FEDERAL DEPOSIT INSURANCE CORPORATION

2011 Annual Performance Plan

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CHAIRMAN'S MESSAGE

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC's) 2011 Annual Performance Plan. The past several years have been challenging ones for the banking industry, and the FDIC has played a critical role in maintaining stability and public confidence in the nation's financial system during this period. In the pages that follow, we lay out performance goals for 2011 to ensure that we will once again accomplish our mission responsibilities.

The plan includes goals and objectives for each of our three discrete, but related, core program areas—insurance, supervision, and receivership management. As the increased workload associated with the banking crisis peaks, we will focus on several priorities:

- Continuing to maintain public confidence in the banking system by promptly resolving failed institutions and efficiently managing receiverships;

- Closely monitoring the condition of individual FDIC-supervised institutions to facilitate their rapid return to sound financial condition; and

- Ensuring that FDIC-supervised institutions adhere to all consumer protection and fair lending regulations.

In addition, we will focus on implementing the new authority given to the FDIC through the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In particular, the FDIC will substantially enhance its monitoring of systemically important financial entities and will ensure that sound resolution plans are in place to ensure the orderly liquidation of those institutions, if necessary. We need to meet the statutory objective of ending "too big to fail." We will also support the new Consumer Finance Protection Bureau (CFPB) while maintaining strong consumer protection standards for those institutions we supervise.

Throughout the Corporation's 78-year history, depositors at FDIC-insured institutions have counted on quick and complete access to their insured accounts, and the men and women serving at the FDIC have never disappointed them. The FDIC will further this record of achievement in 2011 through the continued hard work and innovation of its dedicated and highly skilled workforce.

Sheila C. Bair
Chairman

MISSION, VISION, and VALUES

MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by:

- insuring deposits,
- examining and supervising financial institutions for safety and soundness and consumer protection, and
- managing receiverships.

VISION

The FDIC is a recognized leader in promoting sound public policies, addressing risks in the nation's financial system, and carrying out its insurance, supervisory, consumer protection, and receivership management responsibilities.

VALUES

The FDIC and its employees have a tradition of distinguished public service. Six core values guide us in accomplishing our mission:

Integrity	We adhere to the highest ethical and professional standards.
Competence	We are a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.
Teamwork	We communicate and collaborate effectively with one another and with other regulatory agencies.
Effectiveness	We respond quickly and successfully to risks in insured depository institutions and the financial system.
Accountability	We are accountable to each other and to our stakeholders to operate in a financially responsible and operationally effective manner.
Fairness	We respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity, and trust.

PROGRAM DESCRIPTIONS AND ANNUAL PERFORMANCE GOALS

INSURANCE

SUPERVISION

RECEIVERSHIP MANAGEMENT

INSURANCE PROGRAM

The FDIC maintains stability and public confidence in the U.S. financial system by providing deposit insurance. By promoting industry and consumer awareness of deposit insurance, the FDIC seeks to increase public awareness and understanding of deposit insurance rules and coverage. The FDIC and other federal regulatory agencies ensure that insured depository institutions accurately disclose uninsured products. The FDIC also provides information to depositors and financial institution staff about the application of deposit insurance rules.

Before a prospective insured depository institution can open for business, it must apply to the FDIC for federal deposit insurance. The FDIC then evaluates an applicant's potential risk to the Deposit Insurance Fund (DIF) by assessing the adequacy of its capital, future earnings potential, and the general character of its management. Before granting access to the federal deposit insurance system, the FDIC also considers the convenience and needs of the community that the applicant plans to serve and obtains input from other regulatory authorities.

Communication and coordination with the other bank regulatory agencies are top priorities for the FDIC. As the insurer, the FDIC, by statute, has special (back-up) examination authority for all insured depository institutions. If significant emerging risks or other serious concerns are identified for an insured depository institution for which the FDIC is not the primary federal supervisor, the FDIC and the institution's primary federal supervisor work together to address those risks or concerns.[1]

When an insured depository institution fails, the FDIC ensures that the financial institution's customers have timely access to their insured deposits and other services. To keep pace with the evolving banking industry and maintain its readiness to protect insured depositors, the FDIC prepares and maintains contingency plans to promptly respond to a variety of insured depository institution failure scenarios. Because of the large number of depository institution failures during 2009 and 2010, losses to the DIF were high. As of December 31, 2010, the fund balance and the reserve ratio were negative after reserving for estimated losses for anticipated bank failures. As of December 31, 2010, the reserve ratio stood at negative 0.12 percent (based on unaudited fund balance results), up from a negative 0.39 percent at the beginning of the year.

Congress enacted the Dodd Frank Wall Street Reform and Consumer Protection Act (DFA, or the Act) in July 2010. It revised the statutory authorities governing the FDIC's management of the DIF. Among other things, DFA (1) raised the minimum designated reserve ratio (DRR), which the FDIC must set each year, to 1.35 percent (from the former minimum of 1.15 percent)

[1] An institution's charter and its Federal Reserve System membership status determine which federal banking agency is the institution's primary federal supervisor.

and removed the upper limit on the DRR (which was formerly capped at 1.5 percent) and, therefore, on the size of the fund; (2) required that the DIF reserve ratio reach 1.35 percent by September 30, 2020 (rather than 1.15 percent by the end of 2016, as formerly required); (3) required that, in setting assessments, the FDIC "offset the effect of [requiring that the reserve ratio reach 1.35 percent by September 30, 2020 rather than 1.15 percent by the end of 2016] on insured depository institutions with total consolidated assets of less than $10,000,000,000"; (4) eliminated the requirement that the FDIC pay dividends from the DIF when the reserve ratio exceeds 1.35 percent; and (5) continued the FDIC's authority to declare dividends when the reserve ratio at the end of a calendar year is at least 1.5 percent, but granted the FDIC sole discretion in determining whether to suspend or limit the declaration or payment of dividends.[2]

As a result of the changes mandated by DFA, the FDIC developed a comprehensive, long-range management plan for the DIF that sets an appropriate target fund size and a strategy for assessment rates and dividends. The plan was designed to reduce the pro-cyclicality in the existing system and achieve moderate, steady assessment rates throughout economic and credit cycles while maintaining a positive fund balance even during a banking crisis. In October 2010, pursuant to the comprehensive plan, the FDIC adopted a new Restoration Plan to ensure that the reserve ratio reaches 1.35 percent by September 30, 2020. Because of lower estimated losses over the next five years and the additional time provided by DFA to meet the minimum (albeit higher) required reserve ratio, the Restoration Plan eliminated the uniform 3 basis point increase in assessment rates which had been scheduled to take effect on January 1, 2011. As part of the comprehensive plan, the FDIC also adopted a final rule in December 2010 setting the DRR at 2 percent.

In February 2011, the FDIC adopted a final rule on assessments that takes effect during the second quarter of 2011. It revised the assessment system applicable to large insured depository institutions to better reflect risk at the time a large institution assumes the risk, differentiate risk levels at large institutions during periods of good economic conditions, and take into account the losses that the FDIC may incur if such an institution fails. The rule eliminates risk categories for all large institutions and, as required by DFA, no longer uses long-term debt ratings to calculate assessment rates for large institutions. The rule combines CAMELS ratings and financial measures into two scorecards—one for most large institutions and another for the remaining very large institutions that are structurally and operationally complex or that pose unique challenges and risks in case of failure (highly complex institutions).[3] As required by DFA, the rule also defines the assessment base as average total consolidated assets minus average tangible equity, rather than total domestic deposits (which, with minor adjustments, it had been since 1935).

In October 2008, the FDIC implemented a new Temporary Liquidity Guarantee Program (TLGP) that consisted of two components: (1) the Debt Guarantee Program (DGP), an FDIC guarantee of certain newly issued senior unsecured debt; and (2) the Transaction Account Guarantee Program (TAGP), an FDIC guarantee in full of noninterest-bearing transaction accounts. Institutions were initially required to elect whether to participate in one or both of the

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[2]Pub. L. No. 111-203, §§332 and 334, 124 Stat. 1376, 1539 (to be codified at 12 U.S.C. § 1817).
[3]In general, a highly complex institution is an institution (other than a credit card bank) with more than $50 billion in total assets that is controlled by a parent or intermediate parent company with more than $500 billion in total assets or a processing bank or trust company with at least $10 billion in total assets.

programs. At its peak, the DGP guaranteed almost $350 billion of outstanding debt. As of December 31, 2010, the total amount of remaining FDIC-guaranteed outstanding debt was $267 billion. The DGP guarantee ends no later than December 31, 2012. The FDIC collected approximately $10 billion in fees under the DGP. The TAGP was designed to eliminate potentially disruptive shifts in deposit funding and thus preserve bank lending capacity. It was initially scheduled to expire on December 31, 2009, but was subsequently extended by the FDIC Board through December 31, 2010. The FDIC guaranteed an average of $114 billion of deposits under the TAGP during the fourth quarter of 2010. As of December 31, 2010, the last day of the TAGP, more than 5,100 FDIC-insured institutions reported having guaranteed deposits, and the FDIC had collected $1.120 billion in fees under the program. Overall, TLGP fees are expected to exceed the losses from the program.

Passage of DFA eliminated the need for any further extension of the TAGP. Pursuant to DFA, the FDIC Board in November 2010 approved a final rule providing depositors at all FDIC-insured institutions temporary unlimited deposit insurance coverage on noninterest-bearing transaction accounts from December 31, 2010 through December 31, 2012. Under the rule, the FDIC will create a new, temporary deposit insurance category for noninterest-bearing transaction accounts. Unlike the voluntary TAGP, the new coverage provision applies only to traditional checking accounts at all FDIC-insured institutions that do not pay interest. In 2011, the Board adopted a final rule amending the FDIC's deposit insurance regulations to include Lawyers Trust Accounts in the definition of noninterest-bearing transaction accounts, thereby providing such accounts with temporary unlimited deposit insurance.

The table below depicts the strategic goal, strategic objectives and annual performance goals for the Insurance Program.

Strategic Goal	Strategic Objectives	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 financial services.	Respond promptly to all insured financial institution closings and related emerging issues.(1.1-1)
	The FDIC promptly identifies and responds to potential risks to the DIF.	Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public and other stakeholders on an ongoing basis. (1.2-1)
	The DIF and the deposit insurance system remain strong and adequately financed.	Set assessment rates to restore the insurance fund reserve ratio to at least 1.35% of estimated insured deposits by September 30, 2020. (1.3-1)
		Expand and strengthen the FDIC's participation and leadership role in supporting robust international deposit insurance systems. (1.3-2)
	The FDIC resolves the failure of insured depository institutions in the manner least costly to the DIF.	Market failing institutions to all known qualified and interested potential bidders. (1.4-1)
	The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.	Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts. (1.5-1)

STRATEGIC GOAL 1:

Insured depositors are protected from loss without recourse to taxpayer funding.

STRATEGIC OBJECTIVE 1.1

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

Annual Performance Goal 1.1-1

Respond promptly to all insured financial institution closings and related emerging issues.

Indicators and Targets

1. Number of business days after an institution failure that depositors have access to insured funds either through transfer of deposits to the successor insured depository institution or depositor payout

    - *Depositors have access to insured funds within one business day if the failure occurs on a Friday.*

    - *Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.*

2. Insured depositor losses resulting from a financial institution failure

    - *There are no depositor losses on insured deposits.*

    - *No appropriated funds are required to pay insured depositors.*

Means and Strategies

Operational Processes (initiatives and strategies): When an insured institution is identified as a potential failure, the FDIC prepares a plan to handle the possible resolution of the institution. The FDIC begins the resolution process with an assessment of the institution's assets and liabilities. The FDIC then develops an information package that is used as a marketing tool and is provided to all interested potential assuming institutions. The FDIC solicits proposals from approved bidders to find a buyer for the deposit franchise.

If the federal or state supervisor chooses to close the institution, the FDIC is named receiver, takes control of the failed institution, and determines which deposits are insured. Once the FDIC is appointed receiver, it initiates the resolution process for the failed institution.

If the failed institution is sold to another insured institution, the FDIC works with the assuming institution so that the insured deposit accounts are transferred to it as soon as possible. If no assuming institution is found during the resolution process, the FDIC disburses insured deposit balances directly to customers of the failed institution. In either case, FDIC provides the insured depositors with access to their accounts within one or two business days.

As banking industry practices and technologies evolve, the FDIC continues to review and enhance existing plans, processes, and systems in response to potential risks that might impact the resolution process.

Human Resources (staffing and training): The 2011 Corporate Operating Budget provides 2,327 authorized positions in the Division of Resolutions and Receiverships to handle the failure of insured financial institutions and related workload. This represents a decrease of 133 authorized positions from 2010, reflecting a small projected decline in failure-related workload.

Information Technology: Technology is critical to the efficiency of deposit insurance determinations and payments. A new Claims Administration System Non-Depositor Claims application (CAS) was implemented in 2010 to handle the workflow associated with non-deposit creditor claims. It is being used for pre-closing deposit insurance estimations and whole-bank transactions. During 2011, CAS will be enhanced to incorporate the requirements of DFA for covered financial companies. In addition, when fully implemented in 2011, it will support deposit insurance determinations and claims administration for all resolutions.

Verification and Validation

In the case of a transfer of insured deposits to a successor institution, the number of business days before depositors have access to their insured funds will be verified by comparing the date of failure with the date that the successor insured depository institution opens for business and makes insured funds available to the failed institution's depositors. In the case of a depositor payout, this will be verified by comparing the date of failure with the date that deposit insurance checks are mailed to depositors or made available for pickup at the premises of the failed institution.

2010 Performance Results

This annual performance goal and its associated performance indicators and targets are unchanged from 2010. There were 157 insured financial institution failures during 2010, and the FDIC successfully met the performance targets for each failure.

STRATEGIC OBJECTIVE 1.2

The FDIC promptly identifies and responds to potential risks to the DIF.

Annual Performance Goal 1.2-1

Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public and other stakeholders on an ongoing basis.

Indicator and Targets

1. Scope and timeliness of information dissemination on identified or potential issues and risks

    - *Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports and other means.*

    - *Undertake industry outreach activities to inform bankers and other stakeholders about current trends, concerns, and other available FDIC resources.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC maintains a vigorous research and publications program on issues and topics of importance to the banking industry. Much of this research is conducted in collaboration with the academic community through the Center for Financial Research (CFR). Research findings are disseminated through CFR working papers, articles in professional journals, and presentations at conferences and other events. The FDIC also disseminates information and analyses on industry risks through periodic reports, publications (e.g., the *FDIC Quarterly Banking Profile* and the *FDIC Quarterly*), Financial Institution Letters (FILs), and participation in industry events and other outreach activities.

The FDIC conducts outreach sessions several times each year throughout the country. In addition, FDIC employees regularly attend conferences and meet with industry analysts and trade groups to exchange views and analyses. They also present Directors' College outreach sessions to local bank board members. During these sessions, FDIC employees share information on current risks, new regulations, and emerging issues with bank directors. In addition, local FDIC offices nationwide conduct banker roundtable events that provide a forum for bankers to receive information and raise questions about new regulatory guidance or emerging risks.

Human Resources (staffing and training): The FDIC employs economists, financial analysts, and other staff members who monitor risks within the banking industry and communicate those risks to FDIC management, other regulators, the industry, the public, and other stakeholders through a variety of media and forums. In addition, outside scholars participate in the Corporation's risk analysis program, and risk-focused examination training has been incorporated into the FDIC's examination schools. The FDIC also maintains a cadre of staff members throughout the country to conduct banker outreach sessions.

Information Technology: The FDIC's website (www.fdic.gov) is a centralized source of information on FDIC research and analysis on potential areas of risk for the industry, the public and other regulators. The data are in eXtensible Business Reporting Language (XBRL) to provide faster access to financial institution information for all users of the data, including financial institutions, bank regulators, and the public.

Verification and Validation

Timely analyses of banking industry risks are included in regular publications or as ad hoc reports. Industry outreach activities aimed at the banking community and industry trade groups promote discussion of current trends and concerns, and inform bankers about available FDIC resources. Publications and outreach events are documented through established reporting processes.

2010 Performance Results

This annual performance goal has been revised for 2011 to clarify the ongoing nature of this work. In 2010, the FDIC successfully met these performance targets.

STRATEGIC OBJECTIVE 1.3

The DIF and the deposit insurance system remain strong and adequately financed.

Annual Performance Goal 1.3-1

Set assessment rates to restore the insurance fund reserve ratio to the statutory minimum of 1.35 percent of estimated insured deposits by September 30, 2020.

Indicators and Targets

1. Updated assessment projections and recommended changes

    - *Provide updated fund projections to the FDIC Board of Directors by June 30, 2011, and December 31, 2011.*

    - *Recommend changes to deposit insurance assessment rates for the DIF to the FDIC Board as necessary.*

2. Demonstrated progress in achieving the goals of the Restoration Plan

    - *Provide updates to the FDIC Board by June 30, 2011, and December 31, 2011.*

Means and Strategies

Operational Processes (initiatives and strategies): This goal reflects a requirement of DFA. The FDIC's Financial Risk Committee (FRC) develops quarterly failure projections and loss estimates to establish contingent loss reserves for the DIF. It consults with the other federal banking agencies in its deliberations. Models that forecast failures and failure resolution costs are maintained and enhanced, as necessary. The FRC regularly reviews adverse events to identify lessons or implications for monitoring and addressing risks. Based on an analysis of projected failed bank assets and other pertinent information, the FRC recommends to the Chief Financial Officer (CFO) the level of the contingent loss reserve for the DIF. FDIC staff also use the information provided by the FRC on projected insurance losses as one factor in determining the level of assessment revenue necessary to maintain adequate funding in the DIF. Projected insurance losses, as well as projections of investment revenue, operating expenses, and insured deposit growth, are key elements in estimating assessment revenue needs. The FDIC continues to enhance the techniques and methodologies used to analyze the nature of risk exposure, including scenario analysis and stress testing.

Human Resources (staffing and training): Staff in the FDIC's Division of Insurance and Research Washington, D.C., office perform the analytical work associated with deposit insurance pricing. The FDIC will continue to expand its ties to the academic community to broaden the information and analytical perspectives available to the Corporation as steward of the DIF.

Information Technology: The Risk-Rated Premium System (RRPS), the information system supporting the assessment process, calculates the premiums that financial institutions are assessed for deposit insurance. RRPS is updated and tested with any changes to the insurance assessment pricing structure.

Verification and Validation

To ensure that the RRPS identifies higher risk institutions and appropriately assesses higher insurance premiums, a Federal Information Security Management Act (FISMA) self-assessment of RRPS is conducted annually. In addition, the Government Accountability Office (GAO) reviews annually the methodology used to determine the contingent loss reserve. In 2011, the FRC will again conduct semiannual reviews of the contingent loss reserve methodology by analyzing of the variance between projected and actual losses. In addition, FDIC staff will report semiannually to the FDIC Board of Directors on the Corporation's progress in meeting the goals of the Amended Restoration Plan.

2010 Performance Results

This annual performance goal and its associated performance indicators and targets have been revised for 2011 as necessitated by requirements of DFA to increase the reserve ratio to 1.35 percent by September 30, 2020. The FDIC successfully met the performance targets established for the goal in 2010.

Annual Performance Goal 1.3-2

Expand and strengthen the FDIC's participation and leadership role in supporting robust international deposit insurance and banking systems.

Indicator and Targets

1. Scope of information sharing and assistance available to international governmental bank regulatory and deposit insurance entities

    - *Undertake outreach activities to inform and train foreign bank regulators and deposit insurers.*
    - *Foster strong relationships with international banking regulators and associations that promote sound banking supervision and regulation, failure resolution, and deposit insurance practices.*
    - *Lead the International Association of Deposit Insurers training on the methodology for assessing compliance with implementation of the Core Principles for Effective Deposit Insurance Systems*.

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC exercises a leadership role in promoting sound deposit insurance, bank supervision, and bank resolution practices by providing technical guidance, training, consulting services, and information to international governmental banking and deposit insurance organizations in many countries around the world. The global financial crisis that began in the summer of 2007 and intensified in 2008 led many international authorities, including deposit insurers, to take a series of unprecedented actions to restore public confidence and financial stability. In response to this crisis, the International Association of Deposit Insurers (IADI), the FDIC, and the Basel Committee on Bank Supervision (BCBS) jointly led an effort to establish a set of deposit insurance core principles. The collaborative effort culminated in the issuance of the *Core Principles for Effective Deposit Insurance Systems* (the *Core Principles*) in June 2009. This was a significant milestone for improving deposit insurance systems worldwide. The Financial Stability Board (formerly the Financial Stability Forum) later recognized the *Core Principles* at its inaugural meeting in June 2009. During 2010, the FDIC collaborated with IADI, the International Monetary Fund, the BCBS, and the European Forum of Deposit Insurers to develop a methodology for assessing compliance with the *Core Principles*. The FDIC will lead the IADI effort to provide training to deposit insurers and other safety-net organizations on the methodology during 2011-2012.

Human Resources (staffing and training): The FDIC will consider each international request for assistance from a strategic perspective and will appropriately leverage its resources to address these requests. The FDIC's Office of International Affairs (OIA) plans and coordinates the FDIC's role in the international program. Resources include a small permanent OIA staff and employees on temporary detail assignments. In 2011, the FDIC will continue to balance permanent and temporary staff to support the international program and enhance the FDIC's leadership role in international bank supervision, failure resolution, and international deposit insurance organizations.

Information Technology: Information about international governmental bank regulatory or deposit insurance activities and the FDIC's international program is communicated through the FDIC's website.

Verification and Validation

Achievement of this annual performance goal will be demonstrated through implementation of an international training program, confirmation of the effectiveness of the methodology for assessing compliance with the *Core Principles*, and enhanced FDIC participation and leadership roles in key international organizations. Progress in meeting this annual goal will be tracked by the FDIC's International Affairs Working Group through established reporting processes.

2010 Performance Results

This annual performance goal and its associated performance indicator are unchanged from 2010, as are the first two performance targets. The third performance target has been updated for 2011. In 2010, the FDIC successfully met all three performance targets for this goal.

STRATEGIC OBJECTIVE 1.4

The FDIC resolves the failure of insured depository institutions in the manner least costly to the DIF.

Annual Performance Goal 1.4-1

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

Indicator and Target

1. Scope of qualified and interested bidders solicited

    - *Contact all known qualified and interested bidders*.

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC markets the deposits and assets of failing institutions to all known qualified and interested potential bidders to stimulate as much competition as possible. The FDIC maintains an inventory of qualified financial institutions that may potentially be interested in bidding to purchase a failing institution. In preparing a list of potential bidders for each failing institution, the FDIC takes into account the failed institution's geographic location, competitive environment, minority-owned status, financial condition, asset size, capital level, and regulatory ratings. The FDIC contacts these potential bidders and holds an informational meeting and/or uses the Internet to provide information on the failing institution. Potential bidders are then given the opportunity to perform due diligence on the failing institution's assets and liabilities before determining whether to submit bids.

Human Resources (staffing and training): Franchise marketing is carried out primarily by specialized FDIC personnel with support, as needed, from staff in other disciplines. The Corporation's Resolutions and Receiverships Commissioning Program was conceived and designed to ensure the future availability of qualified personnel to handle this and other aspects of the Corporation resolutions and receivership management functions. Staffing requirements are continually assessed within the context of current and projected workload to ensure that the FDIC is appropriately staffed. The FDIC also uses contractor support, nonpermanent employees, and employees temporarily assigned from divisions and offices elsewhere within the Corporation to meet workload demands and mission responsibilities in this area.

Information Technology: The FDIC tracks franchise marketing activities through its automated 4C asset management and servicing system.

Verification and Validation

Data from 4C are used to report on marketing and sales progress.

2010 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2010. The performance target was successfully met for the 157 insured institution failures that occurred in 2010.

STRATEGIC OBJECTIVE 1.5

The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.

Annual Performance Goal 1.5-1

Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.

Indicators and Targets

1. Timeliness of responses to deposit insurance coverage inquiries

    - *Respond within two weeks to 95 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage.*

2. Initiatives to increase public awareness of deposit insurance coverage changes

    - *Conduct at least 12 telephone or in-person seminars for bankers on deposit insurance coverage.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC uses a variety of means to educate insured financial institution employees and depositors about FDIC deposit insurance coverage. In addition to conducting seminars for bank employees, the FDIC encourages the dissemination of educational information through the banking industry and the media. During 2011, the FDIC will update all deposit insurance coverage educational resources to reflect statutory and regulatory changes made in 2010.

The FDIC works with insured financial institutions to encourage them to use these resources and to make them available to bank employees and customers. The FDIC also (1) operates a toll-free call center (877-ASK-FDIC) to answer questions about FDIC deposit insurance coverage, (2) maintains educational and informational resources on the FDIC's website, (3) publishes articles on deposit insurance coverage in the *FDIC Consumer News* (a quarterly newsletter for consumers published by the FDIC), and (4) works to raise awareness of deposit insurance coverage through the national and regional news media.

Human Resources (staffing and training): The FDIC has a dedicated staff of deposit insurance specialists that respond to inquiries and administer public education programs on deposit insurance. Staffing and training needs are reviewed on an ongoing basis to ensure that the resources supporting deposit insurance educational initiatives are adequate and that employees possess the skills and knowledge to implement this program effectively and successfully.

Information Technology: The FDIC tracks the receipt of and response to written banker and public inquiries about the FDIC's deposit insurance program through the Specialized Tracking and Reporting System (STARS). During 2011, the FDIC will update the Electronic Deposit Insurance Estimator (EDIE) to ensure that it reflects all statutory and regulatory changes. The FDIC will also continue to use the Internet and audio technology to reach large audiences of financial institution employees and to deliver deposit insurance educational tools and materials to the banking community and the public.

Verification and Validation

Progress in meeting the performance targets for this goal will be tracked through STARS and established reporting processes.

2010 Performance Results

This annual performance goal and the associated performance indicators are unchanged for 2011, but the performance targets have been revised. The FDIC successfully met the performance targets for this annual performance goal in 2010.

SUPERVISION PROGRAM

The FDIC's Supervision Program promotes the safety and soundness of FDIC-supervised insured depository institutions, protects consumer rights, and promotes community investment initiatives by FDIC-supervised institutions. In 2011, the FDIC will continue its efforts to increase the effectiveness and efficiency of all of its supervisory programs, particularly in light of the substantial number of problem institutions within the industry. In addition, ongoing industry consolidation, new technologies, and product innovation have resulted in larger, more complex organizations. The FDIC will continue to increase the resources dedicated to analyzing the risks posed by these larger, more complex financial institutions, particularly those that are systemically important. The FDIC will also continue to assess and modify, as appropriate, its examination procedures for all institutions in light of the changing risk profiles of the industry and individual institutions.

The FDIC is the primary federal regulator for state-chartered banks that are not members of the Federal Reserve System, generally known as state non-member banks. This includes state-licensed insured branches of foreign banks and state-chartered savings institutions. As insurer, the FDIC also has special (back-up) examination 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 of the Currency (OCC), and savings associations that are supervised by the Office of Thrift Supervision (OTS). The FDIC's roles as an insurer and primary supervisor are complementary, and many activities undertaken by the FDIC support both the insurance and supervision programs. Through the review of examination reports, off-site monitoring tools, participation in examinations conducted by other federal regulators, and, where appropriate, special (back-up) examination activities, the FDIC regularly monitors the potential risks at all insured institutions, including those for which it is not the primary federal regulator.

As the primary federal regulator of all insured state non-member banks, the FDIC performs periodic examinations of these institutions to assess their overall financial condition, management policies and practices, 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 and to detect the risks of fraud or insider abuse. In addition, the FDIC has staff dedicated to off-site monitoring programs and enhancing the Corporation's ability to promptly identify emerging safety-and-soundness issues. The FDIC conducts separate examinations to assess an institution's compliance with consumer protection, fair lending, privacy, and Community Reinvestment Act (CRA) statutes. As part of the compliance examination process, the FDIC reviews substantive issues as well as the information and disclosures that institutions provide to consumers.

If weaknesses are identified through the examination process, the FDIC promptly takes appropriate supervisory action. Formal and informal enforcement actions may be issued for institutions identified as having significant weaknesses or found to be operating in a deteriorated financial condition. The institution must operate under the action until these weaknesses are remedied. Noncompliance with consumer protection or fair lending laws can result in civil liability and negative publicity as well as the imposition of formal or informal enforcement actions by the FDIC to correct the identified violations.

The FDIC also investigates consumer complaints about FDIC-supervised insured depository institutions. Consumers write or electronically submit to the FDIC complaints and inquiries regarding consumer protection and fair lending issues. The FDIC attempts, through its investigation of, and response to, consumer complaints and inquiries, to help consumers better understand their rights under federal consumer protection and fair lending laws. The FDIC monitors the level of public satisfaction with its responses to consumer complaints and inquiries.

In addition, the FDIC acts on applications from FDIC-supervised insured depository institutions to undertake new or expanded business activities, and evaluates proposals associated with private investors seeking to acquire failed depository institutions. In either scenario, the FDIC evaluates various factors, including capital adequacy, quality of management, financial condition, and compliance with applicable laws and regulations. It also considers an institution's compliance with consumer protection, fair lending, and privacy laws and its performance under the CRA when an institution applies to expand its business activities within the insured depository institution system. The FDIC evaluates similar factors when private investors in new banks and/or in partnership with existing banks and holding companies seek to acquire failed institutions. In addition, it also ensures compliance with the *Statement of Policy on Qualifications for Failed Bank Acquisitions.*

Pursuant to the requirements of DFA, the FDIC will assume responsibility in July 2011 for the supervision of state-chartered thrift institutions currently supervised by the OTS. The FDIC and the OTS are working closely together to plan and implement the transfer of supervisory responsibility to minimize the risks associated with the transition.[4] At about the same time, the new Consumer Financial Regulatory Bureau (CFPB) established by DFA will assume responsibility from the FDIC and other regulatory agencies for the supervision of all insured institutions with assets of $10 billion or more and insured institutions affiliated with these institutions with respect to their compliance with certain consumer protection statutes and regulations.

Information about the FDIC's supervisory program, including laws, regulations, and regulatory guidance, is available at www.fdic.gov. The FDIC's semiannual *Supervisory Insights* journal provides information about bank supervision for bankers, bank examiners, and other practitioners.

[4] The OCC will assume responsibility for the supervision of other thrift institutions, and the Federal Reserve will assume responsibility for the supervision of thrift holding companies within the same timeframe.

The following table depicts the strategic goal, strategic objective and annual performance goals for the Risk Management component of the Supervision Program.

Strategic Goal	Strategic Objective	Annual Performance Goals
FDIC-insured institutions are safe and sound.	The FDIC exercises its statutory authority, in cooperation with primary federal regulators and state agencies, to ensure that all FDIC-insured institutions appropriately manage risk.	Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. (2.1-1)
		For all institutions that are assigned a composite Uniform Financial Institutions Rating of 3, 4, or 5, conduct on-site visits within six months after implementation of a corrective program. Ensure during these visits and subsequent examinations that the institution is fulfilling the requirements of the corrective program that has been implemented and that the actions taken are effectively addressing the underlying concerns identified during the examination. (2.1-2)
		Complete the transfer of personnel and supervisory responsibility for state-chartered thrifts from the Office of Thrift Supervision to the FDIC in accordance with approved plans and statutory requirements. (2.1-3)
		Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering and other financial crimes. (2.1-4)
		More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels. (2.1-5)
		Identify and address risks in financial institutions designated as systemically important. (2.1-6)

		Facilitate more effective regulatory compliance so as to reduce regulatory burden on the banking industry, where appropriate, while maintaining the independence and integrity of the FDIC's risk management and consumer compliance supervisory programs. (2.1-7)

The following table depicts the strategic goal, strategic objectives and annual performance goals for the Compliance and Consumer Affairs components of the Supervision Program.

Strategic Goal	Strategic Objectives	Annual Performance Goals
Consumers' rights are protected and FDIC-supervised institutions invest in their communities.	FDIC-supervised institutions comply with consumer protection, CRA, and fair lending laws and do not engage in unfair or deceptive practices.	Conduct on-site CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions. (3.1-1)
		Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that receive a composite 3, 4 or 5 rating for compliance with consumer protection and fair lending laws. (3.1-2)
		Complete the transfer of personnel and supervisory responsibility for compliance examinations of FDIC supervised institutions with more than $10 billion in assets and their affiliates from the FDIC to the new Consumer Financial Protection Bureau (CFPB) in accordance with statutory requirements. (3.1-3)
	Consumers have access to accurate and easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.	Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions. (3.2-1)
	The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.	Establish, in consultation with the FDIC's Advisory Committee on Economic Inclusion and other regulatory agencies, national objectives and methods for reducing the number of unbanked and underbanked individuals. (3.3-1)

STRATEGIC GOAL 2:
FDIC-insured institutions are safe and sound.

STRATEGIC OBJECTIVE 2.1

The FDIC exercises its statutory authority, in cooperation with primary federal regulators and state agencies, to ensure that all FDIC-insured institutions appropriately manage risk.

Annual Performance Goal 2.1-1

Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.

Indicator and Target

1. Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy

    - *Conduct 100 percent of required risk management examinations within the time frames prescribed by statute and FDIC policy.*

Means and Strategies

Operational Processes (initiatives and strategies): Risk management examinations assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. The FDIC performs safety and soundness, Bank Secrecy Act, and information technology (IT) reviews at each risk management examination of an FDIC-supervised insured depository institution. As applicable, the FDIC also conducts reviews of trust, registered transfer agent, municipal securities dealer, and government security dealer activities at these examinations.

In 2011, the FDIC projects that it will conduct more than 2,500 risk management examinations required under statute, FDIC policy, or agreements with state supervisors. The FDIC follows a risk-focused approach to examinations, which allows examiners to focus resources on those areas with the greatest potential risk. The FDIC has several analytical models to identify higher-risk financial institutions by considering factors such as rapid growth, fluctuating earnings, economic downturns, and concentrations in vulnerable industry sectors. Examiners use these off-site tools to help them risk-focus during on-site examinations. These models are also used to identify the need for inquiries or on-site visits to FDIC-supervised institutions outside of the regular examination cycle.

The FDIC also continues to focus on the risks posed by technology. On-site examinations review technology-related activities to determine how each FDIC-supervised depository institution manages its IT risks. The FDIC proactively monitors indicators of technology risk that may affect FDIC-supervised institutions and provides information to the industry about risks associated with technology outsourcing practices (e.g., contracting for computer services). The FDIC engages in an ongoing dialogue with technology vendors, bank trade associations, and standards and rule-setting entities to identify and promote effective risk management practices for emerging technologies.

During 2011, the FDIC will continue to work closely with state and other federal agencies to monitor institutions most affected by the downward trend in the real estate market through on-site and off-site programs. Declines in the availability of subprime and nontraditional mortgages have adversely affected construction and development loan portfolios, which are concentrated in one-to-four family residential development loans at numerous institutions. Commercial property markets are also showing signs of overbuilding and weakness, with high concentration levels at many institutions.

The number of risk management examinations conducted during 2011 may fluctuate as the number of FDIC-supervised insured depository institutions changes due to mergers, closings, newly approved charters, and other actions. In addition, increases in asset size or changes to an institution's condition or capital levels may accelerate examination cycles and increase the number of required examinations.

Human Resources (staffing and training): The FDIC has 2,311 authorized Full-Time Equivalent positions (FTEs) in its risk management examination workforce in 2011, including examiner trainees assigned to Corporate University, an increase from 2,110 FTEs in 2010. Staffing and training needs are reviewed regularly to ensure that the staff resources supporting the examination program are adequate to conduct a high quality examination program and that employees possess the skills and knowledge to effectively identify existing and emerging risks.

The FDIC has cooperative agreements with most states to conduct joint or alternating risk management examinations. However, resource constraints at the state level may affect the completion of scheduled examinations by state agencies in 2011. If a state supervisor responsible for completing an examination experiences scheduling, staffing, or other resource constraints, the statutory examination requirement may not be met. In such cases, the FDIC will work with the state supervisor to ensure that any delinquent examination is expeditiously scheduled and completed. When appropriate, the FDIC may conduct the examination in lieu of the state supervisor.

Information Technology: The FDIC employs various automated tools, such as the General Examination System, Examination Documentation modules, Interest Rate Risk Standard Analysis software, and the Automated Loan Examination and Review Tool to improve the efficiency of its examinations.

Verification and Validation

The number and timing of examinations are tracked through the FDIC's Virtual Supervisory Information on the Net (ViSION) system and reported through established management processes.

2010 Performance Results

This annual performance goal and the associated performance indicator and target are unchanged from 2010. In 2010, the FDIC successfully met this performance target.

Annual Performance Goal 2.1-2

For all institutions that are assigned a composite Uniform Financial Institutions Rating of 3, 4, or 5, conduct on-site visits within six months after implementation of a corrective program. Ensure during these visits and subsequent examinations that the institution is fulfilling the requirements of the corrective program that has been implemented and that the actions taken are effectively addressing the underlying concerns identified during the examination.

Indicator and Target

1. Percentage of follow-up examinations and on-site visits of 3, 4 or 5 rated institutions conducted within required time frames

    - *Conduct 100 percent of required on-site visits within six months after implementation of a corrective program.*

Means and Strategies

Operational Processes (initiatives and strategies): Troubled and problem institutions (those with a composite rating of 3, 4, or 5) are identified primarily through the examination process. While reason and moral suasion are the primary corrective tools, the FDIC has broad enforcement powers to correct practices, conditions, or violations of law that threaten an insured depository institution's safe and sound condition. The FDIC may use informal and formal enforcement actions against an institution or responsible individuals to address identified problems. Except in rare instances where it is determined by FDIC management to be unnecessary, a follow-up examination or on-site visit is conducted to review compliance with supervisory actions for each institution that receives a composite Uniform Financial Institutions Rating of 3, 4 or 5. Additional follow-up action is taken when the corrective program is determined to have been insufficient in addressing the identified problem.

The responsible case manager and senior regional officials closely monitor each troubled and problem depository institution. In addition to an on-site visit and a subsequent examination, progress in complying with an enforcement action is assessed through progress reports from the institution, use of off-site monitoring tools, and direct communication with management of the financial institution.

Human Resources (staffing and training): Case managers and other regional office officials are primarily responsible for finalizing and monitoring compliance with enforcement programs. On-site visits are conducted by field examination staff. The FDIC has increased the number of authorized case managers as well as field examination positions in 2011. Staffing and training needs are reviewed regularly to ensure that resources available for this function are adequate and that employees possess the required skills and knowledge.

Information Technology: The ViSION system is used to monitor all enforcement action activity and other significant events at troubled institutions and to schedule on-site visits and follow-up examinations of 3-, 4-, and 5-rated institutions.

Verification and Validation

The examination report identifies corrective actions to be taken. If deemed necessary, a formal or informal enforcement action is transmitted to the financial institution along with the report of examination. To ensure that supervisory actions are taken promptly, the FDIC monitors the time it takes to provide examination reports to FDIC-supervised institutions after the completion of an examination. The ViSION system is used to track enforcement actions and the time frame for required on-site visits.

The FDIC will also continue to use the Regional Office Internal Control Review program to ensure that regions are effectively monitoring the compliance of FDIC-supervised institutions with formal and informal enforcement actions. This review incorporates various components of the supervisory process, including assessment of the appropriateness of, and implementation monitoring and follow-up on, formal and informal corrective actions. Any material exceptions noted during the reviews are brought to management’s attention for appropriate action.

2010 Performance Results

This annual performance goal and the associated performance indicator and target have been revised for 2011 to focus on follow-up visits following the implementation of corrective programs. The FDIC successfully met the performance targets for the predecessor 2010 annual performance goal.

Annual Performance Goal 2.1-3

Complete the transfer of personnel and supervisory responsibility for state-chartered thrifts from the OTS to the FDIC in accordance with approved plans and statutory requirements.

Indicator and Targets

1. Transfer of personnel and supervisory responsibility for state-chartered thrifts from OTS to the FDIC

    - *Complete the transfer of supervisory responsibility for state-chartered thrifts by July 21, 2011.*

    - *Identify the OTS employees to be transferred and complete the transfer of those employees to the FDIC no later than 90 days after July 21, 2011.*

Means and Strategies

Operational Processes (initiatives and strategies): DFA mandates the dissolution of the OTS and the transfer of its powers and responsibilities to the OCC, the FDIC, the FRB, and the CFPB on July 21, 2011. The FDIC, OCC, FRB, and OTS in January 2011 published a Joint Implementation Plan identifying the tasks to be completed and target time frames for completing those tasks in order to successfully carry out this transition. The agencies have been working closely with one another to ensure a smooth transition of supervisory responsibility. The FDIC has participated in selected OTS examinations of state-chartered thrift institutions and has coordinated with OTS on the transition of all open corrective programs to FDIC monitoring. The FDIC is also conducting outreach activities to thrift institutions transferring to FDIC supervision.

The Act also provides for the transfer of all OTS employees to either the OCC or the FDIC no later than 90 days after the transfer date. The FDIC, the OCC, and the OTS have developed interagency procedures to determine the agency to which each OTS employee will be transferred in accordance with DFA requirements. The CFPB has entered into a separate agreement with the OTS for the transfer of selected OTS employees to the CFPB within the same time frame, since the CFPB will be assuming from the OTS responsibility for ensuring that insured thrift institutions with more than $10 billion in assets (and insured affiliates of those institutions) comply with consumer protection statutes. The agencies have also worked closely with one another to ensure full compliance with the statutory protections provided in DFA for the existing pay, retirement, and benefit programs of OTS employees. The Corporation expects to complete the transfer of OTS employees identified for transfer to the FDIC by mid- to late July 2011.

Human Resources (staffing and training): The FDIC has adjusted its field examination and other staffing authorizations to reflect the work being transferred from the OTS. The Corporation anticipates that much of the transferred work will be accompanied by transferred OTS employees. In cases where the number of OTS employees transferring to the FDIC is insufficient to handle the transferred work, current FDIC employees will be trained and assigned to the work. Staffing and training needs will be reviewed regularly to ensure that resources are adequate and that all FDIC employees, including those transferred from the OTS, possess the required skills and knowledge to carry out the Corporation’s mission responsibilities.

Information Technology: The FDIC will use its payroll service provider, the National Finance Center, and its personnel system, the Corporate Human Resources Information System, to support the transfer of OTS employees to the FDIC and to ensure that all statutory protections related to OTS employee compensation and benefits are observed.

Verification and Validation

The FDIC, the OCC, and the OTS have established transition teams that are working together to identify and address mutual concerns and issues for resolution to ensure the successful transfer of OTS supervisory responsibilities to the FDIC. In addition, human resources staffs at the three agencies are meeting to ensure that all OTS employees receive transfer assignments and subsequent pay and benefits protections in accordance with statutory requirements.

2010 Performance Results

This annual performance goal and its associated performance indicator and targets are new for 2011.

Annual Performance Goal 2.1-4

Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering and other financial crimes.

Indicator and Target

1. Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy

    - *Conduct 100 percent of Bank Secrecy Act examinations within the time frames prescribed by statute and FDIC policy.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC conducts Bank Secrecy Act/Anti-Money Laundering (BSA/AML) examinations and Office of Foreign Assets Control (OFAC) reviews to assess the BSA/AML and OFAC compliance programs of supervised financial institutions. These examinations and reviews encompass sound risk management, compliance with recordkeeping requirements, and the ability of the institution to identify and report suspicious activity. BSA/AML examinations and OFAC reviews are performed as a part of all risk management examinations of FDIC-supervised insured depository institutions. In 2011, the FDIC will conduct over 2,500 BSA/AML examinations and OFAC reviews. The FDIC follows a risk-focused approach to BSA/AML examinations and OFAC reviews, which allows examiners to focus resources on those areas with the greatest potential risk.

In 2010, the FDIC and the other federal banking agencies, the Financial Crimes Enforcement Network (FinCEN), the Conference of State Bank Supervisors, and OFAC updated the Federal Financial Institutions Examination Council (FFIEC) BSA/AML Examination Manual to ensure the guidance was current for existing laws, regulations, and policy interpretations. An additional review will be done in 2011 to determine if further revisions are needed. The FDIC, the Board of Governors of the Federal Reserve System, and the OCC also translated the 2010 FFIEC BSA/AML Examination Manual into Spanish. Additional guidance will be provided to risk management staff through written memoranda, participation in the FFIEC BSA/AML Examination Workshop, and attendance at the Advanced BSA/AML Specialists Conference.

Human Resources (staffing and training): The FDIC currently has 317 examiners who are designated as BSA/AML subject matter experts, including about 80 with advanced certifications for this discipline. Staffing and training needs are reviewed regularly to ensure that the staff resources supporting the BSA/AML examination program are adequate and that employees possess the skills and knowledge to effectively and successfully assess compliance with BSA/AML requirements and detect any emerging risks.

Information Technology: BSA/AML reference materials are available on the FDIC's website at http://www.fdic.gov/regulations/examinations/index.html. This link provides the banking industry and the regulatory community with centralized and expanded access to BSA/AML resources. The link also provides updated information and instructions about BSA/AML examination procedures, interpretive guidance, websites of related agencies, instructions for reporting suspicious activity and terrorist-financing activity, and an overview of governing rules and regulations. Along with the release of the interagency FFIEC BSA/AML Examination Manual, the federal banking agencies have also made available through the FFIEC website (www.ffiec.gov) a BSA/AML Examination Manual InfoBase. It includes the interagency BSA/AML Examination Manual, BSA regulations, and guidance provided by each federal banking agency. BSA/AML examinations are tracked in the ViSION system.

Verification and Validation

The number and timing of examinations are tracked in the ViSION system and reported through established management processes.

2010 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2010. The FDIC successfully met this performance target in 2010.

Annual Performance Goal 2.1-5

More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels.

Indicators and Targets

1. Implementation by the federal banking agencies of capital floors for banking organizations in accordance with the requirements of Section 171 of DFA

    - *Complete by June 30, 2011, the final rule addressing capital floors for banking organizations.*

2. Issuance by the federal banking agencies of proposed rules to implement Basel III regulatory capital enhancements

    - *Complete by September 30, 2011, the Basel III Notice of Proposed Rulemaking (NPR) for the new definition of capital, the July 2009 enhancements to resecuritization risk weights, and securitization disclosures.*

    - *Complete by September 30, 2011, the Basel NPR for the new leverage ratio.*

- *Complete by September 30, 2011, the Basel NPR for the new liquidity requirements.*

- *Complete by December 31, 2011, the final rule on the Market Risk Amendment (includes finalizing alternatives to the use of credit ratings in accordance with DFA requirements).*

- *Complete by September 30, 2011, the NPR for the Standardized Framework.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC is focusing on ensuring that banks build and maintain capital adequate to weather the stresses of a more difficult financial environment. These efforts include revising the capital framework, enhancing offsite monitoring capabilities, and bolstering examination support.

The objective of Basel II is to more closely align regulatory capital with risk in large, internationally active banks. Under the Basel II Advanced Approaches rule, these banks are required to use the most advanced approaches of Basel II for determining their risk-based capital requirements. Implementation of the Basel II Advanced Approaches requires these banks to develop complex internal models to estimate capital requirements. Supervisors are evaluating these processes during a “parallel run.” Thus far, one U.S. institution has completed a year of the parallel run, and a number of other U.S. institutions are starting their parallel runs in 2011. The FDIC will assess the capital adequacy of these banks and other banks that commence the parallel run phase and determine whether the models appropriately reflect the loss experiences of the recent financial turmoil. The FDIC will also work with other agencies to implement the DFA requirement that establishes a risk-based capital floor under the advanced approaches to ensure that advanced approach capital requirements remain at prudentially sound levels.

In 2010, the agencies issued the Advisory on Interest Rate Risk Management, which reminds banks of supervisory expectations regarding sound practices for managing interest rate risk; the Interagency Policy Statement on Funding and Liquidity Risk Management, which summarizes the principles of sound liquidity risk management that the agencies have issued in the past; and, when appropriate, the ”Principles for Sound Liquidity Risk Management and Supervision,” issued by the Basel Committee on Banking Supervision in September 2008. The FDIC intends to monitor the progress of banks in implementing these issuances and their effectiveness in managing their interest rate and liquidity risks.

Domestically, the FDIC will seek to improve or strengthen regulatory capital requirements for all banks by directly monitoring bank capital adequacy based on experience with the financial turmoil during this period of stress and by working with other agencies to propose regulations implementing new Basel III capital standards. This includes tracking institutions whose reported financial data and market indicators indicate heightened risk of capital or liquidity stresses. Other strategies include the provision of support to field examiners involved in determining the appropriate capital levels for securitizations, particularly those securitizations that have been downgraded by the credit rating agencies, and revisions to the domestic capital frameworks for banks, including incorporating the Basel 2.5 and Basel III revisions to the Basel II Accord, which the Basel Committee finalized in July 2009 and December 2010, respectively.

Internationally, through the FDIC's participation on the Basel Committee and the Financial Stability Board, the FDIC will continue to promote strong international bank capital standards. To accomplish this goal, the FDIC will participate in the Basel Committee's various groups and subgroups, including the Policy Development Group, the Definition of Capital subgroup, the Trading Book Group, the Financial Stability Board's Bail-In Debt Working Group, and other international groups and forums.

Although this annual performance goal will be pursued over several years, 2011 will be a year of intensive work. Key efforts include participating in Basel's numerous quantitative impact studies, including those that are designed to monitor the new international leverage ratio and liquidity requirements; participating in Basel's fundamental review of the trading book and further work on counterparty credit risk; implementing regulatory capital charges for central counterparties; implementing new approaches to the definition of capital and associated minimum numerical capital requirements; and developing a regulatory capital charge for systemically important financial institutions.

Human Resources (staffing and training): The FDIC will continue in 2011 to expand the number of staff with expertise on bank capital. The breadth and depth of knowledge among FDIC staff on bank capital and capital markets matters has expanded due in part to their continued participation and active involvement in Basel policy development groups. The FDIC will also continue to strengthen its ability to participate actively in the dialogue on capital adequacy through the use of internal and external training to augment skill sets of current staff.

Information Technology: The FDIC will use existing technology to accomplish this annual performance goal.

Verification and Validation

Progress in meeting this annual performance goal will be tracked through periodic meetings and established reporting processes.

2010 Performance Results

This annual performance goal and its associated performance indicators and targets have been updated for 2011. One of the 2010 performance targets will be achieved in 2011, and three were deferred due to specific legislative provisions in DFA.

Annual Performance Goal 2.1-6

Identify and address risks in financial institutions designated as systemically important.

Indicator and Targets

1. Establishment of institution monitoring and resolution planning programs for systemically important institutions

    - *Establish an ongoing FDIC monitoring program for all covered financial institutions.*

    - *Complete rulemaking to establish (with the Board of Governors of the Federal Reserve System) criteria for resolution plans to be submitted by systemically important institutions.*

Means and Strategies

Operational Processes (initiatives and strategies): DFA expanded the FDIC's statutory responsibilities for monitoring the financial condition of financial institutions beyond insured depository institutions to bank holding companies with more than $50 billion in assets and non-bank financial companies that are designated as systemically-important financial institutions (SIFIs) by the Financial Stability Oversight Council. In addition, the FDIC (with the Federal Reserve) is responsible for ensuring that sound resolution plans are in place for these institutions and for managing the orderly liquidation of those institutions, if that becomes necessary.

The FDIC established the Office of Complex Financial Institutions (CFI) in early 2011 to provide a focal point for its efforts to monitor, in conjunction with the FDIC's Division of Risk Management Supervision (RMS) and other federal financial regulatory agencies, the risks posed by the largest and most complex financial institutions. CFI will focus on those insured depository institutions and bank holding companies with more than $100 billion in assets (as well as designated non-bank financial companies), while RMS will focus on those institutions with $50 to $100 billion in assets. Both CFI and RMS will work with these institutions and their primary federal regulators to mitigate identified risks. In addition, CFI and will review (with the Federal Reserve) the adequacy of the resolutions plans submitted by these institutions under DFA and will work with the FDIC's Division of Resolutions and Receiverships (DRR) to ensure that the FDIC is prepared to liquidate systemically-important financial companies in an orderly manner, if that becomes necessary, in order to avoid future disruptions to the U.S. economy or world financial markets.

During 2011, CFI will enhance current FDIC monitoring programs focused on the largest and most complex financial institutions. In implementing these programs, CFI will utilize both institution-specific specialists and horizontal review specialists who will provide expertise and support on issues that cross multiple institutions. These programs will also include a specific focus on institutions that have international operations and pose potential global systemic risk. CFI will also work with the Federal Reserve in 2011 to complete rulemaking defining the requirements for resolutions plans that covered institutions must submit under DFA and to begin to develop strategies for the orderly liquidation of SIFIs, if necessary. Initial draft resolution plans are expected to be submitted for review by covered institutions in early 2012. In addition, CFI will participate in international regulatory initiatives to reduce systemic risk and the impact of cross border institution failures.

Human Resources (staffing and training): CFI has a 2011 staffing authorization of 156 Full-Time Equivalent positions (FTEs), primarily highly qualified and experienced senior specialists allocated among a Complex Financial Institutions Monitoring Group, a Systemic Resolution Planning and Implementation Group, and an International Coordination Group. Most of these positions are new, but 35 existing large bank specialist positions were transferred from RMS to CFI to provide a core base of expertise for the new organization. The FDIC expects to fill some of the new positions with current FDIC employees, but will fill most of them with expertise from outside the Corporation. CFI expects to be fully staffed to carry out its responsibilities by the end of 2011. In the interim, staff from other FDIC divisions has been temporarily detailed to CFI to assist with the current workload.

Information Technology: Existing technology will initially be used to accomplish this goal. CFI is coordinating with other divisions within the FDIC to identify databases and systems that could potentially be used to supports its risk monitoring functions as well as its other assigned business functions. CFI has also identified a number of possible new technology projects (e.g., data marts, integration/interfaces with existing systems, etc.) that it may propose for initiation in 2012 and future years.

Verification and Validation

Progress in meeting this annual performance goal will be tracked through periodic meetings and established reporting processes.

2010 Performance Results

This annual performance goal and its associated performance indicator and targets are new for 2011.

Annual Performance Goal 2.1-7

Facilitate more effective regulatory compliance so as to reduce regulatory burden on the banking industry, where appropriate, while maintaining the independence and integrity of the FDIC's risk management and consumer compliance supervisory programs.

Indicators and Targets

1. Issuance of revised corporate directive

    - *Issue by March 31, 2011, a revised corporate directive on the issuance of Financial Institution Letters (FILs) that includes a requirement that all FILs contain an informative section as to their applicability to smaller institutions (total assets under $1 billion).*

2. Completion of review of recurring questionnaires and information requests

    - *Complete by June 30, 2011, a review of all recurring questionnaires and information requests to the industry and submit a report to FDIC management with recommendations on improving efficiency and ease of use, including a scheduled plan for implementing these revisions. Carry out approved recommendations in accordance with the plan.*

Means and Strategies

Operational Processes (initiatives and strategies): FDIC staff will review the FDIC's risk management and consumer compliance supervisory programs and automated systems and processes to identify where there is a potential for reducing regulatory burden. The focus of this review will be on corporate directives and recurring questionnaires.

Human Resources (staffing and training): Existing professional staff will execute the goal. It may be necessary to provide limited training to FDIC staff on any changes that are made, depending on the outcome of the reviews.

Information Technology: The FDIC will use existing technology to accomplish this goal.

Verification and Validation:

Progress in meeting this annual performance goal will be tracked through established management reporting processes.

2010 Performance Results:

This annual performance goal is new for 2011.

STRATEGIC GOAL 3:
Consumers' rights are protected, and FDIC-supervised institutions invest in their communities.

STRATEGIC OBJECTIVE 3.1

FDIC-supervised institutions comply with consumer protection, Community Reinvestment Act (CRA), and fair lending laws and do not engage in unfair or deceptive practices.

Annual Performance Goal 3.1-1

Conduct on-site CRA and compliance examinations in accordance with the time frames prescribed by FDIC policy.

Indicator and Target

1. Percentage of examinations conducted in accordance with the time frames prescribed by FDIC policy

    - *Conduct 100 percent of required examinations within the time frames established by FDIC policy.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC conducts CRA and compliance examinations of FDIC-supervised depository institutions to determine compliance with consumer protection and fair lending laws and performance under CRA. The frequency of compliance examinations is specified by FDIC policy. For CRA examinations, the FDIC's examination frequency policy conforms to applicable provisions of the Gramm-Leach-Bliley Act (GLBA), which establishes the CRA examination cycle for most small banks. In 2011, the FDIC estimates that it will conduct approximately 1,800 compliance and/or CRA examinations.

The FDIC's compliance examination approach emphasizes an institution's compliance risk-management practices as opposed to exhaustive transactional testing. This approach involves an expanded review of an institution's systems and compliance policies so that transaction testing can be better targeted and focused on the areas of greatest risk exposure. This approach creates a more efficient and effective use of examination resources, especially in financial institutions with high compliance risk profiles.

Human Resources (staffing and training): The FDIC's authorized compliance examination workforce increased from 483 in 2010 to 537 in 2011, including examiner trainees assigned to Corporate University. Staffing and training needs are reviewed regularly to ensure that staff resources supporting the compliance examination program are adequate and that employees possess the skills and knowledge to effectively implement this program.

Information Technology: The System of Uniform Reporting of Compliance and CRA Examinations (SOURCE) is used to schedule and track financial institution compliance examinations, support pre-examination planning, and provide management information.

Verification and Validation

The FDIC will analyze examination-related data collected in SOURCE to determine whether the performance target for this goal is achieved during the reporting period. Results will be reported through established management processes.

2010 Performance Results

This annual performance goal and the associated performance indicator and target are unchanged from 2010. In 2010, the FDIC successfully met this performance target.

Annual Performance Goal 3.1-2

Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that receive a composite 3, 4, or 5 rating for compliance with consumer protection and fair lending laws.

Indicator and Target

1. Percentage of follow-up examinations or on-site visits of 3-, 4- and 5-rated institutions conducted within required time frames

    - *For all institutions that are assigned a compliance rating of 3, 4, or 5, conduct follow-up examinations or on-site visits within 12 months to ensure that each institution is fulfilling the requirements of any corrective programs that have been implemented and that the actions taken are effectively addressing the underlying concerns identified during the examination.*

Means and Strategies

Operational Processes (initiatives and strategies): Institutions with compliance deficiencies are identified primarily through the examination process. While discussions with bank management are usually sufficient to correct these deficiencies, the FDIC has broad enforcement powers to correct practices, conditions, or violations of law that threaten an institution's compliance with consumer protection and fair lending laws or a consumer's rights under those laws. The FDIC may address identified problems through the use of formal or informal enforcement actions against the institution or responsible individuals.

The responsible review examiner and senior regional officials closely monitor each institution that is rated 3, 4 or 5 for compliance with consumer protection and fair lending laws. Except in rare instances where it is determined by FDIC management to be unnecessary, a follow-up examination or on-site visit is conducted to review compliance with supervisory actions for each institution that receives a composite rating of 3, 4 or 5. Additional follow-up action is taken when the initial corrective program is determined to have been insufficient in addressing the identified problem. In addition, progress in complying with an enforcement action is assessed through quarterly progress reports from, and direct communication with, management of the financial institution.

Human Resources (staffing and training): Regional review examiners are primarily responsible for monitoring to ensure that institutions comply with established corrective programs. Field supervisors and examination staff are primarily responsible for follow-up examinations and on-site reviews. The number of regional review examiner and field examination positions has been substantially increased in 2011. Staffing and training needs are reviewed regularly to ensure that resources supporting these functions are adequate and that employees possess the required skills and knowledge.

Information Technology: The SOURCE system is used for examination scheduling and processing. The ViSION system is used to monitor all enforcement action activity.

Verification and Validation

To ensure that supervisory actions are taken promptly, the FDIC monitors the time it takes to provide examination reports to FDIC-supervised institutions after the completion of an examination. The FDIC will also continue to use the Regional Office Internal Control Review program to ensure that regions are effectively monitoring the compliance of FDIC-supervised institutions compliance with formal and informal enforcement actions. This review encompasses various components of the supervisory process, including an assessment of the appropriateness and efficacy of formal and informal enforcement actions and the timeliness of implementation and follow-up activities. Any material exceptions noted during the reviews are brought to management's attention for appropriate action.

2010 Performance Results

This annual performance goal and the associated performance indicator and target are unchanged from 2010. In 2010, the FDIC successfully met this performance target.

Annual Performance Goal 3.1-3

Complete the transfer of personnel and supervisory responsibility for compliance examinations of FDIC-supervised institutions with more than $10 billion in assets and their affiliates from the FDIC to the new CFPB in accordance with statutory requirements.

Indicator and Targets

1. Transfer from the FDIC to the CFPB of personnel and supervisory responsibility for FDIC-supervised institutions with more than $10 billion in assets and their affiliates

    - *Complete by July 21, 2011, the transfer of supervisory responsibility from the FDIC to the CFPB.*

    - *Identify the FDIC employees to be transferred to the CFPB and transfer them in accordance with established time frames.*

Means and Strategies

Operational Processes (initiatives and strategies): Under DFA, the CFPB will assume responsibility from the FDIC and other bank regulatory agencies for the supervision of insured depository institutions (IDIs) with more than $10 billion in assets as well as insured institutions that are affiliated with those IDIs. This responsibility covers compliance with designated consumer protection and fair lending statutes and regulations, but does not extend to compliance with statutory CRA requirements. The FDIC will work with the CFPB to complete the orderly transfer of the applicable FDIC-supervised institutions to CFPB supervision in accordance with DFA. The CFPB is formulating its supervisory program for institutions within its jurisdiction, and the FDIC will maintain ongoing communications with the CFPB to ensure the orderly transfer without any gaps in supervisory coverage, particularly for those transferring institutions with active enforcement programs in place. The FDIC will also continue to provide information and technical assistance to the CFPB, as requested, as it sets up its supervision program.

Human Resources (staffing and training): The CFPB is evaluating its staffing needs and working with the FDIC and the other bank regulatory agencies to formulate strategies for the orderly transfer of personnel. In accordance with the FDIC's agreement with CFPB, the transfer process will be entirely voluntary for FDIC employees. The FDIC has also provided to the CFPB its examiner-training curriculum and training materials to assist the CFPB in establishing its own examiner training program.

Information Technology: The FDIC has provided extensive briefings and other materials to the CFPB regarding the IT systems it uses to support the compliance supervision process.

Verification and Validation

Progress in meeting this annual performance goal will be tracked through established management reporting processes.

2010 Performance Results

This annual performance goal and the associated performance indicator and targets are new for 2011.

STRATEGIC OBJECTIVE 3.2

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 3.2-1

Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.

Indicator and Target

1. Timely responses to written consumer complaints and inquiries

    - *Respond to 95 percent of written consumer complaints and inquiries within time frames established by policy, with all complaints and inquiries receiving at least an initial acknowledgement within two weeks.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC investigates and responds to written complaints regarding consumer protection and fair lending issues, including those received electronically through the Customer Assistance Form on the FDIC's website. Complaints regarding FDIC-supervised institutions are investigated by FDIC staff; those regarding institutions with other primary regulators are referred to those agencies. Target response times vary by the type of complaint. The Corporation also provides consumer protection information to financial institutions and the public. When performed effectively, these activities help consumers better understand their rights under consumer protection and federal fair lending laws.

Human Resources (staffing and training): The FDIC's Consumer Response Center responds to consumer complaints and inquiries about consumer protection matters. This centralized program helps maintain staff knowledge and expertise and provides greater flexibility in balancing staff resources and workload.

Information Technology: The FDIC uses the Specialized Tracking and Reporting System (STARS) to capture and report information, including response time, about complaints.

Verification and Validation

Progress in meeting this annual performance goal will be monitored through established management reporting processes. The FDIC closely monitors the timeliness of its acknowledgment letters and responses using its STARS tracking system. In addition, the Corporation surveys a sample of consumers who have filed written consumer protection and fair lending complaints in order to assess their satisfaction with the FDIC's investigations and responses. Accepted survey research methods are employed to ensure the validity and reliability of the customer satisfaction survey instrument and the survey results.

2010 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2010. In 2010, the FDIC successfully met this performance target.

STRATEGIC OBJECTIVE 3.3

The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.

Annual Performance Goal 3.3-1

Establish, in consultation with the FDIC's Advisory Committee on Economic Inclusion and other regulatory agencies, national objectives and methods for reducing the number of unbanked and underbanked individuals.

Indicator and Targets

1. Completion of initiatives to facilitate progress in improving the engagement of low- and moderate-income individuals with mainstream financial institutions

    - *Launch the FDIC Model Safe Accounts Pilot, begin data collection on the accounts from banks, and start reporting on results of the pilot.*

    - *Continue to promote the results of the FDIC Small-Dollar Loan Pilot, and research opportunities for bringing small-dollar lending programs to scale, including exploring a test of employer-based lending using the federal workforce.*

    - *Engage in efforts to support safe mortgage lending in low- and moderate-income communities.*

Means and Strategies

Operational Processes (initiatives and strategies): More than 25 percent of U.S. households, with 60 million adults residing in them, are underserved by the banking industry. This includes both "unbanked" households—those with no checking or savings accounts—and "underbanked" households—those with checking or savings accounts, but still relying primarily on nonbank alternative financial services and providers, such as money orders, check cashing services, payday loans, rent-to-own agreements, pawn shops, or refund anticipation loans. Certain racial and ethnic groups are more likely to be underserved than the population as a whole. Almost 54 percent of black households, 45 percent of American Indian/Alaskan Native households, and 43 percent of Hispanic households are underserved.

The FDIC's Advisory Committee on Economic Inclusion supports research, demonstrations, and pilot projects and promotes sound supervisory and public policies to improve the appropriate engagement of underserved households with mainstream financial institutions. Appropriate engagement means that households are using financial products and services that are affordable, easy to understand, and not subject to unfair or unforeseen fees.

Banks would appear to have a strong financial incentive for pursuing underserved consumers, given the sheer size of the alternative financial services industry. However, according to the "FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked" (February 2010), fewer than 18 percent of banks identify expansion of their services to these consumers as a priority in their business strategies.

During 2011, the Advisory Committee will establish work groups to focus on five program areas to facilitate progress in improving appropriate engagement with mainstream financial institutions: transactional accounts, savings, affordable credit, financial literacy, and incentives. Each work group will establish and pursue a defined set of initiatives.

The Advisory Committee may recommend to the FDIC specific measures of improvement in each of these areas. It recognizes, however, that certain of these measures are national objectives that require the participation and cooperation of multiple stakeholders, including the FDIC; other federal agencies; federal, state, and local policy makers; the financial services industry; nonprofit and philanthropic groups; and consumer groups.

Human Resources (staffing and training): The activities of the Advisory Committee are supported by staff in several FDIC divisions, including the Division of Insurance and Research, the Division of Depositor and Consumer Protection, and the Legal Division. Employees in these divisions provide staff support for the Advisory Committee, as needed, including support for its research and demonstration activities.

Information Technology: The FDIC broadcasts the Advisory Committee's public meetings on the Internet.

Verification and Validation

Progress in completing the initiatives identified in the Advisory Committee's strategic plan, including those established as performance targets for this annual performance goal, will be monitored through periodic reporting from the work groups. Progress in increasing the engagement of low- and moderate-income individuals with mainstream financial institutions will be measured through the ongoing household and bank surveys conducted by the FDIC.

2010 Performance Results

This annual performance goal and its associated performance indicator are unchanged from 2010. The performance targets have been updated for 2011. In 2010, the FDIC successfully met the performance targets for this annual performance goal.

RECEIVERSHIP MANAGEMENT PROGRAM

When an insured institution fails, the FDIC is ordinarily appointed as receiver. In its receivership capacity, the FDIC assumes responsibility for efficiently recovering the maximum amount possible from the disposition of the receivership's assets and the pursuit of the receivership's claims. Funds collected from the sale of assets and the dispositions of valid claims are distributed to the receivership's creditors in accordance with the priorities set by law.

The FDIC focuses its receivership management efforts on four goals:

- Resolving institutions in the least costly manner;
- Managing and marketing failed institution assets to maximize return;
- Pursuing monies due to the failed institution; and
- Resolving the debts of the institution fairly.

The FDIC assesses and values the assets and liabilities of the failing institution to determine an accurate valuation. Using this information, the FDIC markets and sells various parts of the institution to acquiring institutions and investors. The FDIC markets failed institutions broadly, ensuring that all qualified parties are given an opportunity to present bids. When an institution fails, it is closed by the appropriate chartering agency, and the FDIC is appointed receiver. After paying the insured depositors their funds (if another institution has not assumed the deposits), the FDIC inventories and values any remaining assets and uses various strategies to quickly sell the assets. Disposition of certain assets can be a very lengthy process. In the interim, the FDIC performs required asset servicing (such as building maintenance and the processing of loan payments) to maintain the value of these assets until they are sold.

Throughout the asset valuation and selling processes, the FDIC also seeks payment from the debtors of the failed institution. FDIC staff identifies and investigates claims owed to the receivership and pursues those claims on behalf of the receivership when it is cost effective to do so and/or when public policy dictates that the FDIC pursue legal action against a debtor (e.g., certain negligence or fraud cases).

The FDIC also works to ensure that legitimate claims against the receivership are satisfied fairly. The FDIC notifies likely claimants of the failed institution and provides them instructions on how to properly file their claims. Once the FDIC receives and validates the information, the claimants are paid, as appropriate.

Following the resolution of receivership claims, disposition of most assets, payment of eligible creditor claims, and allocation of any other funds on behalf of the receivership, the FDIC proceeds with the termination of the receivership. This involves preparation of final accounting statements and can require judicial confirmation that the obligations of the FDIC as receiver have been met.

The following table depicts the strategic goal, strategic objectives, and annual performance goals for the Receivership Management Program.

Strategic Goal	Strategic Objective	Annual Performance Goals
Resolutions are orderly and receiverships are managed effectively.	Receiverships are managed to maximize net return and terminated in an orderly and timely manner.	Value, manage and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return. (4.1-1)
		Manage the receivership estate and its subsidiaries toward an orderly termination. (4.1-2)
		Complete reviews of all loss share and Limited Liability Corporation (LLC) agreements to ensure full compliance with the terms and conditions of the agreements (4.1-3)
	Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.	Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions, and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution. (4.2-1)

STRATEGIC GOAL 4:

Resolutions are orderly and receiverships are managed effectively.

STRATEGIC OBJECTIVE 4.1

Receiverships are managed to maximize net return and terminated in an orderly and timely manner.

Annual Performance Goal 4.1-1

Value, manage and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.

Indicators and Targets

1. Percentage of the assets marketed for each failed institution

    - *For at least 95 percent of insured institution failures, market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date (for cash sales) or 120 days of the failure date (for structured sales).*

Means and Strategies

Operational Processes (initiatives and strategies): By quickly returning the assets of a failed institution to the private sector, the FDIC maximizes net recoveries and minimizes disruption to the local community. During the past two years, whole bank loss-share transactions have been used extensively as a vehicle to sell most of the assets of a failed bank to an acquiring bank. 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 the sale of as many of the institution's assets as possible at resolution or shortly thereafter. The FDIC markets most of the remaining assets within 120 days after an insured institution fails.

After the resolution of the failed institution, the FDIC collects and manages the remaining assets in a cost-effective manner to maximize recoveries and preserve value until the assets can be marketed. The failed institution's assets are grouped into pools that will be most appealing to acquirers and are marketed via the Internet. Potential asset purchasers are given the opportunity to view all sales information electronically before electronic bid submission. The FDIC also complements electronic due diligence with hard-copy due diligence by allowing potential bidders to view all hard-copy sale information at the actual sales site.

Where appropriate, the FDIC manages and disposes of the remaining assets from the failed bank location. The FDIC uses the Standard Asset Valuation Estimation (SAVE) methodology, valuation contractors, and financial advisors to value and assist in making marketing and disposition decisions regarding most of the assets of the failed institution. The SAVE methodology uses standard assumptions and market information to ensure consistency in the valuation of assets. The valuation process, methodology, and assumptions used to value assets are continually reviewed and, where necessary, updated. The FDIC will continue to update and refine its marketing strategies in order to market assets as quickly and efficiently as possible.

Human Resources (staffing and training): The FDIC maintains a permanent staffing platform in the Division of Resolutions and Receiverships (DRR), which has primary responsibility for the Corporation's resolutions and receiver management functions, to carry out these functions on a long-term basis. When workload increases, as it has during the past two years, these resources are augmented by adding non-permanent staff and contractor resources. These resources may also be expanded on a short-term basis by the deployment of cross-trained employees from elsewhere within the Corporation. Current and projected workload is continually assessed to ensure that adequate staff and contractor resources are available to fulfill the FDIC's receivership management responsibilities.

The 2011 Corporate Operating Budget provides for 442 permanent positions in DRR. This is an increase of 118 positions from 2010. The increase was based on an independent outside analysis of the resources that DRR needed immediately at the outset of the current crisis and the actual time that was required for DRR to add non-permanent employees and contractor staff in response to the crisis. That analysis concluded that the permanent DRR staffing platform should have been substantially larger than it was when the number of potential bank failures began to rise in 2008. Overall, DRR's authorized 2011 staffing decreased by 133 positions, reflecting a decrease of 251 authorized non-permanent positions. The reduction in authorized non-permanent positions is consistent with the gradual decline in DRR's workload that is projected during 2011.

The FDIC uses contractors extensively to manage and sell the assets of failed institutions. It has in place broad policies and procedures related to contracting and the use of contractors to provide services. These policies cover every phase of the contracting process. Individual FDIC divisions and offices must apply these guidelines and establish controls and internal processes to ensure that these policies and procedures are being strictly followed. The number of contractors supporting the receivership management function increased dramatically in 2009 and 2010, but is expected to substantially decrease in 2011. In addition, pursuant to DFA, the FDIC established in January 2011 a new Office of Minority and Women Inclusion, which will have responsibility for increasing the participation of underrepresented groups, including minority- and women-owned businesses and law firms, in FDIC contracting and asset purchase opportunities by identifying and addressing barriers to such participation and other strategies.

Information Technology: The FDIC will continue to use new and refined technologies to make its asset management/servicing, sale strategies, and other business processes more efficient and to keep pace with changing market and business practices. The Corporation will continue to use the Internet to deliver asset marketing information to potential investors and to auction/sell assets received from failed institutions. The FDIC's 4C application provides a comprehensive source of information related to the resolution of financial institutions and the management, valuation, marketing, and sale of assets. In 2011, improvements will be made to 4C to address scalability, high availability, and data throughput. These improvements will ensure future capacity to store and process the increased data volume from failed institutions. In addition, the Corporation's Automated Procurement System will be modified in 2011 to provide enhanced reporting in support of contract management.

Verification and Validation

Franchise marketing activities are tracked through 4C. The FDIC establishes bid list criteria for each prospective transaction and identifies qualified bidders in 4C. 4C is supported by the ViSION system, which contains up-to-date examination and supervisory information on each institution. Each primary federal regulatory agency reviews the bid lists before bids are submitted to ensure that only those institutions that meet the criteria set for each transaction are included.

2010 Performance Results

This annual performance goal and its associated performance indicator are unchanged for 2011, but the associated performance target has been revised from 100 percent to 95 percent. A second 2010 performance indicator and target were deleted from the 2011 goal, based upon a determination that they were no longer applicable. In 2010, the FDIC successfully met the performance targets for this annual performance goal.

Annual Performance Goal 4.1-2

Manage the receivership estate and its subsidiaries toward an orderly termination.

Indicator and Target

1. Timely termination of new receiverships

    - *Terminate at least 75 percent of new receiverships that are not subject to loss share agreements, structured sales, or other legal impediments within three years of the date of failure.*

Means and Strategies

Operational Processes (initiatives and strategies): The oversight and prompt termination of a receivership preserves value for the uninsured depositors and other receivership claimants by reducing overhead and other holding costs. A unique action plan is established for each receivership, and various asset, liability, finance, and legal staff assigned to the receivership execute that plan. Receivership staff oversee and monitor the execution of each action plan, including goals and milestones. In addition, an oversight committee, consisting of senior FDIC managers, meets periodically to review and evaluate the quarterly progress on each receivership action plan.

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 yet been approved, and known or potential environmental contamination liabilities. Once the FDIC has disposed of all of the assets of the receivership, resolved all liabilities, and ensured that no material financial or legal risks remain, a final distribution is made to the creditors of the receivership and the receivership entity is terminated. To the extent that significant, unresolved impediments remain for a substantial number of receiverships, the FDIC may be unable to achieve this goal.

The FDIC continues to work on the resolution of impediments to the termination of its remaining open receiverships. During 2010, 157 new receiverships were added to the FDIC's inventory of receiverships and none were inactivated, leaving 344 active receiverships at the end of 2010.

Human Resources (staffing and training): Current and projected workload are continually assessed to ensure that adequate staff and contractor resources are available to fulfill the FDIC's receivership management responsibilities. As noted earlier, the FDIC uses contractor resources and temporary hiring initiatives to supplement permanent resolutions and receivership management staff as workload increases.

Information Technology: Existing technology will be used to accomplish this goal.

Verification and Validation

The process of inactivating a receivership is tracked in FDIC systems. Monthly reports of deactivations are reviewed for accuracy. System users validate the data, and any discrepancies are reconciled. Results are reported through established management processes.

2010 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2010. The FDIC successfully met this performance target in 2010.

Annual Performance Goal 4.1-3

Complete reviews of all loss share and limited liability corporation (LLC) agreements to ensure full compliance with the terms and conditions of the agreements.

Indicator and Target

1. Percentage of reviews of loss share and LLC agreements completed and action plans implemented

    - *Complete on-site field work for reviews of 100 percent of the loss share and LLC agreements active as of December 31, 2010, to ensure full compliance with the terms and conditions of the agreements.*

- *Review the final report and implement an action plan to address the report's finding and recommendations for 75 percent of the loss share reviews and 50 percent of the LLC reviews, including all reviews of agreements totaling more than $1.0 billion (gross book value).*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC uses both FDIC- and contractor-staffed review teams to conduct on-site reviews of entity compliance with agreements. Guidance for these reviews is provided both formally in contract documents and less formally in internal procedure documents. Review findings are summarized in a report, and the quality of those reports is evaluated by an FDIC employee independent of the team conducting the review. Acceptable reports are presented to a Compliance Review Committee when they are finalized, and the findings are recorded in a database to allow tracking of any needed corrective actions. This committee is responsible for approving the adequacy of proposed corrective steps, identifying needed actions program-wide, and reporting status to DRR senior management, the Audit Committee, and the FDIC Board of Directors. FDIC asset specialists are assigned a caseload of loss share or LLC agreements to monitor, and they are responsible for implementing any needed corrections related to entities in their caseload.

Human Resources (staffing and training): A combination of FDIC and contractor resources is responsible for this monitoring program. At year-end 2010, eight compliance monitoring contractors were being assigned to conduct reviews under the parameters of a basic ordering agreement. In addition, FDIC-staffed review teams will be established in 2011.

Foundational training on contract oversight management and loss share oversight was provided to DRR employees in 2010. In 2011, additional training is planned to address specific issues found in the 2010 reviews, expand on concepts covered in the foundational training, and convey changes to policy, procedure, and monitoring tools.

Information Technology: The FDIC will continue to use loan servicing companies to receive and aggregate data from risk share partners for purposes of monitoring overall financial risk. Additionally, aggregated data will be extracted periodically from FDIC databases for broad program analytics and dashboard reporting. Finally, existing risk management systems will be used for tracking compliance monitoring review results.

Verification and Validation

Data on scheduled reviews of loss share and LLC agreements is tracked using spreadsheets. The accuracy of the information is verified and validated on a continual basis by loss share management and staff engaged in compliance monitoring activities. The minutes from Compliance Review Committee meetings are the source document for validating that final reports were received and corrective actions were reviewed by the committee. Results are reported through established management processes.

2010 Performance Results

This annual performance goal and its associated performance indicators are new for 2011.

STRATEGIC OBJECTIVE 4.2

Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.

Annual Performance Goal 4.2-1

Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.

Indicator and Target

1. Percentage of investigated claim areas for which a decision has been made to close or pursue the claim

    - *For 80 percent of all claim areas, make a decision to close or pursue professional liability claims within 18 months of the failure of an insured depository institution.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC investigates potential claims against professionals (e.g., directors, officers, attorneys and others) whose actions may have contributed to losses at failed institution and assesses the viability of insurance policies and the carriers that provide fidelity insurance to the failed institution. Once the investigation is complete, the FDIC determines whether it has viable, cost-effective claims and whether it should pursue such claims. Most professional liability investigations must be completed and viable claims filed within three years following an institution's failure in order to meet statute of limitations requirements.

The FDIC's attorneys and investigators work together to ensure that valid claims arising from the failure of an insured institution are fully evaluated within the prescribed time. They investigate the events that contributed to losses at the institution and conduct legal research and analysis of potential claims. They also prepare additional analysis to determine the likelihood of a recovery exceeding the estimated cost of pursuing each claim. The team then recommends to senior FDIC management whether a claim should be pursued or the investigation closed.

Human Resources (staffing and training): Dedicated staff in DRR and the Legal Division are responsible for the investigation and pursuit of professional liability claims. Workload requirements are regularly reassessed to ensure that staffing is sufficient to fulfill these responsibilities. The FDIC uses contractor resources (including outside legal counsel) and engages in temporary hiring initiatives to supplement staff, as needed. In 2011, the FDIC will identify training needs and provide training to investigators related to insurance claims, interviews, loan review analysis, etc.

Information Technology: Data necessary to track failure dates of insured institutions, potential statute of limitation expiration dates, and other pertinent dates are routinely collected and stored in FDIC systems. Status information and decision events are also tracked.

Verification and Validation

Periodic data scrubs and audits are conducted to ensure that the information in FDIC systems is current and accurate. Consistent maintenance of these systems ensures that accurate data are readily available to measure compliance with the annual goal. Progress in meeting this goal is reported through established management processes.

2010 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2010. The FDIC successfully met the performance target for this goal by completing investigations of and making recommendations on 82 percent of the 66 receiverships that reached the 18-month mark during 2010.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

Introduction

The FDIC recognizes that it must effectively manage a number of critical strategic resources to successfully carry out the annual performance goals set forth in this plan and accomplish its mission. These resources must be aligned and deployed to the areas where they are most needed. An overview of planned 2011 initiatives to enhance the Corporation's management of its key strategic resources follows.

Human Capital Management

The FDIC's most important resource is the "intellectual capital" that its employees bring to bear on the accomplishment of its mission. For that reason, the FDIC strives to attract, develop and retain a highly skilled, diverse and results-oriented workforce and to be regarded as a "best place to work," especially among employers whose workforces consist primarily of financial professionals. More than one-quarter of the FDIC's current permanent workforce is projected to retire over the next ten years. This will provide the FDIC with a unique opportunity to reshape its permanent workforce to provide effective regulatory oversight to meet the challenges that are emerging in the increasingly complex U.S. financial system of the 21st century. In 2011, the FDIC will pursue a number of initiatives to continue to manage its future permanent workforce while addressing its immediate staffing needs.

Strategic Workforce Planning and Readiness

The Corporate Employee Program (CEP) is the primary vehicle used to fill new, entry-level positions in the FDIC's bank examination and resolutions and receivership functions. In 2005, the FDIC adopted a fundamentally different strategy for entry-level staffing of its core mission occupations. This new strategy emphasized the development of a more flexible workforce that was cross-trained in the Corporation's key mission functions and could be redeployed rapidly to address new workload priorities in response to unexpected external events or changing conditions in the banking industry and the broader economy. These principles formed the foundation of the CEP.

During the first phase of the CEP, newly hired Financial Institution Specialists (FISs) are exposed to each of the FDIC's key business processes: deposit insurance, risk-management examinations, compliance examinations, and resolutions and receivership management. After the completion of the rotational phase of the program, they are assigned to a specific commissioning track. Upon successful completion of the rigorous three-year training program, they are commissioned as Financial Institution Examiners (FIEs). The FDIC's field examination workforce included approximately 515 FISs and 155 (FIEs at the end of 2010. The FDIC anticipates hiring an additional 130 FISs in 2011.

The FDIC has also developed a number of internal certification programs to support its changing workload demands. These programs are made available to FDIC employees, as workload needs dictate. The FDIC has designed certification programs in deposit insurance claims, basic compliance examinations, Bank Secrecy Act/Anti-Money Laundering examinations, franchise and asset marketing, and resolutions and receiverships. The Corporation will explore further expansion of this certification program in 2011.

As part of its long-term workforce planning and development, the Corporation has also emphasized the addition of advanced technical skills to its workforce through increased mid-career hiring and the development of advanced internal training curricula (discussed below). The primary focus of permanent, mid-career hiring has been on risk management and compliance examiners; Ph.D. economists and others with advanced quantitative and risk-modeling skills; consumer protection researchers and specialists; and attorneys with regulatory enforcement, consumer protection, and litigation backgrounds. New entry-level attorneys are hired through the Corporation's Honors Attorney Program, which provides rotational experiences within the FDIC's Legal Division similar to those in the CEP.

Under DFA, the Corporation was given broad new responsibility for monitoring large, systemically important financial institutions, and resolving those that become insolvent. To address those new provisions, the Board approved the establishment of a new Office of Complex Financial Institutions (CFI). The Corporation plans to hire more than 150 employees to staff CFI. These employees will in many cases need more advanced and specialized skills and experience than current FDIC employees.

Succession Management

The FDIC faces potential succession management challenges as many of its long-term, highly skilled employees retire. Over the last several years, the Corporation has analyzed projected retirements by division and office and has initiated targeted over-hiring in those areas with the highest projected vulnerability to retirements. In addition, the Corporation implemented a Video Instructional Design Project that is designed to equip a new generation of employees to assume the responsibilities of departing employees: This project captured video of financial institution closing activities as they were occurring during 2010. In 2011, this material will be used to identify training needs, design training, and create handbooks and policy manuals. It will ultimately be used to support the design and implementation of a bank-closing simulation lab that will facilitate future knowledge management when there is less bank failure activity to provide on-the-job training opportunities to new employees.

Employee Engagement

Over the past several years, the FDIC and the U.S. Office of Personnel Management have conducted annual employee surveys. Based on the results of the 2010 survey, the FDIC was recognized as the third "Best Place to Work" in the federal government by the Partnership for Public Service. These surveys have identified major areas of strength as well as opportunities for improvement in employee engagement and satisfaction. The surveys have consistently demonstrated that FDIC employees have a good understanding of the Corporation's mission and strategic direction and know how their work fits into the FDIC's goals and priorities. They also enjoy their work, believe it is important, and get a sense of personal accomplishment from it.

Employees are also highly satisfied with their pay and benefits, as well as the FDIC's family-friendly culture, work-life balance programs, physical work environments, and training, technological, and other resources. The FDIC is in the midst of a multi-year initiative (Culture Change), begun in 2008, to fundamentally remake its organizational culture to address findings of the surveys. This initiative is guided by a Culture Change Strategic Plan that identifies both short- and long- term goals and defines strategies and recommendations for improving the workplace culture. The Corporation carried out the initial phase of the plan through cross-organizational teams and a steering committee. Employees were directly engaged in identifying and implementing changes to improve communications, enhance employee engagement and involvement, and improve leadership behaviors and competencies.

The Culture Change Initiative entered a new phase in 2010 with the selection of a new program manager and the reconstitution of the Culture Change Council. The new leadership reviewed the Culture Change Strategic Plan, assessed recent employee survey results and trends, conducted employee focus groups, and studied best practices in public and private sector organizations. The result was the launch of Phase 2 of the Culture Change Initiative, entitled "Culture Change Starts with Me," which is intended to engage all employees in the Culture Change effort during 2011 by focusing them on the Corporation's Core Values.

Employee Learning and Development

The FDIC provides employees with the technical training and leadership development necessary to meet the Corporation's mission. In 2011, the Corporation will continue to develop innovative solutions to quickly prepare new and existing employees for the challenges ahead. By streamlining existing courses, promoting blended learning, and creating online, just-in-time toolkits, the Corporation allows FDIC employees to accomplish their work more efficiently and effectively.

The FDIC provides its examination workforce with the technical knowledge and skills necessary to examine and supervise financial institutions for safety and soundness and consumer protection. While course reviews and revisions are completed annually, the FDIC will begin in 2011 a holistic review of the entire pre-commission curriculum to see how the courses fit together and build on each other. Subject matter experts will review the pre-commission curricula for risk management and compliance to evaluate how critical knowledge and skills are threaded through the core schools, and how they are sequenced and reinforced. This review will potentially identify areas where revisions to the curriculum may be appropriate to ensure that it addresses the conditions and challenges of the current and future financial environment.

The FDIC will continue to use online simulations to immerse employees in the development and practice of skills related to the resolution of failed institutions. In 2010, the FDIC developed an online simulation on agricultural loans and will develop during 2011 a simulation to address subsidiary management. Online simulations provide FDIC employees with on-demand access to training that will maintain and enhance their skills without having to wait or travel to attend instructor-led courses.

In addition to technical training, the FDIC is focused on developing employees and leaders at all levels with a comprehensive leadership development curriculum that consists of core courses, electives, and several additional enrichment activities. In 2010, many of these courses were shortened to focus on leading during a crisis so that employees could attend while still meeting their key work obligations. In 2011, the leadership development courses will be expanded back to their full length and additional content added to move the FDIC beyond the economic crisis.

In addition, the FDIC will continue to use all of its learning programs as opportunities to strengthen its organizational culture, build key competencies, and promote the importance of its corporate values.

Financial Resources Management

The FDIC does not use taxpayer funds. Its operational expenses are paid from the DIF, which is funded by deposit insurance assessments paid by insured financial institutions. The Corporation takes very seriously its fiduciary responsibilities to use these funds in an efficient and cost-effective manner to meet its mission responsibilities. To that end, the Corporation engages annually in a rigorous planning and budget formulation process to ensure that budgeted resources reflect, and are properly aligned with, workload projections and designated corporate priorities.

In 2011, the FDIC will carefully monitor both its supervision and receivership management workload and will take steps to promptly reduce expenses as underlying workload declines. This is likely to be reflected primarily in a gradual decline in the number of non-permanent employees and reduced contractor spending.

Information Technology Resources Management

Information Technology is a critical resource used in fulfilling the FDIC's corporate mission. IT resources include a broad range of hardware and software assets. Examples of these assets include desktops, laptops, network infrastructure, the business application portfolio, and the FDIC's public website (www.fdic.gov). For the past three years, the FDIC has substantially expanded its IT infrastructure and operational resources to support the Corporation's workforce expansion and increased bank resolution activity. While bank resolution activity is expected to decrease in 2011, the FDIC will continue to adjust its IT infrastructure and operational resources. Changes will also be made to accommodate organizational changes and new regulatory responsibilities under DFA. Activities to advance the Corporation's long-term IT strategy will also continue, as the FDIC addresses an aging business application portfolio and potential technology obsolescence. Improvements to IT processes and procedures will also continue to be made to enhance responsiveness and streamline application delivery.

Support for Organizational Changes and Data Volume Increases

The IT program continues to respond to challenges associated with data storage capacity, network bandwidth requirements, an increasing volume of service requests, and related items. A focus area for the IT program in 2011 will be providing tools and services to improve data analysis and reporting. Data storage capacity, as well as performance and operational capacity of business applications, will continue to be monitored and adjusted as necessary during the year. The IT program will also support the implementation of DFA. The FDIC will implement internal organizational changes in 2011 in response to its new responsibilities under DFA. IT support for these organizational changes may include changes to existing application systems, deployment of new application systems, and acquisition of new technology assets for the new organizations and their employees. The regulatory changes resulting from DFA necessitate changes to existing applications that perform assessment calculations and other business functions.

Advancing the IT Strategy

The highest priority for the Corporation's IT program during 2011 will continue to be the delivery of core IT services in accordance with target service levels and support for bank closing activities. With bank closing activities expected to gradually decline in 2011, the Corporation is likely to have additional capacity to execute the IT strategic plan and respond to other FDIC business needs. Work will continue in 2011 on implementing the target enterprise architecture and addressing potential technology obsolescence in the business application portfolio. Business applications will be converted to upgraded database management systems and reporting software. Application systems will be developed and maintained in accordance with the Lines of Business model, which aligns IT resources with FDIC divisions and offices. Work will also continue on the application modernization strategy, where roadmaps have been developed to guide future business application replacement and consolidation. Using these roadmaps, work will continue on the replacement of existing bank examination systems, and the modernization of assessment-related applications will begin.

Information Security and Corporate Privacy Programs

The FDIC's Information Security and Privacy Programs protect the strategic value of the FDIC's data and information systems and strive to create an environment for the protection of these assets. Stakeholders, including financial institutions, the general public, and the FDIC community (employees and contractors), must be confident that FDIC data and information systems are secure. In 2011, the operational focus of these programs will be to sustain a high-performing environment by ensuring the reliability, availability, confidentiality, and integrity of the Corporation's information and data assets. The FDIC will continue to establish policies and implement procedures that provide the highest possible level of protection of sensitive information, while allowing the Corporation to effectively carry out its mission.

Contract Management

During 2010, the FDIC's contract expenditures reached historic levels, compared to pre-crisis amounts. This growth has required the Corporation to expand its contract oversight management capabilities and to implement enhanced management controls and reporting to ensure that appropriate services are being received for the funds spent on contracting. Over the past year, additional monitoring efforts were implemented, such as building an executive dashboard with metrics that provides visibility into key risks; segmenting oversight resources by category and activity, complexity, and resource requirement; and adding more resources. Additionally, the service support level of key IT systems supporting contracting was upgraded. In 2011, the Corporation will continue to conduct transaction sampling and invoice reviews and to enhance the management information that is available on contracting.

In addition, as mentioned previously, a newly-established Office of Minority and Women Inclusion will lead the FDIC's outreach efforts to minority- and women-owned businesses and law firms, beginning in 2011, to make these firms aware of, and promote their increased participation in, FDIC contracting opportunities.

Enterprise Risk Management

As an integral part of its stewardship of the DIF, the FDIC maintains a comprehensive risk management and internal controls program that is designed to promote continuous improvements in efficiency, effectiveness, control, and risk-focusing of internal operations throughout the Corporation. The Office of Enterprise Risk Management (OERM) oversees this program by providing guidance and assistance to all divisions and offices on issues such as risk management, internal controls, system security, privacy, operational effectiveness and efficiency, post-project reviews, and audit follow-up. During 2011, OERM will focus its efforts on the implementation of DFA, corporate reorganizations, control testing, and continuous improvements to the FDIC's core business functions. The Corporation also expects to hire a new Chief Risk Officer during 2011, who will focus on addressing gaps in the Corporations risk management profile.

APPENDICES

APPENDIX A

Program Resource Requirements

The chart below breaks out the FDIC's 2011 Corporate Operating Budget by the Corporation's three major program areas: Insurance, Supervision and Receivership Management. It shows the budgetary resources that the FDIC estimates it will expend for these programs during 2011 to pursue the strategic goals and objectives and the annual performance goals set forth in this Plan, and to carry out other program-related activities. The estimates include each program's share of common support services that are provided by the Corporation on a consolidated basis.

Supervision	$983,438,685
Insurance	$262,633,833
Receivership Management	$2,418,162,329
Corporate Expenses	$212,873,033
TOTAL	$3,877,107,880

APPENDIX B

The FDIC's Planning Process

The FDIC has a long-range Strategic Plan that identifies goals and objectives for its three major programs: Insurance, Supervision, and Receivership Management. The Corporation also develops an Annual Performance Plan that identifies annual goals, indicators, and targets for each strategic objective.

In developing its Strategic and Annual Performance Plans, the FDIC uses an integrated planning process in which guidance and direction are provided by senior management, and plans and budgets are developed with input from program personnel. Business requirements, industry information, human capital, technology, and financial data are considered in preparing annual performance plans and budgets. Factors influencing the FDIC's plans include changes in the financial services industry, program evaluations and other management studies, and prior period performance. During 2011, the Corporation will assess the need for changes in its planning process or products to comply with requirements of the Government Performance and Results Modernization Act of 2010.

The FDIC's strategic goals and objectives and its annual performance goals, indicators, and targets are communicated to its employees via the FDIC's internal website and through internal communications, such as newsletters and staff meetings. The Corporation also establishes annually additional "stretch" objectives that further challenge FDIC employees to pursue strategic initiatives and results. FDIC pay and award/recognition programs are structured to reward employee contributions to the achievement of the Corporation's annual goals and objectives.

Throughout the year, progress reports are reviewed by FDIC senior management. After the year ends, the FDIC submits its *Annual Report* to Congress. That report, which is posted on the FDIC's website (www.fdic.gov), includes a comparison of actual performance results to the annual performance goals and targets.

APPENDIX C

Program Evaluation

The Office of Enterprise Risk Management has primary responsibility for coordinating and reporting on evaluations of the Corporation's programs. This role is independent of the program areas; however, program evaluations are interdivisional, collaborative efforts, and they involve management and staff from all affected divisions and offices. Such participation is critical to fully understanding the program being evaluated. The results of program evaluations are the basis for annual assurances made by division and office directors to the Chairman that operations are effective and efficient, financial data and reporting are reliable, laws and regulations are followed, and internal controls are adequate. These results are also considered in making strategic decisions for the FDIC.

Over the past three years, numerous program evaluations have been carried out in each of the Corporation's three program areas:

- Insurance – implementation of Deposit Insurance Reform, restoration of the Deposit Insurance Fund and implementation of major initiatives of the Temporary Liquidity Guarantee Program;

- Supervision – monitoring or addressing regulatory concerns regarding areas of heightened risk, such as subprime and nontraditional real estate lending practices; niche and *de novo* banks; liquidity and brokered deposits; concentrations in commercial real estate; effects of economic decline in certain sectors; situations of rapid growth; and proposals associated with private investors seeking to acquire failed depository institutions; and

- Receivership Management – maintaining readiness and productivity of the receivership functions, transitioning resources to conduct financial institution closings, and marketing failing institutions.

During the period covered by this Plan, the FDIC will continue to perform risk-based reviews in each strategic area of the Corporation. Results of these reviews will assist management by confirming that programs are strategically aligned or by identifying changes that need to be made to a particular program. Program evaluation activities in 2011 will focus on key corporate issues, including implementation of DFA, corporate reorganization, control testing, and continuous improvements to the FDIC's core business functions.

APPENDIX D

Interagency Relationships

The FDIC has productive working relationships with agencies at the state, federal and international levels. It leverages those relationships to achieve the goals outlined in this Plan and to promote confidence in the U.S. banking system. Listed below are examples of the many important relationships that the FDIC has built with other agencies, seeking to promote strength, stability, and confidence in the financial services industry.

■ Other Federal Financial Institution Regulatory Agencies

The FDIC works closely with other federal financial institution regulators—principally the Board of Governors of the FRB, the OCC, and the OTS—to address issues and programs that transcend the jurisdiction of each agency. Regulations are, in many cases, interagency efforts. For example, rules were written on an interagency basis to address accounting changes for securitizations and most other supervisory policies, including policies addressing capital adequacy, structured products, liquidity risk management, fraud information-sharing, and offsite monitoring systems. In addition, the Comptroller of the Currency and the OTS Director 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 FDIC, the FRB, the OCC, and the OTS also work closely with the National Credit Union Administration (NCUA), which supervises and insures credit unions; the Conference of State Bank Supervisors (CSBS), which represents the state regulatory authorities; and individual state regulatory agencies.

■ The Federal Financial Institutions Examination Council

The FFIEC is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of financial institutions. The member agencies of the FFIEC are the FDIC, FRB, OTS, OCC, and NCUA. As the result of legislation in 2006, the Chair of the FFIEC State Liaison Committee now serves as a sixth member of the FFIEC. The State Liaison Committee is composed of five representatives of state supervisory agencies. To foster interagency cooperation, the FFIEC has established interagency task forces on consumer compliance, examiner education, information sharing, regulatory reports, surveillance systems, and supervision. The FFIEC has statutory responsibilities to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data for each metropolitan statistical area. The FFIEC publishes handbooks, catalogs, and databases that provide uniform guidance and information to promote a consistent examination process among the agencies and make information available to the public.

This includes a central data repository for Community Reinvestment Act ratings and Public Evaluations. The FFIEC now also provides an online Consumer Help Center that connects consumers with the appropriate federal regulator for a particular financial institution.

■ State Banking Departments

The FDIC works closely with state banking departments as well as the Conference of State Bank Supervisors to make the bank examination process more efficient and uniform. In most states, alternating examination programs reduce the number of examinations at financial institutions, thereby reducing regulatory burden. Joint examinations at larger financial institutions also optimize the use of state and FDIC resources when examining large, complex, and problem FDIC-supervised financial institutions.

■ Basel Committee on Banking Supervision

The FDIC participates on the Basel Committee on Banking Supervision, a forum for international cooperation on matters relating to financial institution supervision, and on numerous subcommittees of the BCBS. The BCBS aims to improve the consistency of capital regulations internationally, make regulatory capital more risk-sensitive, and promote enhanced risk-management practices among large, internationally active banking organizations. The Basel II Capital Accord is an effort by international banking supervisors to update the original international bank capital accord (Basel I), which has been in effect since 1988. Throughout 2010, the FDIC and the other federal banking agencies worked closely with the BCBS to implement improvements in the Basel II Capital Accord to strengthen the resiliency of the banking sector and improve liquidity risk management. The FDIC also established working relationships with international regulatory authorities to ensure effective supervision of domestic insured institutions that are wholly owned by foreign entities, which includes coordination of efforts to implement the Basel II Capital Accord.

■ BCBS – Anti-Money Laundering/Counter-Financing of Terrorism Experts Group

The FDIC is also a member of a BCBS subcommittee called the Anti-Money Laundering/ Counter-Financing of Terrorism Experts Group (AMLEG). AMLEG provides a forum for discussion and cooperation among supervisors regarding the provision of guidance to banks related to anti-money laundering and terrorist financing initiatives. In addition to the United States, 18 other countries and monetary authorities participate in this group.

■ Interagency Country Exposure Review Committee

The Interagency Country Exposure Review Committee (ICERC) was established by the FDIC, the FRB, and the OCC to ensure consistent treatment of the transfer risk associated with the exposure of banks to both public and private sector entities outside the U.S.. The ICERC assesses the degree of transfer risk inherent in cross-border and cross-currency exposures of U.S. banks, assigns ratings based on its risk assessment, and publishes annual reports of these risks by country.

■ **International Association of Deposit Insurers**

The FDIC plays a leadership role in the International Association of Deposit Insurers and participates in associated activities. IADI contributes to the stability of the financial system by promoting international cooperation in the field of deposit insurance. Through IADI, the FDIC focuses its efforts to build strong bilateral and multilateral relationships with foreign regulators and insurers, U.S. government entities, and international organizations. The FDIC also provides technical assistance and conducts outreach activities with foreign entities to help develop and maintain sound banking and deposit insurance systems. The FDIC's Vice Chairman currently serves as President of IADI.

■ **Association of Supervisors of Banks of the Americas**

The FDIC, as Director of the North American Group, exercises a leadership role in the Association of Supervisors of Banks of the Americas and actively participates in the organization's activities. The ASBA develops, disseminates, and promotes sound banking supervisory practices throughout the Americas in line with international standards. The FDIC supports the organization's mission and activities by actively contributing to ASBA's research and guidance initiatives and its education and training services.

■ **Shared National Credit Program**

The FDIC participates with the other federal financial institution regulatory agencies in the Shared National Credit Program, an interagency effort to perform a uniform credit review of financial institution loans that exceed $20 million and are shared by three or more financial institutions. The results of these reviews are used to identify trends in industry sectors and the credit risk management practices of banks. These reviews are typically published in September of each year to aid the industry in understanding economic and credit risk-management trends.

■ **Joint Agency Task Force on Discrimination in Lending**

The FDIC participates on the Joint Agency Task Force on Discrimination in Lending with all five of the federal financial institution regulators (FDIC, FRB, OCC, OTS, and NCUA) along with the Department of Housing and Urban Development, the Federal Housing Finance Agency, the Department of Justice (DOJ), and the Federal Trade Commission. The agencies exchange information about fair lending issues, examination and investigation techniques, and interpretations of statutes, regulations, and case precedents.

■ **European Forum of Deposit Insurers**

The FDIC shares mutual interests with the European Forum of Deposit Insurers and supports the organization's mission to contribute to the stability of financial systems by promoting European cooperation in the field of deposit insurance. As such, the FDIC contributes its expertise and experience in supervision and deposit insurance, and openly shares this expertise through discussions and exchanges on issues that are of mutual interest and concern (e.g., cross-border issues, bilateral and multilateral relations, and customer protection).

■ Bank Secrecy Act, Anti-Money Laundering, Counter-Financing of Terrorism, and Anti-Fraud Working Groups

The FDIC works with the Department of Homeland Security and the Office of Cyberspace Security through the Finance and Banking Information Infrastructure Committee (FBIIC) to improve the reliability and security of the financial industry's infrastructure. Other members of FBIIC include the Commodity Futures Trading Commission (CFTC), FRB, NCUA, OCC, OTS, the Securities and Exchange Commission (SEC), the Department of the Treasury, and the National Association of Insurance Commissioners (NAIC).

The FDIC participates in several other interagency groups, described below, to assist in efforts to combat fraud and money laundering, and to implement the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act):

- The Bank Secrecy Act Advisory Group, a public/private partnership of agencies and organizations that meets to discuss strategies and industry efforts to address money laundering controls.

- The FFIEC Bank Secrecy Act/Anti-Money Laundering Working Group, composed of representatives from the federal bank regulatory agencies, FinCEN, and the CSBS, whose purpose is to coordinate BSA/AML training and awareness efforts and to improve communications among the agencies. The BSA/AML working group builds on existing activities and works to strengthen initiatives that are already being pursued by other formal and informal interagency groups providing oversight of various BSA/AML-related matters. This working group meets quarterly, and includes representatives from the CFTC, SEC, Department of the Treasury, and the Office of Foreign Assets Control to ensure coordination of BSA/AML matters.

- The National Bank Fraud Working Group, which is sponsored by the DOJ.

- The Check Fraud Working Group (a subcommittee of the National Bank Fraud Working Group), which is co-chaired by the FDIC and the Federal Bureau of Investigation (FBI) and is composed of the federal bank regulatory agencies, DOJ, the FBI, FinCEN, the Internal Revenue Service (IRS), the Bureau of Public Debt (BPD), and the U.S. Postal Service.

- The Cyber Fraud Working Group (a subcommittee of the National Bank Fraud Working Group), which is composed of the federal bank regulatory agencies, DOJ, the FBI, FinCEN, the IRS, and the BPD.

- The Terrorist Finance Working Group, which is sponsored by the State Department to assist in the AML training effort internationally and to assess the financial structures of foreign countries for potential money laundering and terrorist financing vulnerabilities.

- Other working groups that are sponsored by the Department of the Treasury to develop USA PATRIOT Act rules, interpretive guidance, and other relevant BSA materials applicable to insured financial institutions.

■ Money Services Business Working Group

The FDIC is working with FinCEN, the Money Transmitters Regulators Association, the CSBS, and the IRS to address the discontinuance of banking services to money services businesses. The group submitted a survey to all states and U.S. territories to better understand state licensing and AML requirements.

■ Financial Literacy and Education Commission

The FDIC is a member of the Financial Literacy and Education Commission (FLEC), as mandated by the Fair and Accurate Credit Transactions Act of 2003. The FDIC actively supports the FLEC's efforts to improve financial literacy in America by assigning experienced staff to work with the Office of Financial Education; providing leadership in the development and maintenance of Commission initiatives, such as the My Money hotline and toolkits; and participating in ongoing meetings that address issues affecting the promotion of financial literacy and education.

■ Financial Education

The FDIC launched the Money Smart initiative in 2001 to help individuals outside the financial mainstream enhance their money skills and create positive banking relationships. The FDIC has partnered with several federal agencies on this initiative. In 2008, the FDIC signed a partnership agreement with the U.S. Office of Personnel Management (OPM) to collaborate in providing financial literacy and education resources and training to more than 300 federal government benefits officers and 1,500 benefits specialists nationwide.

■ Alliance for Economic Inclusion

The FDIC established and leads the Alliance for Economic Inclusion (AEI), a national initiative to bring all unbanked and underserved populations into the financial mainstream. The AEI is composed of broad-based coalitions of financial institutions, community-based organizations and other partners in 14 markets across the country. The coalitions work to increase banking services for underserved consumers in low- and moderate-income neighborhoods, minority and immigrant communities, and rural areas. These expanded services include savings accounts, affordable remittance products, targeted financial education programs, short-term loans, alternative delivery channels, and other asset-building programs.

■ **Government Performance and Results Act Financial Institutions Regulatory Working Group**

In support of the Government Performance and Results Act (GPRA), the interagency Financial Institutions Regulatory Working Group, composed of representatives from all five federal financial institution regulators (OTS, FRB, OCC, NCUA, and FDIC), was formed in October 1997. 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.

■ **Federal Trade Commission, National Association of Insurance Commissioners, and the Securities and Exchange Commission**

The Gramm-Leach-Bliley Act (GLBA), which was enacted in 1999, permits insured financial institutions to expand the products they offer to include insurance and securities. GLBA also includes increased security requirements and disclosures to protect consumer privacy. The FDIC and other FFIEC agencies coordinate with the FTC, the SEC, and NAIC to develop industry research and guidelines relating to these products.

GLBA also requires the SEC to consult and coordinate with the appropriate federal banking agency on certain loan-loss allowance matters involving public bank and thrift holding companies. The SEC and the agencies have an established consultation process designed to fully comply with this requirement, while avoiding unnecessary delays in processing holding company filings with the SEC and providing these institutions access to the securities markets.

In addition, the accounting policy staffs of the FDIC and the other FFIEC agencies and the SEC's Office of the Chief Accountant (OCA) meet quarterly to discuss accounting matters of mutual interest and maintain ongoing communications on accounting issues relevant to financial institutions. Other meetings are held with the OCA, as necessary, either on an individual agency or interagency basis.

APPENDIX E

External Factors: The Economy and Its Impact On the Banking Industry and the FDIC

Economic conditions at the national, regional, and local levels affect banking strategies and the industry's overall performance. Overall business activity tends to be cyclical, and as business and household spending fluctuate over time, these trends influence loan growth and credit performance for the banking industry. Overall business conditions and macroeconomic policies combine to determine the rate of inflation, domestic interest rates, the exchange value of the dollar, and equity market valuations, which also in turn influence the lending, funding, and off-balance sheet activities of FDIC-insured depository institutions.

The recent financial crisis and the associated deep recession of 2007-09 highlighted the critical links between the health of the banking sector and the performance of the real economy. Not only do economic trends affect the performance of the banking industry, but, as evidenced by the events of late 2008, a systemic breakdown in the functioning of financial markets and institutions can have serious adverse consequences for real economic activity. Inevitably, when conditions deteriorate in the economy and the banking industry, statutory examination frequencies are accelerated, and the number of failures as well as resolution costs increase. These trends have important operational implications for the FDIC, often requiring an increase in staff or a diversion of staff from other activities to meet the increased demand for resources in bank supervision and resolutions.

The economic recovery remains on track. Following the deepest recession since the 1930s, the U.S. economy began to grow again in mid-2009. The pace of growth slowed somewhat in mid-2010, reflecting both concerns over the financial situation in Europe and the end of the homebuyer tax credit in the United States. By year-end, however, the pace of growth increased again, reaching an annualized rate of 3.1 percent in the fourth quarter. Consensus forecasts call for growth to continue at a similar pace through 2011. Consumer spending is gradually picking up, but remains constrained by high unemployment, modest income growth, reduced housing wealth, and tight credit. Business spending on equipment and software is rising, though less rapidly than earlier in 2010, while investment in nonresidential structures continues to be weak. The manufacturing and services sectors continue to expand; however, the U.S. trade gap is widening once again, lowering U.S. growth prospects and increasing the risk of global tensions over trade and currency values.

Despite improvements, some economic effects of the recession remain very much in evidence and continue to place strains on banking industry performance. The housing sector showed signs of stabilizing after the expiration of federal tax credits, but recent concerns over mortgage servicer foreclosure processes have introduced a new obstacle to the housing market recovery. Commercial real estate loan portfolios remain under pressure as high unemployment dampens business and consumer demand. Even as credit markets have begun to recover amid low interest rates and subdued inflation, resurgence in bank lending activity continues to be constrained by weak loan demand and a reduced tolerance for risk on the part of banks.

The economic recovery faces several downside risks that may contribute to continued stress on the banking industry over the coming year. First, the unemployment rate remains near a 26-year high as weak private sector gains are offset by public sector job losses. In addition, the economic recovery depends to some extent on the results of U.S. fiscal and monetary stimulus efforts. Additional fiscal stimulus passed in December 2010 is expected to contribute to economic growth in 2011, but has also added to concerns over the growing federal debt burden. Also, there are new concerns that monetary stimulus initiated as a result of the financial crisis could lead to higher inflation in the intermediate term. In short, while the recovery proceeds intact, the strains placed on the economy and the fiscal situation by the crisis are expected to cloud the economic outlook for some time to come.

The banking industry began to recover in 2010. FDIC-insured commercial banks and savings institutions reported aggregate net income of $87.5 billion for full-year 2010, a considerable improvement from the $10.9 billion aggregate loss posted in 2009.[5] The industry reported four straight profitable quarters in 2010. The average return on assets was 0.66 percent, compared to negative 0.08 percent in 2009. The percentage of unprofitable institutions declined to 21 percent from almost 31 percent a year ago.

Reductions in loan-loss provisions have been a principal driver of earnings improvement. Insured institutions set aside $156.9 billion in loan-loss provisions during 2010, compared to $249.5 billion a year earlier. While still high by historic standards, this is the smallest total since 2007. Total loan-loss reserves at year-end 2010 were slightly (1.0 percent) higher than at year-end 2009. The industry's coverage ratio of reserves to noncurrent loans was 64.2 percent at year-end, up from 57.7 percent a year ago.

The banking industry is beginning to see improvements in asset quality. As of year-end 2010, the amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) was $359.6 billion and represented a $36.4 billion (9.2 percent) decline from the previous year. This was the first 12-month decline in noncurrent loans and leases since 2005. Noncurrent levels improved in most major loan categories. Noncurrent real estate construction and development loans declined by $20.4 billion (28.4 percent) in 2010, while noncurrent commercial and industrial loans fell by $12.5 billion (30.2 percent). Noncurrent residential mortgage loans declined by $3.4 billion (1.9 percent). Net charge-offs of loans and leases totaled $187.1 billion in 2010, a $1.7 billion (0.9 percent) decline from 2009 and the first year-over-year decrease in net charge-offs in four years.

Total assets of insured institutions rose by $234.2 billion (1.8 percent) during 2010. The increase in assets was attributable to new reporting rules that caused more than $300 billion in securitized loan balances to be consolidated onto bank balance sheets at the beginning of the year. Credit card balances at year-end 2010 were $280.5 billion (66.6 percent) higher than a year earlier. In contrast, balances in all other major loan categories declined during 2010. The largest decrease occurred in real estate construction and development loans, which fell by $129.2 billion (28.7 percent). Deposit balances increased during 2010, rising by $196.2 billion (2.1 percent).

[5] Amendments to prior financial reports resulted in a $23.1 billion net reduction in industry earnings for 2009, from an originally reported $12.5 billion aggregate profit to a $10.6 billion net loss. A $20.3 billion increase in goodwill impairment charges at one large institution is responsible for the majority of the changes in prior financial reports.

Nondeposit liabilities declined by $30.7 billion (1.3 percent) as advances from Federal Home Loan Banks fell by $146.7 billion (27.5 percent). At the end of 2010, deposits funded 70.7 percent of total industry assets, slightly higher than the 70.4 percent at the end of 2009.

The number of insured institutions on the FDIC's "Problem List" rose from 702 to 884 during 2010. This is the largest number of "problem" institutions since March 31, 1993, when there were 928. Total assets of "problem" institutions declined from $403 billion to $390 billion during 2010. While these institutions were identified as having financial, operational, or managerial weaknesses that threatened their viability, historical analysis shows that most problem institutions do not fail, even in periods of banking industry distress.

The costs associated with recent and anticipated bank failures pushed the DIF balance below zero in 2009. During 2010, 157 banks failed, representing a combined $92.1 billion in assets. At the end of 2010, the DIF balance stood at negative $7.4 billion, up from negative $20.9 billion a year earlier. The reserve ratio was negative 0.12 percent (based on unaudited fund balance results), up from negative 0.39 percent a year earlier. Total reserves (the DIF balance plus the contingent loss reserve) were $10.4 billion at year-end 2010.

The FDIC adopted an amended restoration plan on October 14, 2010, that will restore the DIF reserve ratio to 1.35 percent by September 2020, as required by DFA. As of February 2011, total DIF losses for the period 2010 to 2014 were projected to be $45 billion, down from a $52 billion estimate made in October 2010. Both the pace of institution downgrades to CAMELS 3, 4, and 5 ratings and the rates at which these institutions fail are now projected to be lower in 2011 and subsequent years than projected in October 2010. Based on the most recent projections, the FDIC estimates that the DIF reserve ratio will reach 1.15 percent in 2018 under current assessment rates.

The banking industry has the capacity to provide the necessary backing to the insurance fund, given its historically strong capital levels. As of year-end 2010, almost 96 percent of all FDIC-insured institutions, representing more than 99 percent of all insured institution assets, were well-capitalized according to the regulatory capital definition for Prompt Corrective Action. This capacity, together with the backing of the full faith and credit of the U.S. government, provides confidence that the FDIC will continue to protect insured depositors.