FEDERAL DEPOSIT INSURANCE CORPORATION

2013 Annual Performance Plan

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CHAIRMAN'S MESSAGE

As we mark the 80th anniversary of the establishment of the Federal Deposit Insurance Corporation (FDIC), I am pleased to present the FDIC's *2013 Annual Performance Plan* that outlines our goals and priorities for the year.

Our *2012 Annual Report* describes in detail a comprehensive array of accomplishments by the FDIC last year in fulfilling our core mission responsibilities. During 2013, as we move beyond the recent financial crisis, we will continue to look to the future by building on several major 2012 priorities and accomplishments.

- We will continue our efforts to ensure that the FDIC is prepared to fulfill its mission responsibilities under the Dodd-Frank Act to plan for and, if necessary, carry out the orderly liquidation of a systemically important financial institution that fails, including an institution that is globally active and requires extensive cross-border coordination and cooperation.

- We will follow up on our *Community Banking Study* and other initiatives that were completed last year by pursuing and disseminating the findings of further research related to the community banking sector; reviewing on an ongoing basis our examination and rulemaking processes to identify additional ways to promote greater efficiency, consistency, and transparency in our supervisory processes without compromising our supervisory standards; and developing technical assistance for community banks.

- We will continue our economic inclusion initiatives to expand access to mainstream financial services for all people in the United States.

In addition, we will continue to focus on the important work remaining from the financial crisis. Although the number of problem institutions has declined substantially from its peak in early 2011, it remains high by historical standards, and those institutions still require elevated supervisory attention. Similarly, although the number of insured institution failures has fallen considerably from the peak of 157 failures in 2010, we still have substantial residual work to complete in managing almost 500 active receiverships that are associated with the failures that occurred from 2008 through 2012. In 2013, we will devote substantial resources to both of these priorities.

Both the U.S. economy and the banking industry have experienced a gradual but steady recovery from the financial crisis. Capital levels, liquidity, asset quality, and earnings for insured institutions have all improved, but significant challenges and potential risks remain. Although the underlying trends are positive, the FDIC will remain vigilant and will be prepared to address any unexpected problems that may arise.

In its 80-year history, the FDIC has promoted stability and public confidence in the banking system by carrying out its responsibilities for deposit insurance, bank resolution, and bank supervision. The FDIC will continue in 2013 to fulfill that important mission.

Martin J. Gruenberg
Chairman

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. Through its industry and consumer awareness programs, the FDIC seeks to increase public awareness and understanding of deposit insurance rules and coverage. The FDIC and other federal regulatory agencies make sure that insured depository institutions accurately disclose uninsured products. The FDIC also informs depositors and financial institution staff about how the insurance rules and limits apply to specific deposit accounts.

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 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 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 supervisor work together to address those risks or concerns.[1]

When an insured depository institution fails, the FDIC makes sure that the institution's customers have prompt 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 respond promptly to a variety of failure scenarios for insured depository institutions.

Because of the large number of depository institution failures that resulted from the financial crisis and ensuing recession, losses to the DIF were high, and both the fund and reserve ratio were negative throughout 2010. Following seven quarters of negative balances, the fund returned to positive territory in 2011. The number of problem and failed institutions continued to decline in 2012, allowing the FDIC to rebuild the DIF. At the end of 2012, the fund balance had risen to $33.0 billion. Cumulatively, the DIF balance has risen by almost $54 billion from its negative $20.9 billion low point at the end of 2009. The reserve ratio at the end of 2012 was 0.45 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.

The Dodd-Frank Act (DFA), which was enacted in July 2010, revised the statutory authorities governing the FDIC's management of the DIF. Among other things, DFA (1) raised the minimum designated reserve ratio (DRR) to 1.35 percent (from the former minimum of 1.15 percent) and removed the upper limit on the DRR (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] Each year the FDIC is required to set the DRR to a level consistent with these restrictions.

As a result of the changes mandated by DFA, the FDIC developed a comprehensive, long-term management plan for the DIF that sets an appropriate target fund reserve ratio of 2 percent and a strategy for assessment rates and dividends. The plan is 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. The FDIC finalized the comprehensive plan in rulemakings adopted in December 2010 and February 2011. A new Restoration Plan was also adopted to make sure that the reserve ratio reaches 1.35 percent by September 30, 2020.

The FDIC continued its efforts to reduce the pro-cyclicality of the deposit insurance assessment system by issuing a rule that revised the assessment system for large insured depository institutions. The new assessment system for large insured depository institutions better reflects risk by differentiating institutions during periods of good economic conditions and taking into account the potential losses that the FDIC could incur if such an institution failed. The rule, which became effective on April 1, 2011, eliminates the risk categories for large institutions and authorizes the FDIC to adjust an institution's total risk-based rate within certain limits if necessary to appropriately reflect the relative risk posed by a large institution. On October 9, 2012, the FDIC amended the assessment system for large insured depository institutions to revise and clarify some of the definitions used in the assessment system. The amendments went into effect on April 1, 2013.

In October 2008, the FDIC implemented the Temporary Liquidity Guarantee Program (TLGP), which 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. The TLGP helped bring stability to financial markets and the banking industry during the crisis period.

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[2]Public Law. No. 111-203, §§332 and 334, 124 Stat. 1376, 1539 (to be codified at 12 U.S.C. § 1817).

Institutions were initially required to elect whether to participate in one or both of the programs. During the DGP's existence, 122 entities issued TLGP debt. At its peak, the DGP guaranteed almost $350 billion of outstanding debt. The DGP guarantee on all TLGP debt that had not already matured expired on December 31, 2012. The FDIC collected $10.4 billion in fees and surcharges under the DGP and paid $153 million on claims resulting from six participating entities defaulting on debt issued under the program. The FDIC collected $1.2 billion in fees under the TAGP, which expired on December 31, 2010. Cumulative estimated TAGP losses on failures totaled $2.1 billion as of year-end 2012. Overall, TLGP fees substantially exceeded the losses from the program.

Passage of DFA eliminated the need to extend the TAGP. DFA provided temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts from December 31, 2010, through December 31, 2012, regardless of the balance in the account or ownership capacity of the funds. The coverage was available to all depositors, including consumers, businesses, and government entities. It expired on December 31, 2012.

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

<table>
<tr><th>Strategic Goal</th><th>Strategic Objectives</th><th>Annual Performance Goals</th></tr>
<tr><td rowspan="4">Insured depositors are protected from loss without recourse to taxpayer funding.</td><td>Customers of failed insured depository institutions have timely access to insured funds and financial services.</td><td>Respond promptly to all insured financial institution closings and related emerging issues. (1.1-1)</td></tr>
<tr><td>The FDIC promptly identifies and responds to potential risks to the DIF.</td><td>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)</td></tr>
<tr><td rowspan="2">The DIF and the deposit insurance system remain strong and adequately financed.</td><td>Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2020. (1.3-1)</td></tr>
<tr><td>Expand and strengthen the FDIC's participation and leadership role in supporting robust international deposit insurance systems. (1.3-2)</td></tr>
</table>

	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

    - *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

    - *Depositors do not incur any 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 by assessing 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, the 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 affect the resolution process.

Human Resources (staffing and training): The FDIC has authorized 2013 staffing of 1,463 employees dedicated to handling the failure of insured financial institutions and the management of ensuing receiverships. This includes 420 permanent positions and 1043 non-permanent positions. The number of authorized non-permanent positions is lower than in 2012, reflecting the continuing decline in the number of insured institution failures and receivership management workload.

Information Technology: Technology is critical to the efficiency of deposit insurance determinations and payments. The FDIC uses the Claims Administration System (CAS) to identify depositors' insured and uninsured funds in failing and failed banks. For every failing bank, CAS is used before the failure to estimate the amount of uninsured deposits for the least cost test. When an insured deposit transaction is the least cost resolution, CAS is used to determine the amount of the depositors' funds that are insured. For all failures, CAS is the system of record for the deposits of the failed bank and subsequent claims processing and tracking. During 2013, FDIC will complete an update to the underlying technology of CAS to a more capable, stable, and sustainable platform.

Verification and Validation

If insured deposits are transferred to a successor institution, the number of business days before depositors have access to their insured funds is verified by comparing the date of failure to the date that the successor insured depository institution opens for business and makes insured funds available to the failed institution's depositors. For a depositor payout, the availability of funds is 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.

2012 Performance Results

This annual performance goal and its associated performance indicators and targets are unchanged from 2012. Fifty-one insured financial institutions failed during 2012. 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 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 with bank directors on current risks, new regulations, and emerging issues. 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 uses examiners and other staff located throughout the country to conduct banker outreach sessions.

Information Technology: The FDIC's Web site (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. Databases and reports provide comprehensive financial and structural information about every FDIC-insured institution. The data are provided in multiple formats, including 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 issued 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.

2012 Performance Results

This annual performance goal and its associated indicator and targets are unchanged from 2012. The FDIC successfully met the performance targets for this annual performance goal in 2012.

STRATEGIC OBJECTIVE 1.3

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

Annual Performance Goal 1.3-1

Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2020.

Indicators and Targets

1. Updated fund balance projections and recommended changes to assessment rates

    - *Provide updated fund balance projections to the FDIC Board of Directors by June 30, 2013, and December 31, 2013.*

    - *Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors as necessary.*

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

   - *Provide progress reports to the FDIC Board of Directors by June 30, 2013, and December 31, 2013.*

Means and Strategies

Operational Processes (initiatives and strategies): This goal reflects a requirement of DFA. At the end of 2012, the fund balance had risen to $33.0 billion and, cumulatively, the DIF balance had risen by almost $54 billion from its negative $20.9 billion low point at the end of 2009. The reserve ratio at the end of 2012 was 0.45 percent. The fund is projected to reach 1.15 percent of estimated insured deposits in 2018 and achieve the required 1.35 percent of estimated insured deposits by 2020 under the Restoration Plan adopted by the FDIC Board of Directors.

The FDIC's Financial Risk Committee (FRC) develops quarterly failure projections and loss estimates to establish contingent loss reserves for the DIF. The FRC 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 use the FRC's projections on insurance losses to help determine 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. In addition, 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): FDIC staff performs 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 it 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 when there are 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 2013, the FRC will again conduct semiannual reviews of the contingent loss reserve methodology by analyzing the variance between projected and actual losses. In addition, FDIC staff will report semi-annually to the FDIC Board of Directors on progress made in meeting the goals of the Restoration Plan.

2012 Performance Results

This annual performance goal and its associated performance indicators and targets have been updated for 2012. The FDIC successfully met the performance targets established for the related 2012 annual performance goal. The 2012 performance target on analyzing possible refinements to the deposit insurance pricing methodology was completed, and there is no successor performance target for 2013.

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. Initiatives to advance the FDIC's global leadership and participation

    - *Maintain open dialogue with counterparts in strategically important countries as well as international financial institutions and partner U.S. agencies.*

    - *Conduct workshops and assessments of deposit insurance systems based on the methodology for assessment of compliance with the Basel Committee on Bank Supervision (BCBS) and the International Association of Depositor Insurers (IADI) Core Principles for Effective Deposit Insurance Systems.*

2. Provision of technical assistance to foreign counterparts

    - *Support visits, study tours, and longer-term technical assistance and training programs for foreign jurisdictions to strengthen their deposit insurance organizations, central banks, and bank supervisors.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC is a recognized global leader in promoting sound deposit insurance, bank supervision, and bank resolution practices by providing technical guidance, training, consulting services, and information to governmental banking and deposit insurance organizations around the world. The FDIC provides guidance and technical assistance through its partnerships with international financial institutions and leadership roles in ASBA and IADI. In 2013, the FDIC will continue to support IADI in the advancement of the 2009 IADI and BCBS *Core Principles for Effective Deposit Insurance Systems* (*Core Principles*).

Adopted by the FSB as a key standard for sound financial systems in 2011, the *Core Principles* are used by the IMF and World Bank in their Financial Sector Assessment Program (FSAP) and Reports on the Observance of Standards and Codes. The FDIC will work closely with World Bank and IMF officials to support the deposit insurance section of FSAP reviews. Additionally, the FDIC will lead the IADI effort to provide training to deposit insurers and other safety-net organizations on the methodology for assessment of compliance with the *Core Principles*. The FDIC will also provide subject matter experts (SMEs) as instructors for ASBA-sponsored training and support the ASBA secondment program at the FDIC.

Human Resources (staffing and training): Available resources include a small permanent staff in the FDIC's Office of International Affairs (OIA), supplemented by other FDIC employees on temporary assignments to OIA. Subject matter experts are also identified from elsewhere within the Corporation to support technical assistance missions overseas and study tour visits in the United States.

Information Technology: Information about international governmental bank regulatory and deposit insurance activities, as well as the FDIC's international outreach program, is communicated through the FDIC's Web site.

Verification and Validation

Progress in meeting this annual goal will be tracked by the FDIC's International Affairs Working Group through established reporting processes. Quarterly statistical reports will document trends in the number of foreign visitors, foreign officials trained, technical assistance missions, and FDIC participation and leadership in key international organizations.

2012 Performance Results

This annual performance goal is unchanged from 2012. The performance targets and associated performance indicators have been updated for 2013.

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. 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 FDIC's Resolutions and Receiverships Commissioning Program ensures the future availability of trained and qualified personnel to handle this and other aspects of the 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, non-permanent employees, and employees temporarily assigned from divisions and offices throughout the organization to meet workload demands and mission responsibilities in this area.

Information Technology: The FDIC documents franchise marketing activities through its automated Franchise Marketing System (FMS), which is supported by the 4C system.

Verification and Validation

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

2012 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2012. The performance target was successfully met for the 51 insured institution failures that occurred in 2012.

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 15 telephone or in-person seminars for bankers on deposit insurance coverage.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC uses various 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.

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 Web site, (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. The call center is staffed by contractors who are trained to provide answers to many different questions about deposit insurance coverage. Complex or unique issues, or those requiring additional analysis and review, are referred by the call center to FDIC employees who specialize in deposit insurance issues to research and respond.

Human Resources (staffing and training): The FDIC has a dedicated staff of deposit insurance specialists and contract employees who respond to tens of thousands of telephone and written inquiries from consumers and bankers about deposit insurance coverage. The call center is staffed by contractors, and the dedicated staff of specialists for deposit insurance issues are FDIC employees in the corporation's Division of Depositor and Consumer Protection.

In addition, the FDIC administers a public education program that includes developing and maintaining a wide range of written materials, videos, electronic calculators, and other tools to help consumers and bank employees understand how FDIC deposit insurance works. The FDIC also provides training opportunities for employees of insured financial institutions.

The FDIC regularly reviews staffing and training needs 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 consumer inquiries about the FDIC's deposit insurance program through the Specialized

Tracking and Reporting System (STARS). The FDIC also provides the Electronic Deposit Insurance Estimator (EDIE) on its Web site for use by consumers and bankers to estimate deposit insurance coverage. The FDIC continues to use the Internet and the latest multi-media technology delivery mechanisms 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.

2012 Performance Results

This annual performance goal and the associated performance indicators and one target are unchanged from 2012. One target has been increased for 2013. The FDIC successfully met the performance targets for this annual performance goal in 2012.

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 2013, the FDIC will continue its efforts to increase the effectiveness and efficiency of all of its supervisory programs in light of ongoing industry consolidation, new technologies, and product innovation, which have resulted in larger, more complex banking 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 given the changing risk profiles of the industry and individual institutions.

The FDIC is the primary federal regulator for state-chartered banks and savings institutions that are not members of the Federal Reserve System, generally known as state nonmember banks and state-chartered thrifts. 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) and national banks and thrift institutions that are supervised by the Office of the Comptroller of the Currency (OCC). 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.

DFA expanded the FDIC's statutory responsibilities beyond insured depository institutions to bank holding companies with more than $50 billion in assets and nonbank financial companies that are designated as systemically important financial institutions (SIFIs) by the Financial Stability Oversight Council (FSOC). DFA designates the FRB as the primary supervisor of these companies, but the FDIC has established on- and off-site monitoring programs and has certain statutory back-up authorities for these companies. The purpose of the FDIC monitoring and risk assessment activities for these institutions is, where possible, to mitigate identified risks and to be prepared, if necessary, to conduct an orderly liquidation of the company.

As the primary federal regulator of all insured state nonmember banks and state-chartered thrifts, the FDIC performs periodic risk management 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 uses off-site monitoring programs to enhance its ability to promptly identify emerging safety-and-soundness issues.

The FDIC conducts separate examinations to assess an institution's compliance with consumer protection statutes and regulations for all state nonmember banks that are not subject to the primary jurisdiction of the Consumer Financial Protection Bureau (CFPB). The FDIC also conducts separate Community Reinvestment Act (CRA) examinations for all state nonmember banks. As part of the compliance examination process, the FDIC reviews substantive compliance issues as well as the accuracy and completeness of 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. Through its investigation of and response to consumer complaints and inquiries, the FDIC attempts 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. The FDIC evaluates various factors, including capital adequacy, quality of management, financial condition, and compliance with applicable laws and regulations. When an institution applies to expand its business activities within the insured depository institution system, the FDIC also considers an institution's compliance with consumer protection, fair lending, and privacy laws and its performance under the CRA. In addition, it also ensures compliance with the *Statement of Policy on Qualifications for Failed Bank Acquisitions.*

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.

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. When problems are identified, promptly implement appropriate corrective programs, and follow up to ensure that identified problems are corrected.(2.1-1)
		Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering, and other financial crimes. (2.1-2)
		More closely align regulatory capital standards with risk and ensure that capital is maintained at prudential levels. (2.1-3)
		Identify and address risks in financial institutions designated as systemically important. (2-1-4)

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. When violations are identified, promptly implement appropriate corrective programs, and follow up to ensure that identified problems are corrected. (3.1-1)
	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.	Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives. (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. When problems are identified, promptly implement appropriate corrective programs, and follow up to ensure that identified problems are corrected.

Indicators and Targets

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

   - *Conduct all required risk management examinations within the timeframes prescribed by statute and FDIC policy.*

2. Implement appropriate corrective program where violations are identified.

   - *Implement formal or informal enforcement actions within 60 days for at least 90 percent of all institutions that are newly downgraded to a composite Uniform Financial Institutions Rating of 3, 4, or 5.*

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 2013, the FDIC projects that it will conduct more than 2,559 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 regularly talks with technology vendors, bank trade associations, and standards and rule-setting entities to identify and promote effective risk management practices for emerging technologies.

The number of risk management examinations conducted during 2013 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.

Troubled and problem institutions (those with a composite rating of 3, 4, or 5) are identified primarily through the examination process. While discussions with banks to correct deficiencies are the primary corrective tools, the FDIC has broad enforcement powers to correct practices, conditions, or violations of law that threaten an institution's financial condition. The FDIC may use informal and formal enforcement actions against an institution or responsible individuals to address identified problems.

The examination report identifies the corrective actions to be taken by the institution. If deemed necessary, a formal or informal enforcement action is sent to the financial institution 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.

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 except in rare instances where it is determined by FDIC management to be unnecessary. Additional follow-up action is taken when the corrective program is determined to have been insufficient in addressing the identified problem.

The responsible FDIC regional office closely monitors 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): The FDIC has 1,966 authorized positions (1,469 permanent and 497 non-permanent) in its field examination workforce for risk management in 2013. Field examiners conduct on-site examinations and visits. Staffing and training needs are reviewed regularly to ensure that the staff resources supporting the risk management 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. If a state supervisor handling an examination has 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 make sure that any delinquent examination is quickly scheduled and completed. When appropriate, the FDIC may conduct the examination instead of the state supervisor.

Case managers and other regional office officials finalize and monitor compliance with enforcement programs. 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 FDIC's Virtual Supervisory Information on the Net system (ViSION) is used to schedule and track the completion of risk management examinations. The ViSION system is also used to monitor all enforcement 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.

The FDIC is in the midst of a multi-year project to develop a new Examination Tools Suite (ETS) that will replace four examination-related software applications and address the risk of technological obsolescence. In 2012, the first phase of ETS was implemented to replace the electronic loan review software that had been in use since 1996. ETS development will be completed in 2013, with training and field implementation scheduled for the first quarter of 2014.

Verification and Validation

The number and timing of examinations are tracked through ViSION and reported through established management processes. Enforcement actions and the timing of required on-site visits are tracked through ViSION.

The FDIC uses its Regional Office Internal Control Review program to make sure that regions effectively monitor 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 formal and informal corrective actions, and monitoring of enforcement implementation and follow-up activities. Any material exceptions noted during the reviews are brought to management's attention for appropriate action.

2012 Performance Results

This annual performance goal has been revised for 2013 to combine 2012 Annual Performance Goals 2.1-1 and 2.1-2. This better reflects the linkage between examinations and associated enforcement actions. The 2012 performance target for Annual Performance 3.1-2 has been modified because follow-up examinations and visits are routinely required under FDIC policy when enforcement actions are implemented. In 2012, the FDIC successfully met this performance target.

Annual Performance Goal 2.1-2

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 all Bank Secrecy Act examinations within the timeframes 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 cover 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. The FDIC also completes BSA exams for states that do not conduct these exams. The FDIC follows a risk-based approach to BSA/AML examinations and OFAC reviews, which allows examiners to focus resources on those areas with the greatest potential risk.

Guidance is 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 has 332 examiners who are designated as BSA/AML subject matter experts, including 77 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: ViSION is used to track the number and timing of required BSA/AML examinations. Other risk management and compliance supervisory systems are also used to obtain dates for these examinations. ETS is also used to provide updated BSA violation codes to examiners automatically, thereby increasing efficiency of those examinations.

Verification and Validation

The number and timing of BSA/AML examinations are tracked in ViSION and reported through established management processes.

2012 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2012. The FDIC successfully met this performance target in 2012.

Annual Performance Goal 2.1-3

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

Indicators and Targets

1. Completion of review of comments and impact analyses of changes to regulatory capital rules

    - *Complete by June 30, 2013, the review of comments and impact analysis of June 2012 proposed interagency changes to regulatory capital rules.*

2. Issuance by the federal banking agencies of final regulatory capital rules to implement internationally agreed upon enhancements to regulatory capital standards and remove references to credit ratings consistent with DFA.

    - *Issue by December 31, 2013, final regulatory capital rules.*

Means and Strategies

Operational Processes (initiatives and strategies): To ensure that banks build and maintain capital adequate to withstand a difficult financial environment, the FDIC is continuing to work on a revised regulatory capital framework, in conjunction with the other federal banking agencies, and enhanced off-site monitoring and examination support capabilities.

The objective of Basel III is to strengthen the capital and liquidity rules for banking organizations with the goal of promoting a more resilient banking industry. The Basel III enhancements to the capital adequacy framework are designed to improve the banking industry's ability to absorb the effects of financial or economic stress. In June 2012, the FDIC adopted a final rule on the Market Risk Amendment.

This rule, which applies to the trading activities of large and complex banking organizations, strengthens capital requirements for these activities to reflect lessons from the financial crisis. The remaining revisions to the capital regulations, which are planned for completion in 2013, will address the definition of capital, its required level, and selected changes to the risk-weighting of assets in a way that is responsive to significant comments the agencies received on these proposed rules.

The revised capital regulations will also establish alternative standards of creditworthiness to replace the use of credit ratings in the risk-based capital rules, consistent with DFA. Part of the task of replacing credit ratings was accomplished in 2012 with the publication of the final Market Risk Amendment rule, which included alternative standards of creditworthiness for trading activities of large, complex banking organizations. The revised capital regulations will also include specific provisions reflecting an appropriate scope of application to institutions of different sizes, based on decisions reached through the comment review.

In addition, the FDIC will continue to promote strong international bank capital standards by participating in meetings and activities of the Financial Stability Board; the Basel Committee and its various groups and subgroups, including the Policy Development Group, the Trading Book Group, the Standards Implementation Group, and the Working Group on Margin Requirements; and other international groups and forums. Key efforts in 2013 will include participating in Basel's numerous quantitative impact studies, including those that are designed to monitor the new international liquidity requirements; participating in the Basel Committee's fundamental review of the trading book and further work on counterparty credit risk; implementing international standards for over-the-counter (OTC) derivative margin requirements; participating in the Basel Committee's review of the capital requirements for securitization exposures; and developing a regulatory capital charge for systemically important financial institutions.

Human Resources (staffing and training): The breadth and depth of knowledge among FDIC staff on bank capital and capital markets matters has expanded in recent years, partly through their continued participation and active involvement in Basel policy development groups. In 2012, shortly after the proposed capital rules were approved, the FDIC launched a public outreach effort to explain the proposals, emphasizing those areas affecting community banks. The FDIC posted training videos and an interagency estimation calculator on its Web site, visited each Regional Office to discuss the proposed rule with community bankers, and hosted a national conference call to address questions on the proposals. While these efforts were targeted to community bankers, the online resources and conference call were available to FDIC staff. In 2013, the FDIC will continue to increase the number of staff with expertise on bank capital by providing internal and external training on the final rules.

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.

2012 Performance Results

This annual performance goal is unchanged from 2012. The performance targets and associated performance indicators have been updated for 2013. In 2012, the performance target for this goal on publication of a final rule on the Market Risk Amendment was successfully met, although somewhat later than planned; the two remaining performance targets were deferred until 2013 and consolidated into a single performance target.

Annual Performance Goal 2.1-4

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

Indicators and Targets

1. Timely completion of statutory and regulatory requirements under Title I of DFA

    - *Complete, in collaboration with the Federal Reserve Board and in accordance with statutory and regulatory timeframes, all required actions associated with the review of Section 165(d) resolution plans submitted under Title I of DFA.*

2. Input from Systemic Resolution Advisory Committee

    - *Hold at least one meeting of the Systemic Resolution Advisory Committee to obtain feedback on resolving systemically important financial companies.*

Means and Strategies

Operational Processes (initiatives and strategies): Under Title I of the Dodd-Frank Act [section 165(d)], covered companies with nonbank assets over $250 billion were required in 2012 to submit plans for a non-systemic resolution under the bankruptcy code. At the end of June, the FDIC and the Federal Reserve Board received the first set of plans from these institutions. Among other things, the resolution plans identified each firm’s critical operations, core business lines, and the key obstacles to a rapid and orderly resolution. Impediments to resolution included areas such as a firm’s internal organizational structure, interconnections of the firm to other systemic financial companies, and management information system limitations. The first set of plan filers will submit subsequent plans by October 2013. The FDIC and the Federal Reserve Board provided these firms enhanced guidance for their revised submissions and will be evaluating the plans for informational completeness and will assess the credibility of the plans. In addition, covered companies with nonbank assets of $100 billion to $250 billion will submit their first resolution plans by July 2013, and all other covered companies must submit their first resolution plans by December 2013.

The Systemic Resolution Advisory Committee advises the FDIC on a variety of issues including the effects on financial stability and economic conditions resulting from the failure of a SIFI, the ways in which specific resolution strategies would affect stakeholders and their customers, the tools available to the FDIC to wind-down the operations of a failed organization, and the tools

needed to assist in cross-border relations with foreign regulators and governments when a systemic company has international operations. Members of the Committee bring a wide range of knowledge and experience to these issues, including expertise in managing complex firms, administering bankruptcies, working within different legal jurisdictions, and understanding the application of accounting rules and practices. During 2012, the Committee continued to provide important advice to the FDIC regarding systemic resolutions.

Human Resources (staffing and training): The review of Title I, 165(d) resolution plans at the FDIC will be carried out by a multidisciplinary team with expertise across all major operational and business line functions of the covered companies, both domestically and internationally. Training needs are reviewed regularly to ensure that these teams have knowledge and expertise necessary to conduct a high quality review of the Title I resolution plans.

Information Technology: The FDIC uses existing secure technology systems to support the annual submission and management of the resolution plans required under Section 165(d).

Verification and Validation

Progress in achieving this annual performance goal will be monitored through established management reporting processes.

2012 Performance Results

This annual performance goal is unchanged from 2012. The performance targets and one associated performance indicator have been updated for 2013. In 2012, the FDIC successfully met the performance targets for this goal.

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, 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 to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions. When violations are identified, promptly implement appropriate corrective programs and follow up to ensure that identified problems are corrected.

Indicators and Targets

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

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

2. Implementation of corrective programs

    - *Conduct visits and/or follow-up examinations in accordance with established FDIC policies to ensure that the requirements of any required corrective program have been implemented and are effectively addressing identified violations.*

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 2013, the FDIC estimates that it will conduct 1,700 to 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.

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.

Institutions that receive unfavorable ratings for compliance with consumer protection and fair lending laws and regulations, and are subject to enforcement actions are closely monitored by regional office officials. 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, except in rare instances where FDIC management determines it is unnecessary. Additional follow-up action is taken when the initial corrective program is determined to have been insufficient in addressing the identified problem. Progress in complying with an enforcement action is also assessed through quarterly progress reports from, and direct communication with, management of the financial institution.

Human Resources (staffing and training): The FDIC has 522 authorized positions (470 permanent, 52 non-permanent) in its field examination workforce for compliance and consumer protection in 2012. Staffing and training needs are reviewed regularly to ensure that staff resources supporting the compliance supervision program are adequate to conduct a high quality examination program 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.

2012 Performance Results

This annual performance goal has been revised for 2013 to combine 2012 Annual Performance Goals 3.1-1 and 3.1-2. This better reflects the linkage between examinations and associated enforcement actions. The 2012 performance target for Annual Performance 3.1-2 has been modified because follow-up examinations and visits are routinely required under FDIC policy when enforcement actions are implemented.

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 timeframes 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 Web site. FDIC staff investigates complaints regarding FDIC-supervised institutions and refers complaints regarding institutions with other primary federal regulators to those agencies. Target response times vary by the type of complaint. The FDIC 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 in Kansas City responds to consumer complaints and inquiries about consumer protection matters. Consumer Affairs staff located in the Washington, D.C., office support the Consumer Response Center by providing guidance and assistance with consumer complaints and inquiries that involve new or unusual issues or sensitive matters.

Information Technology: The FDIC uses STARS to capture and report information, including response time, on complaints. In 2013, a plan to migrate this functionality to the FDIC's new centralized customer communication and tracking system work will be completed.

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 through STARS.

In addition, surveys are sent to a sample of consumers who have filed written consumer protection and fair lending complaints to assess their satisfaction with the FDIC's investigations and responses. Accepted survey research methods are used to ensure the validity and reliability of the survey instrument and results.

2012 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2012. In 2012, 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

Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives.

Indicator and Targets

1. Completion of planned initiatives

   - *Conduct the third biennial FDIC National Survey of Unbanked and Underbanked Households (conducted jointly with the U.S. Census Bureau).*

   - *Initiate work on the Survey of Banks' Efforts to Serve the Unbanked and Underbanked.*

   - *Implement the strategy outlined in the work plan approved by the Advisory Committee on Economic Inclusion to support the responsible use of technology to expand banking services to the unbanked.*

Means and Strategies

Operational Processes (initiatives and strategies): Approximately 28 percent of U.S. households 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 who still rely 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).

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.

During 2013, the FDIC will conduct the third biennial FDIC National Survey of Unbanked and Underbanked Households (jointly with the U.S. Census Bureau). Survey data will be analyzed and the final study published in 2014. The FDIC will also initiate work on the Survey of Banks' Efforts to Serve the Unbanked and Underbanked. A target publication date for this study has not yet been determined because FDIC is considering merging this study with other research on community banking. Ultimately, the FDIC will provide an important set of references that help assess progress and remaining challenges for economic inclusion. In addition, the FDIC will be better positioned to identify strategies that promote economic inclusion by studying opportunities to expand access to mainstream financial services, identifying the role that community banks play in meeting community needs, and increasing awareness of communities that are currently underserved or at risk of becoming underserved.

The Advisory Committee's work will continue to focus on expanding services to the underbanked and will specifically look into the potential role of technology, including mobile banking, to expand services to this population. The Advisory Committee may recommend to the FDIC specific measures of improvement, many of which may represent national objectives that require the participation and cooperation of multiple stakeholders, including other federal agencies; federal, state, and local policy makers; the financial services industry; nonprofit and philanthropic groups; and consumer groups.

During 2013, FDIC working groups will continue to conduct research and develop policy proposals related to expanding access to mainstream banking services for underserved consumers. The FDIC may present these proposals to the Advisory Committee for advice and recommendations.

Human Resources (staffing and training): This annual performance goal will be carried out largely by existing staff in the FDIC's consumer research and consumer affairs functions. The activities of the Advisory Committee are supported by staff in several FDIC divisions. Employees in those divisions provide staff support for the Advisory Committee, as needed, including support for its research and demonstration activities.

Information Technology: Existing technology will be used to accomplish this goal. The FDIC broadcasts the Advisory Committee's public meetings on its Web site.

Verification and Validation

Progress in completing the initiatives planned for this annual performance goal will be monitored through periodic reporting by working groups through established management reporting processes.

2012 Performance Results

This annual performance goal and its associated performance indicators and targets have been modified slightly for 2013 to reflect the biennial cycles for the National Survey of Unbanked and Underbanked Households and the Survey of Banks' Efforts to serve the unbanked and underbanked. The other initiatives identified as performance targets in 2013 have been revised to focus on the responsible use of technology and mobile banking. The FDIC successfully met the performance targets for this goal in 2012.

RECEIVERSHIP MANAGEMENT PROGRAM

When an insured institution fails, the FDIC is appointed 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 under the priorities set by law.

The FDIC focuses its receivership management efforts on the following 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 the assets and liabilities of the failing institution to determine their current market value. 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 sell the assets as quickly as practicable. Disposing of certain assets can take a considerable amount of time. 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 sales processes, the FDIC also seeks payment from the debtors of the failed institution. FDIC staff identify and investigate claims owed to the receivership and pursue 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., in certain negligence or fraud cases).

The FDIC also makes sure that legitimate claims against the receivership are satisfied fairly. The FDIC notifies likely claimants of the failed institution and provides claim filing instructions. Once the FDIC receives and analyzes the information, valid claims are paid in accordance with the priorities provided by law.

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 terminates 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.

To address the goals articulated in Section 342 of DFA, the FDIC in 2011 initiated as part of its receivership management program a pilot Small Investor Program (SIP) to increase the participation of small, minority-and women-owned investors in the FDIC's structured loan sales program. SIP offers smaller-sized asset pools and unique structural features to improve accessibility for these investors. The FDIC also developed an Investor Match Program to provide these investors the opportunity to voluntarily share information with other firms to bring together sources of capital and expertise needed to participate in the structured loan sales program. In 2012, the FDIC closed two SIP structured loan sales with assets of $267 million. Although decreased resolution activity reduces the availability of suitable loan product for these programs, they will continue to be used as opportunities develop for these programs in 2013.

Under Title II of DFA, the FDIC may be called upon to carry out the orderly liquidation of certain large, systemically important financial companies. In 2013, the FDIC will continue to pursue planning and operational readiness initiatives to make sure that it is prepared, if it becomes necessary, to exercise this new authority. Annual Performance Goal 2.1-5 addresses the activities that will be undertaken to complete the establishment of the regulatory and organizational infrastructure that is required for this purpose. DFA requires that bank holding companies with more than $50 billion in assets and nonbank financial companies deemed to be systemically important by the Financial Services Oversight Committee prepare and submit resolution plans to the Federal Reserve Board and the FDIC for review. Implementing rules have been issued, and procedures for the FDIC's review and processing of those plans are nearing completion. The FDIC issued parallel rules, under its Federal Deposit Insurance Act authority, requiring insured depository institutions with $50 billion or more in total assets to prepare resolution plans as well. The FDIC will also continue to enhance its risk monitoring and resolution planning capabilities for these systemically important companies.

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)
	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.

Indicator and Target

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 four years, whole bank loss-share transactions have been used extensively 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 help solicit bidders, analyze bids received for the assumption of deposits, and sell 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 through the Internet. Potential asset purchasers are given the opportunity to view all sales information electronically before electronic bid submission. The FDIC also allows potential bidders to view all hard-copy sale information at the 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 most of the assets of the failed institution and to decide how to market and dispose of them. 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, when necessary, updated. The FDIC will continue to update and refine its marketing strategies to market assets as quickly and efficiently as possible.

Human Resources (staffing and training): The FDIC has a permanent staff that manages the Corporation's resolutions and receiver management functions. When workload increases, as it did from 2007 through 2011, the FDIC may add non-permanent staff and contractor resources to help with these responsibilities. The FDIC may also deploy cross-trained employees from elsewhere within the Corporation. Current and projected workload is continually assessed to make sure that adequate staff and contractor resources are available to fulfill the FDIC's receivership management responsibilities.

Contractors are used extensively to manage and sell the assets of failed institutions. The FDIC has broad policies and procedures that cover every phase of the contracting process. Individual FDIC divisions and offices must establish internal controls and processes to make sure that these policies and procedures are strictly followed.

The number of contracts awarded for receivership management support in 2013 is expected to continue a decline that began in 2011, following dramatic increases in 2009 and 2010 as bank closing activity drove the need for high levels of contractor support. The number of new awards declined to 953 (with a total contract ceiling of $530.13 million) in 2012 from 1,468 new awards (with a total contract ceiling of $965.75 million) in 2011. With the decline in bank failures likely to continue in 2013, the focus in contracting will shift from bank closing support through Receivership Assistance Contractors to owned real estate management and marketing activities, environmental advisory services, and failed bank data management support, as measured by the number of currently active contracts. The number of contractor resources deployed at year-end 2012 declined 19 percent from year-end 2011 levels.

The FDIC will continue in 2013 to refine its contract support requirements and to shift work from contractors to FDIC employees, where appropriate. In addition, consistent with the requirements of DFA, the FDIC is committed to 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 uses technology extensively 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 FDIC will continue to use the Internet to deliver asset marketing information to potential investors and to auction/sell assets received from failed institutions. In addition, FMS is used to track franchise marketing activities and provide a comprehensive source of information on the resolution of failed financial institutions and the management, valuation, marketing, and sale of their assets. It extracts from ViSION up-to-date examination and supervisory information on each failed institution. The FDIC also establishes bid list criteria for each prospective transaction and identifies qualified bidders in FMS.

Verification and Validation

Progress in meeting this annual performance goal is tracked in FMS and reported through established management reporting processes. Each primary federal regulatory agency reviews bid lists before bids are solicited to make sure that they include only those institutions that meet the established criteria for the transaction.

2012 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged for 2013. In 2012, the FDIC successfully met the performance target 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. An individual action plan is established for each receivership, and staff is assigned from the appropriate functional areas (e.g., asset, liability, finance, and legal) to execute that plan. Receivership oversight staff monitors the execution of each action plan, including goals and milestones. In addition, an oversight committee consisting of senior FDIC managers meets quarterly to review and evaluate the progress that has been made in carrying out 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 made sure 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.

The FDIC continues to try to remove impediments to the termination of its remaining open receiverships. During 2012, 51 new receiverships were added to the FDIC's inventory of receiverships and 16 were terminated, leaving 466 active receiverships at the end of 2012. To the extent that significant, unresolved impediments remain for a substantial number of receiverships, the FDIC may be unable to achieve this goal.

Human Resources (staffing and training): Current and projected workloads 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: The Receivership Termination System (RTS) tracks FDIC receiverships through the termination process and assists in tracking active and inactive receiverships. RTS identifies impediments to termination as well as termination milestone dates.

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

2012 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2012. The FDIC successfully met the performance target for this annual performance goal in 2012.

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 a 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 them. Most professional liability investigations must be completed and viable claims filed within three years following an institution's failure to meet statute of limitations requirements.

The FDIC's attorneys and investigators make sure 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 research and analyze potential claims. They also determine if a recovery will exceed 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): Workload requirements are regularly reassessed to make sure that staffing is sufficient to fulfill these responsibilities. The FDIC uses contractor resources (including outside legal counsel) and hires temporary staff, as needed. In 2013, the FDIC will identify training needs and provide training to investigators on topics such as insurance claims, interviews, and loan review analysis.

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.

2012 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2012. The FDIC successfully met the performance target for this annual performance goal in 2012.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

Introduction

The FDIC recognizes that it must effectively manage many critical strategic resources to successfully carry out the annual performance goals outlined 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 2013 initiatives to enhance the FDIC's management of its key strategic resources is provided below.

Financial Resources Management

The FDIC does not use taxpayer funds. Its operational expenses are overwhelmingly paid from the DIF, which is funded by deposit insurance assessments paid by insured financial institutions. The FDIC takes very seriously its fiduciary responsibilities to use these funds efficiently and cost-effectively to meet its mission responsibilities. To that end, the FDIC engages annually in a rigorous planning and budget formulation process to make sure that budgeted resources are properly aligned with workload projections and designated corporate priorities (see Appendix B).

The FDIC's self-discipline in managing its financial resources has been apparent over the past several years. From 2008 through 2010, the FDIC's annual operating budget almost quadrupled and its authorized staffing level almost doubled in response to a rapid increase in the number of problem institutions and insured institution failures. The FDIC relied primarily on non-permanent staff and contractor resources to address the dramatic uptick in its supervisory and resolutions workload, in order to facilitate future budget and staffing reductions when workload returned to more normal levels. In 2012 and 2013, both the annual operating budget and authorized staffing level declined substantially. The FDIC's annual operating budget and authorized staffing for 2013 are approximately 33 percent and 14 percent, respectively, below the peak levels achieved in 2010 and 2011.

In 2013, the FDIC will continue to carefully monitor both its supervision and receivership management workload and will take steps to promptly reduce expenses as underlying workload declines. A steady reduction in both contractor spending and non-permanent staffing is projected in 2013 and future years as the banking industry improves and the residual workload from the recent financial crisis is completed. These reductions may be offset to some extent by the resources required to meet the FDIC's expanded mission responsibilities for large and complex banks and holding companies under DFA.

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 preeminent place to work in the federal government 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 a unique opportunity to reshape its permanent workforce to provide effective regulatory oversight to meet the emerging challenges of an increasingly complex U.S. financial system in the 21st century. In 2013, the FDIC will continue to pursue several initiatives to manage its future permanent workforce while addressing 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 core bank supervision and resolutions and receivership management functions. The CEP emphasizes the development of a more flexible workforce that is cross-trained in the Corporation's core mission functions and can 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.

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) or Resolutions and Receiverships Specialists. At the end of 2012, the FDIC's field examination and resolutions and receivership management workforces included 498 FISs and 362 FIEs that entered the Corporation through the CEP. The FDIC expects to hire an additional 120 FISs in 2013.

A key recruiting strategy to bring talent into the FDIC and the CEP is the Financial Management Scholars (FMS) Program. Begun in 2011 on a pilot basis, this is a ten-week summer internship program that exposes talented students to the FDIC's supervisory and receivership management business lines. Successful FMS participants are offered positions in future CEP classes following their graduation. Approximately 45 FMS participants joined or will join the CEP from the pilot FMS Programs conducted in 2011 and 2012.

The highest human resources priority for 2013 will continue be the hiring and development of employees with the skills needed to assess the risks posed by banks and holding companies with assets over $50 billion in support of the FDIC's new responsibilities under DFA to plan for the possible orderly liquidation of large systemically important bank holding companies, and designated nonbank financial companies. The FDIC has significantly expanded the number of staff in several divisions and offices to support these new responsibilities.

In 2013, the focus will be on developing and enhancing career paths to ensure a steady flow of talent in this area.

Workforce Diversity and Inclusion

In 2013, the FDIC will continue to pursue a more comprehensive, integrated, and strategic focus on diversity and inclusion within the FDIC workforce. A new Diversity and Inclusion Strategic Plan, approved in early 2013, lays out a course for achieving workforce diversity by recruiting from a diverse group of qualified potential applicants; cultivating greater workplace inclusion through collaboration, flexibility, and fairness; and equipping leaders with the ability to manage diversity, measure results, and refine approaches on the basis of data. The plan details specific steps to enhance diversity and inclusion at the FDIC in the areas of leadership engagement, analytics and reporting, training, communications, strategic planning, and program enhancement.

Succession Management

Like most other federal agencies, the FDIC faces potential succession management challenges in the future as many of its long-term, experienced employees retire. The FDIC reassesses its vulnerabilities to retirements annually and implements appropriate strategies to mitigate that risk. In addition, the FDIC has undertaken an initiative to develop competency models for all mission critical job families. Employees' proficiency levels for the competencies are assessed and the results are used for employee development, career planning, training initiatives, and workforce/succession planning. The long-term goal is to have a real-time inventory of current and projected potential successors for all competencies associated with the FDIC's mission critical occupations.

The FDIC has also undertaken an initiative to document best practices and lessons learned from bank closing activity. This information is important to ensure corporate readiness as experienced employees retire and the temporary positions created to support bank closing activity expire. It was collected in 2011 and 2012 through seminars, one-on-on interviews, and recordings of closing activity with similar collection planned for late 2013. The FDIC uses this information along with ongoing job task analyses of multiple resolutions and receiverships functions to identify the future skills necessary to conduct bank resolutions. It also will be used to help identify and develop future training and learning opportunities to maintain employee skills when there is less bank failure activity to provide on-the-job training opportunities to new employees. The FDIC will pursue a similar initiative in its Supervision Program in 2013, developing case studies to document the problems encountered by insured financial institutions.

A Culture of Workplace Excellence

Over the past several years, the FDIC and the U.S. Office of Personnel Management have conducted annual employee surveys. These surveys identified major areas of strength as well as opportunities for improvement in employee satisfaction and engagement.

They have consistently demonstrated that FDIC employees have an excellent understanding of the FDIC's mission and strategic direction and know how their work fits into the organization's goals and priorities. They 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 work-life balance programs, physical work environments, and training, technological, and other resources.

The FDIC Workplace Excellence Program builds on the successes of the Culture Change Initiative. Workplace Excellence consists of a two-pronged approach: a National Workplace Excellence Steering Committee and individual Division/Office Workplace Excellence Councils. The Steering Committee and WE Councils will provide diverse forums focused on maintaining, enhancing, and institutionalizing positive workplace and cultural change at the national and division/office levels at the FDIC.

Employee Learning and Development

The FDIC provides employees with skills-based training and leadership development opportunities to help achieve its mission. In 2013, the FDIC's Corporate University will continue to offer innovative solutions to prepare both current and new employees for the challenges ahead. This year it will begin implementation of several multi-year comprehensive curricula that move mission critical divisions beyond the financial crisis, complete the transformation of the leadership development program, and expand the use of simulations to enhance corporate readiness.

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. In 2013, the FDIC will develop and implement the priority components of the approved Division of Depositor and Consumer Protection (DCP) learning and development framework. Based on a comprehensive needs assessment completed in 2012, the framework is designed as a multi-year initiative to increase and organize the dissemination of critical information, enhance and expand training programs at all levels, and facilitate the sharing of knowledge and expertise across the Division.

In support of the FDIC's new responsibilities for the possible orderly liquidation of a systemically important financial company, facilitated discussions, tabletops, and focused simulations will be used to enhance strategic and operational readiness, build interagency relationships, and implement and test new policies and procedures.

In addition to technical training, the FDIC is focused on developing employees as leaders at all levels of the organization with a comprehensive leadership development curriculum that consists of core courses, electives, and various enrichment activities. Development of the core leadership curriculum was completed in 2011, and new electives and enrichments activities will be added in 2013 to promote leadership throughout the organization. The FDIC will continue to use all of its learning programs as opportunities to strengthen its organizational culture, build key competencies, and reinforce its corporate values.

Management of Information Technology Resources

Information Technology (IT) provides the FDIC with innovative, timely, reliable, and secure services and solutions. Information technology provides business value by enabling more efficient execution of the FDIC's mission responsibilities and priorities. IT resources include a broad range of hardware and software assets, such as desktop computers, laptops, network infrastructure, the business application portfolio, and the FDIC's Web site (www.fdic.gov).

During the crisis, the FDIC expanded its IT infrastructure and its operational resources to support the FDIC's workforce expansion and increased bank resolution activity. The FDIC continues to adjust its IT infrastructure and operational resources to accommodate organizational changes, resolution activity, and new regulatory requirements.

The FDIC recently completed development of a business technology strategic plan, emphasizing the strategic imperatives needed to provide business value to the FDIC and to address any gaps in either business or information technology capabilities. While continuing to provide quality information technology services in support of the day-to-day operations of the FDIC, progress will continue on key strategic imperatives.

Applications Modernization

The Consolidated Applications Modernization Strategy (CAMS) project was initiated to address the business impact of technology obsolescence in the FDIC's applications portfolio and to develop a strategy to mitigate the associated risks within a five- to seven-year period. The CAMS analysis identified technologies used within the applications portfolio that are obsolete or no longer compatible with the future design of the FDIC's information technology architecture. The FDIC has created road maps that document the sequence in which obsolete applications should be upgraded or replaced. Opportunities for application consolidation and business process reengineering were identified and incorporated into the roadmaps. Although some progress was made on the roadmaps between 2009 and 2011, the banking crisis necessitated that most information technology software development efforts were used to meet urgent regulatory and process changes rather than to remediate aging applications. In 2012, the roadmaps were updated and remediation efforts intensified. These efforts will continue in 2013 and future years with planned modernization efforts for key applications in the insurance, supervision, and receivership management programs.

Advanced Analytics

The FDIC increasingly needs the ability to manage, collect, and leverage large data sets, including both structured and unstructured data, for various mission-critical analyses. Harnessing the data and converting it into actionable insights helps drive faster and better decision-making, expedient analyses, predictable outcomes, and optimal operational efficiency. The FDIC's needs will be addressed by implementing advanced analytics through business intelligence capabilities.

Advanced analytics will provide the ability to assess the quality of the data, define business rules, capture data lineage, manage the metadata, and use different techniques to understand massive data sets coming into the FDIC. In 2013, core technologies and capabilities for business intelligence analytics will be extended across the organization. The FDIC will mature processes for data visualization, geospatial mapping, predictive analytics, data quality, and data profiling.

Mobility

The American public and an increasingly mobile workforce expect to be able to access high-quality information and applications anywhere, anytime, and on any device. In response, the FDIC will expand its mobile technology capabilities for both the FDIC workforce and public. In 2013, the FDIC will continue implementation of a "mobile first" strategy that follows the mindset of creating information once to publish everywhere (internal applications, external Web site, etc.). Content will be decoupled from the presentation to allow greater flexibility in development approaches. Web Application Programming Interface (API)-driven services will be leveraged for interoperability and openness. The FDIC has already begun this work on the www.fdic.gov site. In November 2012, the FDIC launched a redesign of its popular online BankFind application to enhance the look and usability of the site, including improved ease of use from mobile devices. The FDIC will expand its internal Wi-Fi network to improve reliability and support expected exponential growth in traffic. Other technologies required to support both a mobile workforce and public stakeholders will be explored and addressed.

Electronic Document Management

The FDIC continues to rely on paper documents and the processing of paper documents for a majority of its business capabilities. Managing paper and unstructured content at the FDIC is largely manual and is inefficient. The FDIC will focus on improving the efficiency and reliability for electronic document processing and workflow automation. In 2013, the FDIC will implement a robust and scalable foundation for enterprise document management capabilities. This strategic imperative is related to the FDIC's Information Management and Compliance (IMAC) program. The purpose of IMAC is to develop and establish a coordinated and interrelated set of policies, processes, and technologies that support the FDIC legal e-discovery obligations and the corporate records and information management functions.

In 2013, the FDIC will establish an Enterprise Document Management (EDM) Service Center to deliver the needed EDM solutions, services, and capabilities to the organization.

Information Security and Corporate Privacy Programs

The FDIC's Information Security and Privacy Programs protect the FDIC's data and information systems and strive to create an environment that protects these assets. External stakeholders, including financial institutions, the general public, and the FDIC community (employees and contractors), must have confidence that FDIC data and information systems are protected. In 2013, the operational focus of these programs will continue to be on ensuring the reliability, availability, confidentiality, and integrity of the FDIC'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 organization to effectively carry out its mission.

Cyber Security

The Government Accountably Office (GAO) recently noted that "Federal government agencies and the nation's critical infrastructures have become increasingly dependent on computerized information systems and electronic data to carry out their operations. While creating significant benefits, this can also introduce vulnerabilities to cyber-threats." The types of threats to agency data and systems have become highly complex, are continuously evolving and are often very stealthy. In 2013, the FDIC will continue to refine our risk framework to incorporate trigger points for escalation of new types of incidents and to strengthen our preventive and detective security tools to deal with common and emerging sources and types of cyber security threats. Sources of threats include hackers, insiders, and spyware/malware authors. Criminal groups and terrorists may also engage in cyber threats. Common types of attacks include cross-site scripting, denial of service attacks, phishing, and Advanced Persistent Threats. As the FDIC refines our risk framework, particular attention will be focused on coordination across the Corporation on cyber security issues, including both the security of internal FDIC systems and FDIC oversight of security programs maintained by external technology service providers.

Management Controls and Contract 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 improve the efficiency, effectiveness, control, and risk-focus of internal operations. Staff with the FDIC's internal controls program advise and assist with issues such as risk management, internal controls, system security, privacy, operational effectiveness and efficiency, post-project reviews, and audit follow-up. During 2013, the focus will be on continuous improvements to the FDIC's core business functions, with particular emphasis on loss-share operations, contract management oversight, new responsibilities associated with DFA, closing of temporary satellite offices, and system development issues.

The FDIC's contract expenditures rose dramatically from 2009 through 2011, primarily to support the resolutions and receivership management function. This growth required the FDIC to expand its contract oversight management capabilities and implement enhanced management controls and reporting to make sure that appropriate services were received for the funds spent on contracting. Over the past year, the FDIC implemented additional monitoring tools, including an executive dashboard with metrics that provide visibility into key risks; oversight resources segmented by category and activity, complexity, and resource requirement; and more contract oversight resources. Also, the service support level of key IT systems supporting contracting was upgraded.

In 2013, the FDIC will continue to conduct transaction sampling and invoice reviews and to enhance the management information that is available on contracting. In addition, the FDIC will evaluate its business and legal services contracting programs to identify possible enhancements to promote increased participation by minority-and women-owned businesses and law firms, as required by Section 342 of DFA. The FDIC will also develop procedures to determine whether FDIC contractors and subcontractors have made good faith efforts to include women and minorities in their workforces, as required by Section 342.

APPENDICES

Appendix A Program Resource Requirements

Appendix B The FDIC's Planning Process

Appendix C Program Evaluation

Appendix D Interagency Relationships

Appendix E External Factors

APPENDIX A

Program Resource Requirements

The chart below breaks out the 2013 Corporate Operating Budget by the FDIC's three major program areas: insurance, supervision, and receivership management. It shows the budgetary resources that the FDIC estimates it will spend on these programs during 2013 to pursue the strategic goals and objectives and the annual performance goals 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 on a consolidated basis.

Supervision	$1,022,659,690
Insurance	$286,329,116
Receivership Management	$1,133,758,439
Corporate Expenses	$239,891,499
TOTAL	$2,682,638,734

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. It 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 past performance.

The FDIC communicates its strategic goals and objectives and its annual performance goals, indicators, and targets to employees through the internal Web site and internal communications, such as newsletters and staff meetings. Pay and recognition programs are structured to reward employee contributions to the achievement of the FDIC's annual goals.

Throughout the year, FDIC senior management reviews progress reports. At the end of the year, the FDIC submits its *Annual Report* to Congress. That report, which is posted on the FDIC's Web site (www.fdic.gov), compares actual performance results to the performance targets for each annual performance goal.

APPENDIX C

Program Evaluation

The Corporate Management Control Branch in the Division of Finance (DOF) evaluates the FDIC's programs and issues follow-up reports. However, program evaluations are interdivisional, collaborative efforts, and they involve management and staff from all affected divisions and offices. Division and office directors use the results of the program evaluations to assure 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 strategic planning for the FDIC.

Since the beginning of the financial crisis, the FDIC has expanded the range of issues receiving close management scrutiny to encompass crisis-related challenges. Management continues to pay particular attention to the areas of contracting, loss-share operations, expanded staffing and (new) operations, and development of performance metrics in several areas. In 2013, risk-based reviews will continue to be performed in each of the FDIC's strategic program areas. Results of these reviews will assist management by confirming that these programs are strategically aligned or by identifying changes that need to be made.

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 Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC)—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 securitization and most other supervisory policies, including policies addressing capital adequacy, structured products, liquidity risk management, fraud information-sharing, and off-site monitoring systems. In addition, the Comptroller of the Currency (OCC) is a member of the FDIC Board of Directors, which facilitates crosscutting policy development and consistent regulatory practices between the FDIC and the OCC.

The FDIC also works closely with the Consumer Financial Protection Bureau (CFPB) to address consumer protection issues. The CFPB is responsible for issuing consumer protection rules and regulations. However, the CFPB is required to consult with the FDIC, the FRB, and the OCC on these matters. Enforcement jurisdiction for insured, state nonmember banks with less than $10 billion in assets remains with the FDIC, unless the institution is an affiliate of another insured institution with $10 billion or more in assets that is supervised by the CFPB. The CFPB Director is also a member of the FDIC Board of Directors. As with the OCC, participation on the FDIC Board facilitates crosscutting policy development and consistent regulatory practices among the FDIC, the CFPB, and the OCC.

The FDIC, the FRB, and the OCC 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 Federal Financial Institutions Examination Council (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, the FRB, the OCC, the NCUA, and the CFPB.

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. It also 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 maintenance of a central data repository for CRA ratings and public evaluations. The FFIEC 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, the FRB, and the OCC work cooperatively with the CSBS and with individual state regulatory agencies to make the bank examination process more efficient and uniform. In most states, alternating examination programs reduce the number of examinations that are conducted at insured financial institutions, thereby reducing regulatory burden. Joint examinations of larger financial institutions also optimize the use of state and FDIC resources in the examination of large, complex, and problem state nonmember banks and state-chartered thrift institutions.

Basel Committee on Banking Supervision

The FDIC participates on the Basel Committee on Banking Supervision (BCBS), 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. In 2011, the FDIC and the other federal banking agencies worked closely with the BCBS to improve the Basel II Capital Accord to strengthen the resiliency of the banking sector and improve liquidity risk management. As a result, the BCBS published Basel III, a global regulatory framework for more resilient banks and banking systems. Basel III aims to improve the banking sector's ability to absorb shocks arising from financial and economic stress while improving risk management and governance and increasing transparency. The FDIC also has established working relationships with various international regulatory authorities to ensure effective supervision of domestic insured institutions that are wholly owned by foreign entities.

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 Expert Group (AMLEG). AMLEG provides a forum for supervisors to discuss the types of guidance that should be provided to banks on anti-money laundering and terrorist financing initiatives.

In addition to the United States, 18 other countries and monetary authorities participate in this group. Specifically, in addition to banking supervisors and central bank representatives, membership also includes committee members and representatives of the Financial Action Task Force Secretariat, the European Anti-Money Laundering Committee, the European Commission, the World Bank, and the International Monetary Fund.

International Colleges of Regulators

The FDIC participates in several groups of international regulators to address international consistency around over-the-counter (OTC) derivatives reforms. The OTC Derivatives Regulators' Forum is a college of regulators where initiatives on derivative reforms mandated by the Group of Twenty and Financial Stability Board (FSB) are discussed. The group is heavily involved in assuring international consistency on the development of trade repositories and central counterparty clearing. The group then makes recommendations to standing committees, including the Committee on Payment and Settlement Systems, International Organization of Securities Commissions, BCBS, and FSB, for rulemakings. The OTC Supervisors' Group is primarily involved in making changes in the infrastructure of the largest dealer banks. The group is composed of supervisors of the global systemically important banks. Current efforts are focused on data repositories, dispute resolution, and client clearing. The group obtains commitments from the dealer community to make recommended changes and monitors implementation.

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 United States. 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 (IADI) 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.

Association of Supervisors of Banks of the Americas

The FDIC exercises a leadership role in the Association of Supervisors of Banks of the Americas (ASBA) and actively participates in the organization's activities. ASBA develops, disseminates, and promotes sound bank supervisory practices and resilient financial systems throughout the Americas and the Caribbean 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 capacity and leadership building programs. The FDIC chairs the Association's Technical Training and Cooperation Committee, and participates on the Working Groups on Corporate Governance, Risk Management, and Anti-Money Laundering.

Shared National Credit Program

The FDIC participates with the other federal financial institution regulatory agencies in the Shared National Credit Program, an interagency program that performs a uniform credit review annually 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. The reviews, which are typically published in September of each year, help the industry better understand 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 several other federal financial institution regulators (FDIC, FRB, OCC, 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 and the European Forum of Deposit Insurers share similar interests, and the FDIC supports the organization's mission to contribute to the stability of financial systems by promoting European cooperation in the field of deposit insurance. The FDIC openly shares its expertise and experience in supervision and deposit insurance 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).

Finance and Banking Information Infrastructure Committee

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), the FRB, the NCUA, the OCC, the Securities and Exchange Commission (SEC), the Department of the Treasury, and the National Association of Insurance Commissioners (NAIC).

Bank Secrecy Act (BSA), Anti-Money Laundering (AML), Counter-Financing of Terrorism (CFT), and Anti-Fraud Working Groups

The FDIC participates in several interagency groups, described below, to help 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 Anti-Money Laundering Task Force, formed in 2012 and chaired by the Department of the Treasury (Treasury), includes high-level representatives from the FDIC, OCC, FRB, NCUA, SEC, CFTC, DOJ, the Financial Crimes Enforcement Network (FinCEN), and the Internal Revenue Service (IRS). The purpose of the Task Force is to consider the effectiveness of the AML statutory, regulatory, supervisory, enforcement, and communication framework.

- The Bank Secrecy Act Advisory Group (BSAAG) is a public/private partnership of agencies and organizations that meets to discuss strategies and industry efforts to address money laundering controls. BSAAG Subcommittees with active FDIC participation include: Banking, Information Technology, Nonbank Financial Entities, Prepaid Access, Cross Border, Suspicious Activity Reporting (SAR), and SAR Activity Review. All committees develop and share information for future advisories or guidance.

- The FFIEC BSA/AML Working Group, which is chaired by the FDIC, is composed of representatives from the federal bank regulatory agencies, FinCEN, and the CSBS to coordinate BSA/AML policy matters, training, and awareness efforts and to improve communications among the agencies. The BSA/AML working group builds on existing activities and works to strengthen the ongoing initiatives of other formal and informal interagency groups that oversee various BSA/AML issues. This working group meets monthly and invites other agencies, such as the SEC, CFTC, Treasury, IRS, and Office of Foreign Assets Control (OFAC), on a quarterly basis to ensure broader coordination of BSA/AML and sanctions efforts.

- The National Bank Fraud Working Group is sponsored by the DOJ to share information on fraud detection. It has two subgroups in which the FDIC actively participates:

    - The Check Fraud Working Group 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 IRS, the Bureau of Public Debt (BPD), and the U.S. Postal Service.

    - The Cyber Fraud Working Group is composed of the federal bank regulatory agencies, DOJ, the FBI, FinCEN, the IRS, and the BPD.

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

Financial Literacy and Education Commission

The FDIC is a member of the Financial Literacy and Education Commission (FLEC), which was established 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 provide leadership and support for FLEC initiatives, including leadership of FLEC workgroup.

Financial Education Partnerships

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. For example, in 2008, the FDIC signed a partnership agreement with the U.S. Office of Personnel Management 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. More recently, the FDIC partnered with the U.S. Department of Education and the NCUA to promote youth savings and related financial education efforts.

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 numerous markets across the country. These 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 (GPRA) / GPRA Modernization Act Financial Institutions Regulatory Working Group

In support of the GPRA and GPRA Modernization Act, the interagency Financial Institutions Regulatory Working Group, composed of representatives from all of the federal financial institution regulators (the FDIC, FRB, OCC, and NCUA), was formed in October 1997. This group works to identify and share information and best practices on the strategic and annual performance goals and objectives that are common to the programs and activities of these organizations and compliance with GPRA and GPRA Modernization Act 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 the 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. 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. 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 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 2007–2009 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 the events of late 2008 prove, 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, banks are examined more frequently, failures increase, and resolution costs rise. These trends have important operational implications for the FDIC, often requiring an increase in staff or diverting staff to meet the increased demand for resources in bank supervision and resolutions.

The U.S. economic recovery has been under way for over three years. Real gross domestic product (GDP) grew by 2.2 percent in 2012, following 1.8 percent growth in 2011. Consensus forecasts for real GDP growth in 2013 range from 1.5 percent to 3.0 percent, with an average projected growth rate of 2 percent. However, the tax increases that became effective in 2013 may limit the pace of economic growth to less than 2 percent in the first half of the year. Over the intermediate term, most signs continue to point to a prolonged period of sub-par U.S. economic growth, consistent with the aftermath of previous financial crises around the world. It is likely to take years to recover all of the jobs lost in the recession and for real estate values to return to pre-crisis levels. The extraordinary policy responses to the crisis, such as exceptionally low interest rates, are on track to stay in place longer than originally anticipated.

The U.S. economy continues to face significant uncertainties related to the "fiscal cliff" and the European sovereign debt crisis. Despite passage of the American Taxpayer Relief Act of 2012, there is still uncertainty stemming from the two-month deferral of automatic spending cuts under sequestration, the unresolved issue of the federal debt ceiling, and the expiration of the continuing budget resolution at the end of March. In Europe, financial market conditions have improved following intervention by the European Central Bank to support the purchase of European sovereign debt. However, euro zone countries likely will face slow or negative growth as they attempt to reduce their fiscal burdens. The ongoing issues in Europe will continue to pose risks to international trade and financial market stability.

In summary, the expected path for the U.S. economy is a slow but steady expansion that should continue to support the gradual repair of balance sheets at FDIC-insured depository institutions as well as other institutions and sectors hard hit by the financial crisis. However, the post-crisis environment continues to pose unique risks and challenges that merit continued attention by regulators.

The banking industry continued to recover in 2012. The 7,083 FDIC-insured commercial banks and savings institutions that filed financial results in 2012 reported net income of $141.3 billion, an increase of 19.3 percent compared to the full year 2011. This is the fourth consecutive year that industry earnings have registered a year-over-year increase and the second-highest annual earnings ever reported by the industry, after the $145.2 billion total in 2006. The improvement in earnings was attributable to higher noninterest income, lower expenses for loan-loss provisions, and higher realized gains on securities and other assets. More than two out of every three institutions reported year-over-year increases in net income, and the percentage of institutions with negative net income for the full year was 10.5 percent, down from 16.2 percent a year earlier.

The average return on assets (ROA) for the full year 2012 was 1.00 percent, up from 0.88 percent for 2011. This is the first time the average full-year ROA reached 1.00 percent in six years. More than half of insured institutions had higher ROAs in 2012 than in 2011. Insured institutions set aside $58.2 billion in provisions for loan and lease losses during 2012, a decline of $19.3 billion (24.9 percent) compared to 2011. The industry's total noninterest income increased by $18.4 billion (8.0 percent), as income from loan sales rose by $11.2 billion (174.4 percent), servicing income increased by $6.8 billion (93.9 percent), and losses on foreclosed property sales declined by $2.4 billion (51.8 percent). Total noninterest expenses were $9.0 billion (2.2 percent) higher, led by an $8.4 billion (4.8 percent) increase in salary and benefit expenses.

A challenging environment of low short-term interest rates combined with a flat yield curve contributed to a decline in the industry's net interest margin in 2012. The average margin fell from 3.60 percent in 2011 to 3.42 percent in 2012. Despite growth of 5.0 percent in the industry's interest-earning assets in 2012, net interest income declined by $1.3 billion (0.3 percent).

Indicators of asset quality continued to show improvement in 2012. In the 12 months ended December 31, total noncurrent loans and leases—those 90 days or more past due or in nonaccrual status—declined by $36.7 billion (11.7 percent). Loans secured by real estate accounted for three-quarters ($27.6 billion) of the reduction in noncurrent loans. Noncurrent real estate construction and development (C&D) loans fell by $15.3 billion (47.3 percent), and noncurrent real estate loans secured by nonfarm, nonresidential properties declined by $9.7 billion (24.2 percent). Noncurrent balances in all other major loan categories declined, led by loans to commercial and industrial (C&I) borrowers (down $4.2 billion, or 24.3 percent).

Net charge-offs (NCOs) of loans and leases totaled $82.8 billion in 2012, a decline of $30.4 billion (26.9 percent) from 2011. Credit card NCOs registered the largest year-over-year decline, falling by $10.3 billion (28.0 percent). Net charge-offs of real estate C&D loans declined by $5.6 billion (58.9 percent), C&I NCOs were $3.8 billion (34.4 percent) lower than in 2011, and NCOs in all other major loan categories also posted significant declines.

Asset growth remained modest in 2012, but loan balances increased after three consecutive years of contraction. During the 12 months ended December 31, total assets of insured institutions increased by $558.6 billion (4.0 percent). Loans and leases accounted for more than half of the increase in total assets, rising by $221.6 billion (3.0 percent). C&I loans increased by $163.4 billion (12.1 percent), residential mortgage loans rose by $10.4 billion (0.6 percent), auto loans increased by $19.9 billion (6.6 percent), and real estate loans secured by multifamily residential properties were up by $15.5 billion (7.1 percent). In contrast, real estate C&D loans fell by $36.1 billion (15.1 percent), and home equity loans declined by $49.3 billion (8.2 percent).

Growth in deposits outpaced the increase in total assets. In the 12 months ended December 31, total deposits of insured institutions increased by $631.1 billion (6.2 percent). Deposits in domestic offices rose by $689.1 billion, (7.92 percent), while foreign-office deposits fell by $58.0 billion. Much of the increase in domestic deposits occurred in noninterest-bearing transaction accounts, which had temporary full FDIC insurance coverage. These accounts increased by $175.5 billion (11.1 percent), with $146.1 billion of the increase consisting of balances above the basic FDIC coverage limit of $250,000. Nondeposit liabilities declined by $132.6 billion (6.2 percent), while equity capital rose by $62.8 billion (4.1 percent).

At the end of 2012, there were 651 institutions on the FDIC's "Problem Bank List," down from 813 institutions at year-end 2011. Total assets of problem institutions declined to $233 billion from $319 billion. Although these institutions are identified as having financial, operational, or managerial weaknesses that threaten their viability, historical analysis shows that most problem institutions do not fail.

In 2012, there were 51 bank failures with a combined $11.6 billion in assets. As of December 31, 2012, the Deposit Insurance Fund (DIF) balance stood at $33.0 billion, up from $11.8 billion at year-end 2011 and up from the low point of negative $20.9 billion at the end of 2009. The reserve ratio was 0.45 percent as of fourth quarter 2012, up from 0.17 percent at the end of 2011. On October 14, 2010, the FDIC adopted an amended Restoration Plan that will restore the DIF reserve ratio to 1.35 percent by September 2020, as required by the Dodd-Frank Act. Over the period 2013 to 2017, the FDIC projects losses of $5 billion to the DIF from bank closings.

The banking industry has the capacity to provide the necessary backing to the DIF, given its historically strong capital levels. As of December 2012, 97 percent of all FDIC-insured institutions, representing more than 99 percent of all insured-institution assets, met or exceeded the requirements to be 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, ensures that the FDIC will continue to have the resources necessary to protect insured depositors.