together firms and home and host authorities to discuss resolution planning. We have developed information-sharing arrangements to support this work and engaged in a number of international operational exercises to test and improve our readiness.

#### D. Assessing New and Emerging Risks

The FDIC has a long tradition of identifying, analyzing, and addressing key risks in the economy, financial markets, and the banking industry. Through numerous publications, including an annual *Risk Review*, we advance the goal of strengthening the banking system by highlighting risks at a stage when policymakers, bankers, and the public can act to mitigate their scope and impact.

##### 1. Cyber and Resiliency

The FDIC continues to actively monitor cybersecurity risks in the banking industry. FDIC examiners conduct examinations to ensure that financial institutions are appropriately managing their exposure to cybersecurity risk. Our examiners verify that bank management has considered how cyber events could disrupt their operations and has designed resilience into their operations.

Working with our regulatory partners through the Federal Financial Institutions Examination Council (FFIEC), we recently issued an updated *Business Continuity Management* booklet, which describes key principles and practices in this area.<sup>xxxvi</sup> The booklet also helps examiners to evaluate the adequacy of an entity's business continuity management program and to determine whether management adequately addresses risks related to the availability of critical financial products and services. The FDIC will continue to engage with other regulators and the private sector to monitor and respond to the risks posed by cyber threats.

##### 2. Bank Secrecy Act/Anti-Money Laundering (BSA/AML)

BSA/AML laws and regulations are a vital component of U.S. efforts to prevent unlawful financial transactions that help fund criminals, terrorists, and other illicit actors. As these actors use increasingly sophisticated methods to conceal their transactions in an evolving financial, technological, and regulatory landscape, the FDIC continues to work with other regulators and the law enforcement and intelligence communities to help supervised institutions respond to these threats.

At the same time, BSA/AML laws and regulations impose significant compliance costs on the entire system and on the individual institutions that shoulder the reporting burdens. For example, although the information gathered by suspicious activity reports (SARs) can be useful, it can be burdensome for institutions – particularly community banks – to file SARs. Federal regulatory agencies are working to develop better ways to communicate the value of SARs to the bankers that incur the reporting cost. The government also must continue to examine the rules it imposes to ensure that the system is effective and the obligations imposed on institutions are not unduly burdensome. It is also essential that we support the use of technology to both prevent illicit activity and to strengthen the collaboration among banks, regulators, and the law enforcement and intelligence communities.

To advance the parallel goals of cost effectiveness and greater system-wide efficiency, the FDIC, FRB, OCC, NCUA, and the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) jointly issued a statement<sup>xxxvii</sup> to address instances in which banks may decide to enter into collaborative arrangements to share resources to manage their BSA/AML obligations more efficiently and effectively. For example, banks use such arrangements to pool human, technology, or other resources to reduce costs, increase operational efficiencies, and leverage specialized expertise. In addition, the FDIC, FRB, OCC, NCUA, and FinCEN issued a statement<sup>xxxviii</sup> to encourage banks to consider, evaluate, and, where appropriate, responsibly implement innovative approaches to meet their BSA/AML obligations. The agencies recognized that innovation has the potential to help banks address these risks.

### 3. Leveraged Lending and Corporate Debt

Nonfinancial corporate debt as a share of gross domestic product (GDP) has reached a record level of 49.6 percent.<sup>xxxix</sup> The increase has been driven by corporate bonds and leveraged loans, which have grown faster than other types of corporate debt. Although banks do not hold a significant amount of corporate bonds, direct bank exposure to corporate debt is concentrated in leveraged loans, collateralized loan obligations (CLOs), commercial and industrial loans, and commercial mortgages. In addition, indirect exposures, such as those arising from loans to CLO arrangers, could transmit stress from the corporate sector into the banking system. The FDIC is carefully monitoring these risks. We recently published a paper<sup>xl</sup> discussing the growth in corporate debt and examining bank exposure to the growth of leveraged loans and continue to engage with other regulatory agencies on this issue.

### 4. Growth in Nonbank Mortgage Origination and Servicing

As the FDIC remains vigilant to the risks facing banks, we also monitor the evolution of the financial system, including the migration of certain financial activities to nonbanks. Perhaps the most prominent example of this shift has been in mortgage origination and servicing. We recently published a paper<sup>xli</sup> analyzing this dynamic and associated risks. Among other things, the paper finds that the growth of nonbanks in mortgage origination and servicing has largely been attributed to the rapid expansion by nonbanks,

mortgage-focused business models and technological innovation of nonbanks, litigation regarding financial crisis-era legacy portfolios at the largest bank originators, large bank sales of legacy servicing portfolios, and changes to the capital treatment of mortgage servicing assets applicable to banks. As regulators and policymakers seek to better understand the implications of this migration, we must consider both the benefits and the risks.

## E. Creating the Workforce of the Future

It goes without saying that the FDIC's ability to fulfill its mission depends on having an experienced, knowledgeable, and agile workforce. To this end, I am honored to work alongside 6,000 dedicated FDIC employees who come to work every day focused on protecting consumers and strengthening the banking system. As banks have evolved with the use of new technology and delivery channels, however, so should the FDIC's workforce. In order to maintain and reinforce the quality of our workforce – and improve its diversity – in this constantly changing environment, we have taken several steps I would like to highlight.

### 1. Retention

We are seeking to bolster retention by striving to reduce our examiners' travel time, which is one of the primary reasons examiners leave the agency. When I joined the FDIC, safety and soundness examiners spent an average of 89 nights per year away from home. We are striving to reduce that number, and our supervision modernization efforts will help. Employing better technology provides our team the flexibility to perform significant portions of the examination off-site, whether at home while teleworking or in a local field office. Using enhanced technology will help us strike the right balance between on-site and off-site supervision activities, thereby providing better work-life balance for employees and reducing the supervisory burden for institutions.

### 2. Recruiting

To support our supervision modernization efforts, we looked at how to build the workforce of the future. Our goal is to attract, retain, and promote a diverse and engaged workforce with the knowledge, skills, and abilities to effectively execute the mission of the FDIC, keeping pace with industry changes. Examiners represent about one-third of our workforce and are tasked with performing the core business function of the agency.

Until recently, we typically hired generalists into a commissioned examiner training program. That program did not meet our business needs; attrition outpaced our commissioning process, the protracted speed-to-commissioning time resulted in significant attrition, and we were challenged to get our work done.

This year, we pulled together a team of executives to conduct a review of our entry-level examiner hiring and corporate perspective training to recommend changes to improve

efficiency and effectiveness. We changed the way we recruit, hire, and train to meet the needs of a changing industry and workforce and to speed the time to commission by up to one year.

### 3. Specialists

Earlier this year, the FDIC established a new office of innovation, the FDIC Tech Lab (FDiTech), with a focus on how to best utilize technology to meet consumer demands while maintaining safety, soundness, and consumer protection. The success of this office will depend on the caliber of its personnel. We are seeking a wide range of technologists to join the agency, including a Chief Innovation Officer, data scientists, process engineers, software developers, and network security experts who can reshape our supervisory approach in a rapidly evolving digital world.

We are also supplementing our examiner cadre with specialists and analysts in both information technology and loan review. These individuals will complement our workforce by providing assistance on critical areas of the examination. Although they will never replace commissioned examiners as our primary hiring target, they will contribute significantly to our supervision program.

### 4. Diversity

My personal and professional experiences have underscored the importance of a workplace that is free from discrimination and that supports diversity and inclusion. In furtherance of the FDIC's longstanding commitment to diversity and inclusion, we have created an executive-level taskforce on diversity. The taskforce will help to ensure our recruiting resources, hiring decisions, interviewing processes, retention efforts, and advancement pools reflect a purposeful and intentional effort to leverage diversity to maintain a high-performing examination workforce.

The racial, ethnic, and gender diversity of the FDIC workforce continues a steady increase since 2010 with minority representation at nearly 30 percent and with women comprising nearly 45 percent of permanent employees. We have also continued our efforts to promote the participation of Minority and Women-Owned Businesses in FDIC contracting actions. We will work to consistently improve the representation of women and minorities at all levels of the agency and seamlessly integrate veterans and people with disabilities. We will continue to foster an environment without barriers in which all employees feel welcomed, valued, respected, and engaged.

### 5. New Compensation Agreement and New Benefits

Earlier this year, the FDIC and the National Treasury Employees Union (NTEU) reached a new compensation agreement that includes two significant new benefits to enhance work-life balance for employees.

First, the FDIC will provide six weeks of paid parental leave for the birth, adoption, or foster care of a child.<sup>xlii</sup> This benefit, which will be in addition to any leave entitlement under the Family and Medical Leave Act, will enable growing families to thrive and help to ensure that no FDIC employee feels forced to choose between work and family. I am proud that the FDIC is a leader in this space as one of the first federal government agencies to offer this benefit.

Second, the agreement calls for a Pilot Student Loan Repayment Program, which will target commissioned examiner employees over a three-year period. During these three years, up to 100 employees each year will be eligible to have their student loans paid directly, up to \$500 per month for a total of up to \$18,000 per employee. The pilot is designed to provide meaningful financial assistance to employees and contribute to FDIC retention goals. If successful, the FDIC will consider expansion of the program to other categories of positions with recruitment or retention challenges.

In addition to these work-life benefits, the agreement includes compensation increases for the next three years and shifts a portion of an employee's annual pay increase to a bonus component, which will help the FDIC reward its highest performers in a sustainable and fiscally responsible manner. To improve performance management and support the new bonus component of pay, the agreement also provides for a simplified, two-level performance management system, which will replace the current five-level rating system. The new system will be designed to enhance communication between employees and their supervisors, and it will also help identify and reward outstanding performance under the new bonus structure.

### III. Ensuring That FDIC-Supervised Institutions Can Meet the Needs of Consumers and Businesses

Economic growth across the nation is predicated on the ability of banks to provide safe and secure financial products and services to consumers and businesses. Although modernizing our supervisory and enforcement programs and tailoring regulations based on an institution's risk profile are matters of good government and steps toward a stronger banking system, there are certain areas in which the needs of consumers and businesses must be addressed by more comprehensive reforms.

I have embarked on a 50-state listening tour to hear from banks directly about their challenges and to learn about the needs of the consumers and businesses that banks serve. At the outset of this effort, I emphasized the need to reverse the trend of having those affected by our regulations come to Washington to have their voices heard, but instead to meet them on their home turf. With 26 state visits, I am now more than halfway through this listening tour, which has provided valuable feedback and has underscored the importance of seeking perspectives outside of the "beltway." The following issues represent an attempt to address some of the concerns that have been brought to our attention.

#### A. Brokered Deposits and Interest Rate Caps

The FDIC is undertaking a comprehensive review of our longstanding regulatory approach to brokered deposits and the interest rate caps applicable to banks that are less than well capitalized. Since the statutory brokered deposit and rate restrictions applicable to less than well capitalized banks were put in place in 1989 (and amended in 1991), the financial services industry has seen significant changes in technology, business models, and products. In February, we issued an advance notice of proposed rulemaking (ANPR)<sup>xliii</sup> to seek public comment on all aspects of these regulations.

After considering feedback from the ANPR, we expedited the interest rate cap component of this review and proposed a rule<sup>xliv</sup> that would amend the methodology for calculating the national rate and national rate cap for specific deposit products. Under the proposal, the national rate cap for particular products would be set at the higher of the 95<sup>th</sup> percentile of rates paid by insured depository institutions (IDIs) weighted by each institution's share of total domestic deposits, or the proposed national rate plus 75 basis points. The proposed rule would also greatly simplify the current local rate cap calculation and process by allowing less than well capitalized institutions to offer up to 90 percent of the highest rate paid on a particular deposit product in the institution's local market area.

We have also been working to propose a rule regarding our brokered deposits framework. We are preparing an updated framework with several goals in mind, including encouraging innovation to allow banks to reach customers using emerging technology and through new channels, minimizing risk to the DIF, consistency with the statute, and establishing a transparent, consistent process. We expect to issue that proposal later this month.

## B. CRA Regulations

The regulations implementing the CRA have not been updated in 20 years. During this period, the banking industry has undergone transformative changes. As the industry continues to evolve, many stakeholders believe that the current regulations implementing the CRA do not fully achieve their statutory purpose (*i.e.*, encouraging banks to help meet the credit needs of the communities they serve, including low- and moderate-income areas). As part of an effort to update these regulations, the OCC issued an ANPR<sup>xlv</sup> last year seeking feedback on how the CRA could be modernized to improve the effectiveness of the law and provide much needed clarity to financial institutions on what activities receive CRA "credit." The banking agencies have reviewed the comment letters received by the OCC, and the FDIC is currently engaged with the OCC and FRB on how to revise the regulatory framework that can help meet these dual goals.

## C. Small-Dollar Lending

According to a recent FRB study, nearly four in 10 households cannot cover a \$400 emergency expense with cash.<sup>xlvi</sup> Moreover, according to our unbanked and underbanked study, over 20 million households in America are underbanked and over 8

million are unbanked.<sup>xlvii</sup> While some banks offer small-dollar lending to help those in need, many banks have chosen not to offer such products, in part, due to regulatory uncertainty.<sup>xlviii</sup> As a result, many families rely on nonbank providers to cover these emergency expenses, or their needs go unmet. To solicit feedback on these products and consumer needs, the FDIC issued a request for information<sup>xlix</sup> last year to learn more about small-dollar credit needs and concerns. We have reviewed more than 60 comments and are reviewing our existing guidance and policies to ensure that they do not impose impediments to banks considering the extension of responsible small-dollar credit to consumers.

#### D. Initial Margin

In the aftermath of the financial crisis, Congress mandated that regulators establish capital and margin requirements for non-cleared swaps. In 2015, the banking agencies adopted regulations implementing these requirements.<sup>l</sup> In addition to requiring the exchange of initial and variation margin with unaffiliated counterparties, the rule requires that IDIs collect initial and variation margin from affiliates. After carefully reviewing these regulations, the agencies issued a proposal<sup>li</sup> to repeal the requirement that IDIs collect initial margin from affiliates while retaining the requirement that IDIs exchange variation margin with affiliates. The proposal, which would harmonize the banking agencies' framework with the rules finalized by international regulators, the SEC, and the CFTC, does not change the margin requirements for transactions with unaffiliated counterparties, but covers only transactions between an IDI and its affiliates. The removal of the inter-affiliate initial margin requirement would provide banking organizations with additional flexibility for internal allocation of collateral. We believe that such risk management practices often improve the safety and soundness of a covered swap entity.

#### E. Minority Depository Institutions

Preserving and protecting minority depository institutions (MDIs) remains a priority for the FDIC, and we have undertaken a number of initiatives to support MDIs, with a specific emphasis on partnerships. In June, we hosted a roundtable in Washington with 10 large banks and seven minority banks.<sup>lii</sup> Each participant outlined in advance the types of partnerships they were seeking and, during the roundtable, MDIs and large banks met one-on-one to explore partnership opportunities. Following the roundtable, several large banks expressed appreciation for the opportunity to find mutually beneficial partnerships and eagerness to begin working with MDIs to help them have a greater impact on their communities. One of the large banks drafted a proposal to expand its partnerships beyond the seven MDIs at the roundtable, and one of the MDIs reported that it had partnered with three larger banks from the event on a variety of technical assistance efforts. This is exactly the type of outcome we were hoping for, and the FDIC stands ready to serve as a resource for any MDI that wants to partner with large banks – or any other bank that wants to partner with MDIs – and has questions about next steps. Based on the success of the June event, the FDIC held similar



roundtables in Atlanta and Chicago this year and plans to host additional events in the Midwest and on the West Coast next year.

In addition, the FDIC appointed additional minority bankers to our CBAC and established a new MDI Subcommittee to the CBAC to highlight MDI efforts in their communities and to provide a platform for MDIs to exchange best practices.<sup>liii</sup>

Like many other community banks, MDIs face challenges from the evolving financial services landscape. The boards and management of institutions must successfully navigate economic, technological, competitive, and regulatory circumstances to be profitable and serve their communities. For many MDIs, these challenges can be amplified if they serve economically distressed communities that do not fully recover during economic growth cycles. As the supervisor of nearly 100 MDIs – two-thirds of all MDIs nationwide – the FDIC is committed to promoting and sustaining the vibrant role these banks play in their communities. Increasing our engagement with MDIs enables us to understand their unique needs and provide tools and resources so they can help create jobs, grow small business, and build wealth in their communities.

#### IV. Fostering Technology Solutions and Encouraging Innovation at Community Banks

While the modernization efforts I have discussed are critical, perhaps no issue is more important – or more central to the future of banking – than innovation. Technology is transforming the business of banking, both in the way consumers interact with their bank and the way banks do business. I recently discussed several important ways technology could further transform banking, including digitization, data access and open banking, machine learning and artificial intelligence, and personalization.<sup>liv</sup> Given these and other developments, regulators cannot play "catch up," but must be proactive in engaging with all stakeholders, including banks, consumer groups, trade associations, and technology companies to understand and help foster the safe adoption of technology across the banking system, especially at community banks.

##### A. Encouraging Innovation and Partnerships

Banks know that if they do not innovate, they will lose in the long run. At the FDIC, we have asked, if banks know that they must innovate, why more community banks are not developing or utilizing new technologies.

We have received two principal explanations: (1) cost and (2) regulatory uncertainty. In many cases, the cost to innovation is prohibitively high for community banks, which often lack the expertise, information technology, and research and development budgets to independently develop and deploy their own technology. As a result, partnerships with financial technology companies, or fintechs, that have already developed, tested, and rolled out new technology are often critical for these banks and their communities. Yet, if our regulatory framework does not evolve with technological advances in a manner that enables partnerships between banks and fintechs, such innovation may not occur at community banks.

Regulatory modernization is not optional for the FDIC. We must lay this foundation because the survival of our community banks depends on it. These banks face challenges from industry consolidation, economies of scale, and competition from their community bank peers, larger banks, credit unions, fintechs, and nonbanks lenders. My goal is for the FDIC to lay the foundation for the next chapter of banking by encouraging innovation and partnerships, allowing banks and their communities to benefit from new products and services that improve people's lives.

With this goal in mind, FDiTech, the FDIC's new office of innovation, will collaborate with community banks on how to deploy technology in delivery channels and back office operations to better serve customers. Many of the institutions we supervise are already innovating, but a broader adoption of new technologies will allow community banks to stay relevant in the increasingly competitive marketplace.

We have identified three key ways in which FDiTech can work to encourage innovation and partnerships at community banks. First, through engagement and technical assistance we can help eliminate the regulatory uncertainty that prevents some banks from adopting new technologies. Second, through tech sprints – which are designed to challenge innovators to develop technological solutions to address specific challenges – we can help encourage the market to develop technology that improves the operations of financial institutions and how the FDIC functions as a regulatory agency. Third, through pilot programs we can work with developers to pilot products and services for truly innovative technologies. Over the coming months, the FDIC will play a convening role to encourage community bank consideration of how technological developments could impact their businesses and to ensure community bank perspectives are considered in industry-led efforts to establish standards. We will also host a series of community bank-focused stakeholder roundtables on digitization, data access and ownership, machine learning and artificial intelligence, and personalization of the banking experience.

## B. Reducing Regulatory Burden

As we consider these medium- to long-term ways to encourage innovation and partnerships, we have simultaneously taken important short-term steps to reduce the regulatory burden at community banks. These changes should enable innovation at community banks by allowing them to spend less time navigating complex regulatory issues and more time managing their businesses.

Last month, the FDIC, FRB, and OCC finalized a rule<sup>iv</sup> that implements EGRRCPA by establishing a simple leverage ratio for qualifying community banks. Under the rule, qualifying banks that elect to maintain a leverage ratio of greater than 9 percent will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies' capital rules and, if applicable, will be considered to have met the well-capitalized ratio requirements for purposes of section 38 of the FDI Act. Notably, the agencies estimate that over 80 percent of community banks will qualify to use the community bank leverage ratio. The rule provides meaningful regulatory

compliance burden relief by allowing these banks to avoid complex risk-based capital calculations and reporting.

Earlier this year, the FDIC, FRB, and OCC finalized a separate rule<sup>lvi</sup> that implements EGRRCPA by simplifying the Call Report for community banks for the first and third calendar quarters and expanding the eligibility to file the most streamlined Call Report to include most IDIs with less than \$5 billion in total assets.

## V. Conclusion

Since 1933, the FDIC has played a vital role in maintaining stability and public confidence in the nation's financial system. This mission remains as critical today as it was more than 86 years ago, but if we are to achieve our mission in the modern financial environment, while still allowing the industry to evolve and innovate, the agency cannot be stagnant.

Thank you again for the opportunity to testify today, and I look forward to answering your questions.

<b>Appendix A</b> <b>Status of Rulemakings under the Economic Growth, Regulatory Relief, and Consumer Protection Act</b>		
<b>SECTION</b>	<b>DESCRIPTION</b>	<b>STATUS</b>
	<b>Appraisals</b>	
103	Amends the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 to exempt certain real property mortgage transactions from appraisal requirements	Final Rule published October 8, 2019
	<b>Community Bank Leverage Ratio</b>	
201	Exempts banks with less than \$10 billion in assets and that meet other requirements — including limits on off-balance sheet exposures, trading assets and liabilities, total notional derivatives exposures, and other factors — from existing risk-based capital ratio and leverage ratio requirements provided they exceed a community bank leverage ratio	Final Rule published November 13, 2019
	<b>Reciprocal Deposits</b>	
202	Amends Section 29 of the Federal Deposit Insurance Act to except a capped amount of certain reciprocal deposits from treatment as brokered deposits for qualifying institutions	Final Rule published February 4, 2019
	<b>Volcker Rule</b>	
203, 204	Exempts banks with less than \$10 billion in assets and total	Final Rule published July 22, 2019

	trading assets and liabilities of no more than 5 percent of total consolidated assets from the Volcker Rule	
205	<p style="text-align: center;"><b>Short Form Call Reports</b></p> <p>Requires regulations that allow reduced call reporting for the first and third quarters for certain banks with less than \$5 billion in assets</p>	Final Rule published June 21, 2019
210	<p style="text-align: center;"><b>Examination Cycle</b></p> <p>Increases the size threshold for well-capitalized banks to be eligible for an 18-month examination cycle from \$1 billion to \$3 billion in total assets, and authorizes the banking agencies to make corresponding changes for 2-rated institutions</p>	Final Rule published December 28, 2018
214	<p style="text-align: center;"><b>HVCRE/ADC</b></p> <p>States that the appropriate federal banking agencies may assign heightened risk weights for high-volatility commercial real estate (HVCRE) loans only to those loans that meet a statutory definition of HVCRE</p>	Final Rule approved by FDIC Board November 19, 2019; awaiting publication in <i>Federal Register</i>
401	<p style="text-align: center;"><b>Tailoring Capital and Liquidity Rules for Large Domestic and Foreign Banking Organizations</b></p> <p>Raises the threshold for application of enhanced prudential standards to bank holding companies, including capital and liquidity rules, from \$50 billion to \$250 billion in total consolidated assets and allows the FRB to apply enhanced prudential standards to any bank holding company with between \$100 billion and \$250 billion in total consolidated assets under certain circumstances</p>	Final Rule published November 1, 2019
401	<p style="text-align: center;"><b>Resolution Plans</b></p> <p>Raises the threshold for application of enhanced prudential standards to bank holding companies, including the requirement to file section 165(d) resolution plans, from \$50 billion to \$250 billion in total consolidated assets and allows the FRB to apply enhanced prudential standards to any bank holding company with between \$100 billion and \$250 billion in total consolidated assets under certain circumstances</p>	Final Rule published November 1, 2019
401	<p style="text-align: center;"><b>Company-Run Stress Tests</b></p> <p>Amends the requirements for company-run stress tests by: raising the threshold from \$10 billion to \$250 billion in</p>	Final Rule published October 24, 2019

	assets; making the stress tests periodic rather than annual; and removing the adverse scenario (leaving intact the baseline and severely adverse sets of stress test conditions)	
402	<p style="text-align: center;"><b>Supplementary Leverage Ratio for Custodial Banks</b></p> <p>Requires the appropriate federal banking agencies to amend their capital regulations to exempt funds of a custodial bank held at certain central banks when calculating the supplementary leverage ratio</p>	Final Rule approved by FDIC Board November 19, 2019; awaiting publication in <i>Federal Register</i>
403	<p style="text-align: center;"><b>High-Quality Liquid Assets (HQLA)</b></p> <p>Requires the federal banking agencies to amend their liquidity coverage ratio regulations to treat municipal obligations that are “investment grade” and “liquid and readily marketable” as level 2B liquid assets not later than 90 days after enactment</p>	Final Rule published June 5, 2019

<sup>i</sup> See FDIC Quarterly Banking Profile, Third Quarter 2019, available at <https://www.fdic.gov/bank/analytical/qbp/2019sep/qbp.pdf>. Unless otherwise indicated, all statistics are derived from this report as of the third quarter of 2019.

<sup>ii</sup> See FDIC Deposit Insurance Fund Trends, Third Quarter 2019, available at <https://www.fdic.gov/bank/analytical/qbp/2019sep/>.

<sup>iii</sup> *Id.*

<sup>iv</sup> See Assessments, 84 Fed. Reg. 45443 (Aug. 29, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-08-29/pdf/2019-18257.pdf>.

<sup>v</sup> As of September 30, 2019, the FDIC insures the deposits of 5,256 institutions and acts as the primary supervisor of 3,384 state-chartered institutions that are not members of the Federal Reserve System.

<sup>vi</sup> See Request for Information on Application of the Uniform Financial Institutions Rating System, 84 Fed. Reg. 58383 (Oct. 31, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-10-31/pdf/2019-23739.pdf>.

<sup>vii</sup> See FDIC Transparency & Accountability, available at <https://www.fdic.gov/transparency/>.

<sup>viii</sup> See FDIC Summary of Deposits, available at <https://www7.fdic.gov/SOD>.

<sup>ix</sup> See FDIC FIL-82-2018, *Review Process for Draft Deposit Insurance Proposals* (Dec. 6, 2018), available at <https://www.fdic.gov/news/news/financial/2018/fil18082.html>.

<sup>x</sup> See FDIC FIL-83-2018, *FDIC Issues an Update to its Publication Entitled Applying for Deposit Insurance – A Handbook for Organizers of De Novo Institutions, Finalizes its Deposit Insurance Applications Procedures Manual, and Establishes a Designated Applications Mailbox* (Dec. 6, 2018), available at <https://www.fdic.gov/news/news/financial/2018/fil18083.html>.

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- <sup>xi</sup> See Request for Information on the FDIC's Deposit Insurance Application Process, 83 Fed. Reg. 63868 (Dec. 12, 2018), available at <https://www.govinfo.gov/content/pkg/FR-2018-12-12/pdf/2018-26811.pdf>.
- <sup>xii</sup> See FDIC Decisions on Bank Applications, available at <https://www.fdic.gov/regulations/laws/bankdecisions/depins/index.html>.
- <sup>xiii</sup> See Federal Regulators issue joint statement on the use of alternative data in credit underwriting (Dec. 3, 2019), available at <https://www.fdic.gov/news/news/press/2019/pr19117.html>.
- <sup>xiv</sup> See *Madden v. Midland Funding, LLC*, 786 F.3d 246 (2d Cir. 2015), *cert. denied*, 136 S. Ct. 2505 (2016).
- <sup>xv</sup> 12 U.S.C. §1831d.
- <sup>xvi</sup> See FDIC Proposes New Rule Clarifying Federal Interest Rate Authority (Nov. 19, 2019), available at <https://www.fdic.gov/news/news/press/2019/pr19107.html>.
- <sup>xvii</sup> See FDIC Board Approves Establishment of Advisory Committee of State Regulators (Nov. 19, 2019), available at <https://www.fdic.gov/news/news/press/2019/pr19105.html>.
- <sup>xviii</sup> Pub. L. 115-174 (May 24, 2018), available at <https://www.govinfo.gov/content/pkg/PLAW-115publ174/pdf/PLAW-115publ174.pdf>.
- <sup>xix</sup> See Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements, 84 Fed. Reg. 59230 (Nov. 1, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-11-01/pdf/2019-23800.pdf>.
- <sup>xx</sup> See Company-Run Stress Testing Requirements for FDIC-Supervised State Nonmember Banks and State Savings Associations, 84 Fed. Reg. 56929 (Oct. 24, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-10-24/pdf/2019-23036.pdf>.
- <sup>xxi</sup> See Supervisory Guidance on Stress Testing for Banking Organizations With More Than \$10 Billion in Total Consolidated Assets, 77 Fed. Reg. 29458 (May 17, 2012), available at <https://www.govinfo.gov/content/pkg/FR-2012-05-17/pdf/2012-11989.pdf>.
- <sup>xxii</sup> See Resolution Plans Required, 76 Fed. Reg. 67323 (Nov. 1, 2011), available at <https://www.govinfo.gov/content/pkg/FR-2011-11-01/pdf/2011-27377.pdf>.
- <sup>xxiii</sup> See Resolution Plans Required, 84 Fed. Reg. 59194 (Nov. 1, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-11-01/pdf/2019-23967.pdf>.
- <sup>xxiv</sup> Pub. L. 111-203 (July 21, 2010), available at <https://www.govinfo.gov/content/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>.
- <sup>xxv</sup> See Guidance on Sound Incentive Compensation Policies, 75 Fed. Reg. 36395 (June 25, 2010), available at <https://www.govinfo.gov/content/pkg/FR-2010-06-25/pdf/2010-15435.pdf>.
- <sup>xxvi</sup> See Federal Reserve, OCC, OTS, FDIC Issue Final Guidance on Incentive Compensation (June 21, 2010), available at <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20100621a.htm>.
- <sup>xxvii</sup> Section 956(c) of the Dodd-Frank Act specifically requires the regulators to "take into consideration standards described in section 39(c) of the FDI Act" (12 U.S.C. 2 1831p–1 and 12 U.S.C. 1831p– 9 1(c)).in establishing standards.
- <sup>xxviii</sup> Section 956(c) of the Dodd-Frank Act specifically requires the regulators to "take into consideration standards described in section 39(c) of the FDI Act" (12 U.S.C. 2 1831p–1 and 12 U.S.C. 1831p– 9 1(c)).in establishing standards.

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<sup>xxix</sup> See Incentive-Based Compensation Arrangements, 81 Fed. Reg. 37670 (June 10, 2016), available at <https://www.govinfo.gov/content/pkg/FR-2016-06-10/pdf/2016-11788.pdf>.

<sup>xxx</sup> See Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests In, and Relationships With, Hedge Funds and Private Equity Funds, 84 Fed. Reg. 35008 (July 22, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-07-22/pdf/2019-15019.pdf>.

<sup>xxxi</sup> See Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds, 84 Fed. Reg. 61974 (Nov. 14, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-11-14/pdf/2019-22695.pdf>.

<sup>xxxii</sup> See Real Estate Appraisals, 83 Fed. Reg. 15019 (Apr. 9, 2018), available at <https://www.govinfo.gov/content/pkg/FR-2018-04-09/pdf/2018-06960.pdf>.

<sup>xxxiii</sup> See Real Estate Appraisals, 84 Fed. Reg. 53579 (Oct. 8, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-10-08/pdf/2019-21376.pdf>.

<sup>xxxiv</sup> See FDIC to Centralize Key Aspects of Its Large, Complex Financial Institution Activities (June 27, 2019), available at <https://www.fdic.gov/news/news/press/2019/pr19056.html>.

<sup>xxxv</sup> See U.S., European Banking Union, and UK Officials Meet for Planned Coordination Exercise on Cross-Border Resolution Planning (Apr. 9, 2019), available at <https://www.fdic.gov/news/news/press/2019/pr19033.html>.

<sup>xxxvi</sup> See FDIC FIL-71-2019, *Updated FFIEC IT Examination Handbook – Business Continuity Management Booklet* (Nov. 14, 2019), available at <https://www.fdic.gov/news/news/financial/2019/fil19071.html>.

<sup>xxxvii</sup> See FDIC FIL-55-2018, *Bank Secrecy Act: Interagency Statement on Sharing Bank Secrecy Act Resources* (Oct. 3, 2018), available at <https://www.fdic.gov/news/news/financial/2018/fil18055.html>.

<sup>xxxviii</sup> See FDIC FIL-79-2018, *Bank Secrecy Act: Interagency Statement on Innovative Efforts to Combat Money Laundering and Terrorist Financing* (Dec. 3, 2018), available at <https://www.fdic.gov/news/news/financial/2018/fil18079.html>.

<sup>xxxix</sup> See FDIC Annual Publication Examines Potential Credit and Market Risks (July 30, 2019), available at <https://www.fdic.gov/news/news/press/2019/pr19070.html>.

<sup>xi</sup> See Leveraged Lending and Corporate Borrowing: Increased Reliance on Capital Markets, With Important Bank Links, available at <https://www.fdic.gov/bank/analytical/quarterly/2019-vol13-4/fdic-v13n4-3q2019-article2.pdf>.

<sup>xli</sup> See Trends in Mortgage Origination and Servicing: Nonbanks in the Post-Crisis Period, available at <https://www.fdic.gov/bank/analytical/quarterly/2019-vol13-4/fdic-v13n4-3q2019-article3.pdf>.

<sup>xlii</sup> See FDIC Announces New Paid Parental Leave Benefit for Employees (Oct. 9, 2019), available at <https://www.fdic.gov/news/news/press/2019/pr19089.html>.

<sup>xliii</sup> See Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions, 84 Fed. Reg. 2366 (Feb. 6, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-02-06/pdf/2018-28273.pdf>.

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<sup>xliv</sup> See Interest Rate Restrictions on Institutions That Are Less Than Well Capitalized, 84 Fed. Reg. 46470 (Sep. 4, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-09-04/pdf/2019-18360.pdf>.

<sup>xlv</sup> See Reforming the Community Reinvestment Act Regulatory Framework, 83 Fed. Reg. 45053 (Sept. 5, 2018), available at <https://www.govinfo.gov/content/pkg/FR-2018-09-05/pdf/2018-19169.pdf>.

<sup>xlvi</sup> See Federal Reserve Board Report on the Economic Well-Being of U.S. Households in 2017 (May 2018), available at <https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf>.

<sup>xlvii</sup> See 2017 FDIC National Survey of Unbanked and Underbanked Households, available at <https://www.fdic.gov/householdsurvey/2017/2017report.pdf>. A household is classified as unbanked if no one in the household has a checking or savings account. A household is classified as underbanked if it has a checking or savings account and used one of the following products or services from an alternative financial services provider in the past 12 months: money orders, check cashing, international remittances, payday loans, refund anticipation services, rent-to-own services, pawn shop loans, or auto title loans.

<sup>xlviii</sup> The FDIC, FRB, and OCC have taken separate approaches to small-dollar lending at the institutions they regulate. See FDIC Issues Final Guidance Regarding Deposit Advance Products (Nov. 21, 2013), available at <https://www.fdic.gov/news/news/press/2013/pr13105.html>; FDIC FIL-50-2007, *Affordable Small-Dollar Loan Guidelines* (June 19, 2007), available at: <https://www.fdic.gov/news/news/financial/2007/fil07050.pdf>; OCC Bulletin 2018-14, *Core Lending Principles for Short-Term, Small-Dollar, Installment Lending* (May 23, 2018), available at: <https://www.occ.gov/news-issuances/bulletins/2018/bulletin-2018-14.html>; *Federal Reserve Statement on Deposit Advance Products* (April 25, 2013), available at: <https://www.federalreserve.gov/supervisionreg/caletters/caltr1307.htm>.

<sup>xlix</sup> See Request for Information on Small-Dollar Lending, 83 Fed. Reg. 58566 (Nov. 20, 2018), available at <https://www.govinfo.gov/content/pkg/FR-2018-11-20/pdf/2018-25257.pdf>.

<sup>i</sup> See Margin and Capital Requirements for Covered Swap Entities, 80 Fed. Reg. 74840 (Nov. 30, 2015), available at <https://www.govinfo.gov/content/pkg/FR-2015-11-30/pdf/2015-28671.pdf>.

<sup>ii</sup> See Margin and Capital Requirements for Covered Swap Entities, 84 Fed. Reg. 59970 (Nov. 7, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-11-07/pdf/2019-23541.pdf>.

<sup>iii</sup> See FDIC Hosts Roundtable on Collaborations with Minority Depository Institutions (June 27, 2019), available at <https://www.fdic.gov/news/news/press/2019/pr19057.html>.

<sup>iiii</sup> See FDIC Hosts Interagency Conference Focusing on Minority Depository Institutions (June 25, 2019), available at <https://www.fdic.gov/news/news/press/2019/pr19054.html>.

<sup>lv</sup> See FDIC Chairman Jelena McWilliams, "The Future of Banking," speech before the Federal Reserve Bank of St. Louis (Oct. 1, 2019), available at <https://www.fdic.gov/news/news/speeches/spoct0119.html>.

<sup>lv</sup> See Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations, 84 Fed. Reg. 61776 (Nov. 13, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-11-13/pdf/2019-23472.pdf>.



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<sup>vi</sup> See Reduced Reporting for Covered Depository Institutions, 84 Fed. Reg. 29039 (June 21, 2019), available at <https://www.govinfo.gov/content/pkg/FR-2019-06-21/pdf/2019-12985.pdf>.