

**FEDERAL DEPOSIT
INSURANCE CORPORATION**

**2016 Annual
Performance Plan**

TABLE OF CONTENTS

CHAIRMAN’S MESSAGE	3
PROGRAM DESCRIPTIONS AND ANNUAL PERFORMANCE GOALS	4
Insurance Program	5
Supervision Program	18
Receivership Management Program	40
EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES	50
APPENDICES	57
Appendix A - Program Resource Requirements	58
Appendix B - The FDIC’s Planning Process	59
Appendix C - Program Evaluation	60
Appendix D - Interagency Relationships	61
Appendix E - External Factors	67

CHAIRMAN'S MESSAGE

I am pleased to present the Federal Deposit Insurance Corporation's *2016 Annual Performance Plan* that outlines the FDIC's goals and priorities for this year.

The FDIC plays an important role in maintaining public confidence and stability in the U.S. financial system. For more than 80 years, it has fulfilled that mission through its deposit insurance, bank supervision, and failed bank resolution programs. As of September 30, 2015, the FDIC insured more than 578 million accounts with more than \$6.4 trillion in depositor funds at over 6,000 institutions across the nation.

The *2015 Annual Report* described the FDIC's many accomplishments in fulfilling its core mission responsibilities last year. In 2016, the FDIC expects the U.S. economy and the banking industry to continue their gradual recovery from the recent financial crisis. Capital levels, liquidity, asset quality, and earnings for insured institutions have all improved, but the FDIC will remain vigilant and prepared to address any unexpected problems that may arise.

During 2016, the FDIC will continue to focus on the fulfillment of its core mission responsibilities, with an emphasis on its expanded post-crisis responsibilities (in coordination with the Federal Reserve Board) related to resolution planning for systemically important financial institutions (SIFIs). The FDIC also will pay increased attention to cybersecurity and other new, technology-related risks in insured depository institutions. In addition, it will conduct research on and provide outreach and technical assistance to community banks.

The FDIC has been a symbol of trust for depositors in FDIC-insured financial institutions since 1933 and will carry that tradition forward in 2016.

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 special (back-up) examination authority for all insured depository institutions. If significant emerging risks or other serious concerns are identified for an insured depository institution for which the FDIC is not the primary federal supervisor, the FDIC and the institution's primary 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.

The financial crisis and ensuing recession resulted in a large number of depository institution failures and high losses to the DIF. The number of problem banks peaked in 2010 and has been declining since 2011. Similarly, the number of bank failures in 2013, 2014, and 2015 declined each year and were significantly lower than during the height of the crisis, allowing the FDIC to rebuild the DIF. As of September 30, 2015 the fund balance had risen to \$70.1 billion from its negative \$20.9 billion low point at the end of 2009. The reserve ratio at the end of September 2015 was 1.09 percent.

¹An 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) revised the statutory authorities governing the FDIC’s management of the DIF. As a result of the changes mandated by the DFA, the FDIC developed a comprehensive, long-term management plan for the DIF that sets a target fund reserve ratio of 2 percent and a strategy for establishing assessment rates and dividends to meet that target. 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. A Restoration Plan was also adopted to make sure that the reserve ratio reaches 1.35 percent by September 30, 2020 as required by the DFA. In addition, the assessment system has been changed to ensure that insurance assessments better reflect the risk that institutions pose to the DIF.

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

Strategic Goal	Strategic Objectives	Annual Performance Goals
Insured depositors are protected from loss without recourse to taxpayer funding.	Customers of failed insured depository institutions have timely access to insured funds and financial services.	Respond promptly to all insured financial institution closings and related emerging issues. (1.1-1)
	The FDIC promptly identifies and responds to potential risks to the DIF.	Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders on an ongoing basis. (1.2-1)
	The DIF and the deposit insurance system remain strong and adequately financed.	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)
		Expand and strengthen the FDIC’s participation and leadership role in supporting robust and effective deposit insurance programs, resolution strategies, and banking systems worldwide. (1.3-2)
The FDIC resolves the failure of insured depository institutions in the manner least costly to the DIF.	Market failing institutions to all known qualified and interested potential bidders. (1.4-1)	

	<p>The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.</p>	<p>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)</p>
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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): For 2016, the FDIC has authorized staffing of 564 employees dedicated to handling the failure of insured financial institutions and the management of ensuing receiverships. This includes 405 permanent positions and 159 nonpermanent positions. The number of authorized nonpermanent positions is lower than in 2015, reflecting a continuing decline in the number of insured institution failures and assets under management. However, the completion of residual receivership management responsibilities for the large number of open receiverships established as a result of prior-year failures will continue to substantially affect the FDIC's workload for several years.

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.

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.

2015 Performance Results

This annual performance goal and its associated performance indicators and targets are unchanged from 2015. Eight insured financial institutions failed during 2015. The FDIC successfully met the performance targets for this annual performance goal.

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 and publications (e.g., the *FDIC Quarterly Banking Profile* and the *FDIC Quarterly*), Financial Institution Letters, 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.

Visiting scholars also participate in the FDIC's risk analysis program, and risk-focused examination training has been incorporated into the FDIC's examination schools.

In addition, the FDIC uses examiners and other staff located throughout the country to conduct banker outreach sessions as a collateral duty.

Information Technology: The FDIC's website (www.fdic.gov) is a centralized source of information on FDIC research and analysis on potential areas of risk for the industry, the public, and other regulators. 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 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.

2015 Performance Results

This annual performance goal and its associated performance indicator and targets are unchanged from 2015. The FDIC successfully met the performance targets for this annual performance goal in 2015.

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, 2016, and December 31, 2016.*
 - *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, 2016, and December 31, 2016.*

Means and Strategies

Operational Processes (initiatives and strategies): This goal reflects a requirement of the DFA. As of September 30, 2015, the fund balance had risen to \$70.1 billion from its negative \$20.9 billion low point at the end of 2009. The reserve ratio at September 30, 2015, was 1.09 percent. The fund is projected to reach 1.15 percent of estimated insured deposits in the first quarter of 2016, but may reach 1.15 percent by the end of 2015. When the reserve ratio reaches 1.15, implementation of a final rule imposing additional assessments on large banks (as required by the DFA) and the Restoration Plan adopted by the Board of Directors will help the FDIC achieve the required 1.35 percent of estimated insured deposits by 2020.

The FDIC's Financial Risk Committee (FRC) recommends to the Chief Financial Officer a Deposit Insurance Fund contingent loss reserve for anticipated failures. The FRC regularly reviews adverse events to identify lessons or implications for monitoring and addressing risks, and consults with the other federal banking agencies in its deliberations.

The FDIC also maintains and, as necessary, enhances models that forecast failures, failure resolution costs, assessment revenue, investment revenue, operating expenses, and insured deposit growth in order to update the outlook for the insurance fund balance and reserve ratio and ensure compliance with the Restoration Plan.

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 and analysis of fund adequacy. 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) calculates the premiums that financial institutions are assessed for deposit insurance. RRPS is updated and tested when the insurance assessment pricing structure changes.

Verification and Validation

To ensure that RRPS identifies higher-risk institutions and appropriately assesses higher insurance premiums, a Federal Information Security Management Act security review of RRPS is conducted annually. In addition, the Government Accountability Office reviews annually the methodology used to determine the contingent loss reserve.

In 2016, the FRC will again conduct semiannual reviews of the contingent loss reserve methodology by analyzing the difference between projected and actual losses. In addition, FDIC staff will report semiannually to the FDIC Board of Directors on progress made in meeting the goals of the Restoration Plan.

2015 Performance Results

This annual performance goal and its associated performance indicators and targets are unchanged from 2015. The FDIC successfully met the performance targets for this annual performance goal in 2015.

Annual Performance Goal 1.3-2

Expand and strengthen the FDIC's participation and leadership role in supporting robust and effective deposit insurance programs, resolution strategies, and banking systems worldwide.

Indicator and Targets

1. Activities to expand and strengthen engagement with foreign jurisdictions and advance the FDIC's global leadership and participation
 - *Foster strong relationships with international banking regulators, deposit insurers, and other relevant authorities by engaging with strategically important jurisdictions and organizations on key international financial safety net issues.*
 - *Continue to play leadership roles within key international organizations and associations and promote sound deposit insurance, bank supervision, and resolution practices.*
2. Provision of technical assistance to foreign counterparts
 - *Promote continued enhancement of international standards and expertise in financial regulatory practices and stability through the provision of technical assistance and training to global financial system authorities.*
 - *Develop and foster closer relationships with bank supervisors in the reviews through the provision of technical assistance and by leading governance efforts in the Association of Supervisors of Banks of the Americas (ASBA).*

Means and Strategies

Operational Processes (initiatives and strategies): As a recognized global leader in promoting sound deposit insurance, bank supervision, and resolution practices, the FDIC provides technical guidance, training, consulting services, and information to governmental banking, deposit insurance, and resolutions organizations around the world.

This is achieved, in part, through the FDIC's relationships with international financial institutions and regulatory agencies, and its leadership roles and participation in the International Association of Deposit Insurers (IADI), the Financial Stability Board (FSB), and ASBA. The FDIC's Vice Chairman is currently serving as President and Chairman of the Executive Committee of IADI. In 2016, the FDIC will continue to support the governance, training, and other activities of the IADI, FSB, and ASBA.

In addition, the FDIC will engage bilaterally and multilaterally in 2016 with priority foreign authorities to further develop resolution strategies for global systemically important financial institutions (G-SIFIs) that are chartered or have a substantial presence in the U.S. This includes, among other things, participation in the FDIC-European Commission working group, the FDIC-Single Resolution Board working group, tabletop exercises, principal-level events, and joint papers; hosting of foreign delegations; and support for missions to foreign authorities. The FDIC will also convene Crisis Management Groups (CMGs) for G-SIFIs based in the United States, attend-CMGs for non-U.S. G-SIFIs with significant U.S. operations, and participate in assessments of the implementation of the Key Attributes of Effective Resolution Regimes for Financial Institutions (Key Attributes). The Key Attributes, endorsed by the G-20 in 2011, set out the core elements necessary for an effective resolution regime, including the ability to manage the failure of a G-SIFI in a way that minimizes systemic disruption and avoids the exposure of taxpayers to the risk of loss.

The FDIC will support study tours, long-term secondments, and technical assistance for foreign counterparts that strengthen bank supervision and regulation and promote the adoption of sound deposit insurance and resolution frameworks. The FDIC will continue to promote the adoption of sound bank supervisory principles and practices in the Americas by providing subject matter experts as instructors for ASBA-sponsored training, ASBA-led research and guidance initiatives, and the ASBA secondment program.

The FDIC will support the International Monetary Fund and World Bank in their Financial Sector Assessment Program (FSAP) and Reports on the Observance of Standards and Codes by offering to provide subject matter experts for deposit insurance program reviews and resolution-related matters. The FDIC will continue work with the FSB to develop an assessment methodology for the Key Attributes.

Human Resources (staffing and training): Available resources include an international affairs team dedicated to promoting the adoption of sound bank supervision and deposit insurance principles and coordinating the FDIC's global outreach and technical assistance programs supplemented by subject matter experts within the FDIC. The International Affairs Working Group (IAWG) convenes periodically to review, discuss, and recommend initiatives that advance the FDIC's international agenda. The IAWG brings together senior representatives of several divisions and offices to discuss the FDIC's major international activities and outreach.

Information Technology: Information about the FDIC's international programs, such as technical assistance, foreign visitor, secondment, and international leadership development programs, as well as associations with international bodies including IADI, ASBA, and the European Forum of Deposit Insurers, is communicated through the FDIC's external website.

Verification and Validation

Progress in meeting this annual goal is reported to the FDIC’s IAWG through established processes. Quarterly reports document trends in the number of foreign visitors, foreign officials trained, technical assistance missions, and FDIC participation and leadership in key international organizations.

2015 Performance Results

This annual performance goal and its associated performance targets have been updated for 2016. The performance targets for this goal were successfully met in 2015.

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 encourage 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, nonpermanent 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.

2015 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2015. The FDIC successfully met the performance target for this annual performance goal for each of the eight insured institution failures that occurred in 2015.

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 four 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 its website, (3) publishes articles on deposit insurance coverage in the *FDIC Consumer News* (a quarterly newsletter for consumers published by the FDIC), and (4) works to raise awareness of deposit insurance coverage through the national and regional news media. 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 for research and response to FDIC employees who specialize in deposit insurance issues.

In addition, the FDIC administers a public education program that includes developing and distributing 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 to employees of insured financial institutions.

Human Resources (staffing and training): The FDIC has a dedicated staff of deposit insurance specialists and contractors who respond to thousands of telephone and written inquiries from consumers and bankers about deposit insurance coverage. The call center is also supported by a dedicated staff of subject matter experts on deposit insurance issues.

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 its deposit insurance program through the Specialized Tracking and Reporting System (STARS). Consumers and bankers can also estimate deposit insurance coverage by using the FDIC's Electronic Deposit Insurance Estimator (EDIE) available on the FDIC website. 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.

2015 Performance Results

This annual performance goal and the performance target on seminars for bankers on deposit insurance are unchanged from 2015. The 2015 performance target on the addition of additional deposit insurance videos to the FDIC website was completed and has been deleted for 2016. The FDIC successfully met the performance targets for this annual performance goal in 2015.

SUPERVISION PROGRAM

To promote public confidence and stability in the nation's financial system, the FDIC's Supervision Program promotes the safety and soundness of insured depository institutions, protects consumer rights, and promotes community investment initiatives by FDIC-supervised 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 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, use of off-site monitoring tools, participation in examinations conducted by other federal regulators, and, where appropriate, performance of 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.

The 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). The 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 examination authorities for these companies. The purpose of the FDIC monitoring and risk assessment activities for these institutions is, where possible, to mitigate identified risks; assess the adequacy of their efforts to prepare to reorganize or liquidate through bankruptcy in the event of financial distress; and 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. The FDIC also performs Bank Secrecy Act and information technology reviews at each risk management examination and, when applicable, conducts reviews of trust, registered transfer agent, municipal securities dealer, and government security dealer activities at these examinations.

Through the examination process, the FDIC also assesses the adequacy of their 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's compliance examination program promotes compliance with federal consumer protection laws, fair lending statutes, the Community Reinvestment Act (CRA), and the regulations that implement these laws and statutes. It seeks to ensure that consumers are treated fairly and that the disclosures institutions provide to consumers are accurate and complete. To promote the most effective and efficient use of resources, the compliance examination program focuses on the bank's activities and products that pose the greatest potential risk of consumer harm or otherwise require increased supervisory attention. The FDIC conducts separate examinations for all state nonmember banks to assess the effectiveness of their compliance management systems and CRA performance. Banks that are subject to the primary jurisdiction of the Consumer Financial Protection Bureau (CFPB) are examined for compliance with the regulations that were not transferred to the CFPB, including the CRA.

If weaknesses are identified through the examination process, the FDIC promptly takes appropriate supervisory action. Formal and informal enforcement actions may be issued to correct identified violations or other problems for institutions that are operating in a deteriorated financial condition; failing to comply with consumer protection, fair lending and other statutes; or displaying other significant weaknesses, including weaknesses in operations or risk management practices. These enforcement actions remain in place until the identified weaknesses are remedied.

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 through surveys the level of 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. For reviewing these applications, the FDIC evaluates various factors, including capital adequacy, quality of management, financial condition, and compliance with applicable laws and regulations. It also considers an institution's compliance with consumer protection, fair lending, and privacy laws and its performance under CRA.

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 to bankers, bank examiners, and other practitioners.

The FDIC is focused in 2016 on addressing a variety of risks to financial institutions including potential changes in interest rates, growth in asset concentrations, and cybersecurity risks.

In addition, the FDIC will continue to implement its new authorities under the DFA, as well as its ongoing community banking initiative.

While interest rates remained stable for an extended period, a recent interest rate increase and a rising interest rate environment could have adversely affect the net worth and earnings performance of a number of institutions because of the mismatch in maturities of their assets and liabilities. In 2016, the FDIC will continue to identify and address interest rate risk at FDIC-supervised institutions through off-site analysis and on-site examinations.

In 2016, the FDIC will also closely monitor concentrations of assets at FDIC-supervised institutions to ensure that institutions are managing the potential risks associated with having too large a concentration of assets in any particular area. High concentrations of assets can expose an institution to economic, credit, and interest rate risks. Although many institutions effectively manage concentration risk, a significant number during the financial crisis failed, to ensure that risk management practices or financial and managerial resources were sufficient in light of the risks associated with concentrated credit portfolios. As a result, improperly managed concentration risk contributed significantly to losses sustained by financial institutions, bank failures, and losses to the DIF. In 2016, the FDIC will continue to identify and monitor the risk management practices of institutions with high levels of asset concentrations. Examination procedures will focus on underwriting, credit administration, portfolio management, and monitoring practices

Cybersecurity is another significant concern for the banking industry because of the industry's use of and reliance on technology. During the past decade, cybersecurity has become one of the most critical challenges facing the financial services sector due to the frequency and increasing sophistication of cyber-attacks. In response, financial institutions and their service providers are continually challenged to assess and strengthen information security programs and refocus their efforts and resources to address cybersecurity risks.

In 2015, the FDIC added to its cybersecurity awareness resources for financial institutions. These include a Cybersecurity Awareness video and three new vignettes for Cyber Challenge, which consists of exercises that are intended to encourage discussions of operational risk issues and the potential impact of information technology disruptions on common banking functions. As a member of the Federal Financial Institutions Council (FFIEC), the FDIC participated in the issuance of numerous statements about emerging cybersecurity and technology risks and the development and issuance of the Cybersecurity Assessment Tool designed to help financial institutions assess their inherent risk and cybersecurity preparedness.

In 2016, the FDIC added to its supervision workforce approximately 30 specialized IT Examination Analysts to help ensure that financial institutions are addressing risks related to cybersecurity. The specialists will participate in information technology (IT) examinations at more complex FDIC-supervised institutions as well as the major technology service providers (TSPs) that support financial institutions. The FDIC will also implement a revised IT examination work program for community banks that will include an assessment of an institution's cybersecurity preparedness efforts.

In addition, the FDIC will continue its efforts to promote the security and resilience of the financial services sector by collaborating with its fellow banking regulators through the FFIEC's Cybersecurity and Critical Infrastructure Working Group, the Information Technology Subcommittee, and the Financial and Banking Information Infrastructure Committee.

In 2016, the FDIC will also continue to develop its capabilities related to its responsibilities under the DFA. The FDIC will conduct ongoing risk monitoring reviews of all banking organizations with more than \$100 billion in assets as well as certain nonbank SIFIs. In addition, reviews will be completed of the resolution plans submitted by insured depository institutions and bank holding companies with assets of \$50 billion or more as well as nonbank financial companies designated by the FSOC. The FDIC has the responsibility to ensure that these resolution plans provide a viable approach for reorganizing or liquidating through bankruptcy without creating an adverse effect on U.S. financial stability.

Finally, community bank issues will remain a high priority for 2016. The FDIC will continue to follow up on the recommendations in the *Community Banking Study* to make the supervisory process more efficient, consistent, and transparent to community banks. For 2016, this will include incorporating recommendations from banker surveys conducted in late 2015 to ensure that the technical assistance video program is providing the maximum benefits to bankers. In addition, the FDIC will complete its comprehensive review of all of its regulations, as required by the Economic Growth and Regulatory Paperwork Reduction Act, to identify any regulations that are outdated, unnecessary or unduly burdensome, with a focus on the impact on community banks.

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
<p>FDIC-insured institutions are safe and sound.</p>	<p>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.</p>	<p>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)</p>
		<p>Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering, and other financial crimes. (2.1-2)</p>
		<p>More closely align regulatory capital standards with risk and ensure that capital is maintained at prudential levels. (2.1-3)</p>
		<p>Implement strategies to promote enhanced information security, cybersecurity, and business continuity within the banking industry. (2.1-4)</p>

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
<p>Consumers’ rights are protected, and FDIC-supervised institutions invest in their communities.</p>	<p>FDIC-supervised institutions comply with consumer protection, CRA, and fair lending laws and do not engage in unfair or deceptive practices.</p>	<p>Conduct on-site CRA and consumer 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)</p>
	<p>Consumers have access to accurate and easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.</p>	<p>Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions. (3.2-1)</p>
	<p>The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.</p>	<p>Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives. (3.3-1)</p>

The following table depicts the strategic goal, strategic objectives, and annual performance goals for the Resolution Planning component of the Supervision Program.

Strategic Goal	Strategic Objective	Annual Performance Goal
<p>Large and complex financial institutions are resolvable in an orderly manner under bankruptcy.</p>	<p>Large and complex financial institutions are resolvable under the Bankruptcy Code.</p>	<p>Identify and address risks in large and complex financial institutions, including those designated as systemically important. (4.1-1)</p>

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. Follow-up actions on identified problems
 - *For at least 90 percent of institutions that are assigned a composite CAMELS rating of 2 and for which the examination report identifies “Matters Requiring Board attention” (MRBAs), review progress reports and follow up with the institution within six months of the issuance of the examination report to ensure that all MRBAs are being addressed.*

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 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 2016, the FDIC projects that it will conduct more than 1,820 risk management examinations required under statute, FDIC policy, or agreements with state supervisors.

The number of risk management examinations conducted during 2016 will decline by approximately 72 because of a statutory change enacted in late 2015 that changed from 12 to 18 months the required examination frequency for most banks with \$500 million to \$1.0 billion in assets. It may also fluctuate as the number of FDIC-supervised insured depository institutions changes as a result of 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.

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 focus on various risks 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 examination report identifies any 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. In addition to an on-site visit and a subsequent examination, compliance 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.

At this point in the economic cycle, it is important to ensure that problems identified at well-rated institutions are promptly addressed before they result in more serious deficiencies requiring formal or informal corrective programs. When there are material issues and recommendations that require attention by the institution's Board of Directors, the examination report will identify MRBAs to highlight areas that, if not properly measured, monitored, and controlled, could adversely affect the institution. A timely response is requested from institution management to mitigate risks and correct noted deficiencies. The response is reviewed to ensure it is appropriate and that it addresses supervisory concerns.

Human Resources (staffing and training): The FDIC has 1,723 authorized positions (1,520 permanent and 173 nonpermanent) in its field examination workforce for risk management in 2016.

This includes approximately 30 specialized IT Examination Analyst (ITEA) positions to augment the IT expertise within the examination workforce. 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. For 2016, all FDIC field examiners will receive training on the IT examination work program and a Cybersecurity Assessment Tool that will be implemented by year-end.

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 reports of examination and monitor compliance with enforcement programs. Staffing and training needs for this function are also reviewed regularly to ensure that the resources available are adequate and that employees possess the required skills and knowledge.

Information Technology: The FDIC's Virtual Supervisory Information on the Net (ViSION) system is used to schedule and track the completion of risk management examinations. ViSION 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 will complete in 2016 a multi-year project to develop and implement a new Examination Tools Suite (ETS) that will replace four examination-related software applications and address the risk of technological obsolescence. In 2012, the FDIC implemented the first phase of ETS by replacing the electronic loan review software that had been in use since 1996. The final phase of development will be completed by mid-2016, and deployment will begin on a phased, region-by-region basis.

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.

2015 Performance Results

This annual performance goal and its associated performance indicators and targets are unchanged from 2015. The FDIC successfully met the performance target for this annual performance goal in 2015.

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 FDIC-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 FFIEC Advanced BSA/AML Specialists Conference.

Human Resources (staffing and training): The FDIC has 319 examiners who are designated as BSA/AML subject matter experts. 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. Examiners also use ETS to update BSA violation codes automatically, thereby increasing the 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.

2015 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2015. The FDIC successfully met this performance target in 2015.

Annual Performance Goal 2.1-3

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

Indicator and Target

1. U.S. implementation of internationally agreed regulatory standards

- *Publish in 2016, a Notice of Rulemaking on the Basel III Net Stable Funding Ratio.*

Means and Strategies

Operational Processes (initiatives and strategies): FDIC staff have been working closely with the other federal banking agencies to develop a proposed rule to implement in the United States the Net Stable Funding Ratio (NSFR) for internationally active banking organizations. Throughout 2015 the FDIC, the OCC and the FRB (agencies) devoted substantial resources to develop an interagency notice of proposed rulemaking (NPR) to implement the NSFR rule, with a target of issuing the NPR by year-end 2015. However, the agencies decided in late 2015 to delay issuance of the NPR until 2016 to allow additional analysis. After the close of the public comment period on the proposed rule, the agencies will review all public comments and draft a proposed final rule. In considering these comments, the FDIC will consult internally with individuals and groups that have specialized expertise in areas such as complex financial institution, supervision, accounting, consumer compliance, and insurance and research. FDIC staff will also continue to lead and support the Basel Committee's ongoing quantitative impact study work on the NSFR.

Human Resources (staffing and training): The breadth and depth of knowledge among FDIC staff on bank liquidity, funding, and other capital markets matters has expanded in recent years, partly through continued staff participation and active involvement in numerous Basel policy development groups. In 2016, the FDIC will continue to increase the number of staff with capital market expertise by providing internal and external training on liquidity, funding, capital, trading activities, financial modeling, and other capital market areas.

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.

2015 Performance Results

This annual performance goal and its associated performance indicator are unchanged from 2015, but its associated performance target has been updated for 2016. The FDIC did not meet the 2015 performance target to issue an interagency Notice of Proposed Rulemaking (NPR) on the NSFR for public comment by the end of 2015, as the agencies determined that additional financial analysis was necessary prior to the issuance of an NPR.

Annual Performance Goal 2.1-4

Implement strategies to promote enhanced information security, cybersecurity, and business continuity within the banking industry.

Indicator and Target

1. Enhancements to IT supervision program

- *Establish a horizontal review program that focuses on the IT risks in large and complex supervised institutions and Technology Service Providers (TSPs).*
- *Complete by June 30, 2016, examiner training and implement by September 30, 2016, the new IT examination work program to enhance focus on information security, cybersecurity, and business continuity.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC assesses the ability of FDIC-supervised financial institutions to manage information technology risks through a comprehensive framework of IT risk management standards, risk ratings, and on-site examinations. This framework, jointly established by the members of the FFIEC, is implemented and enhanced to the extent needed by each agency. The framework focuses on evaluating information security, business continuity, incident response, audit and assessment, board and management oversight, vendor relationships, and payment systems. When significant weaknesses are identified in supervised financial institutions or TSPs, the FDIC issues enforcement actions to compel them to correct these weaknesses.

The FFIEC agencies created a Cybersecurity Assessment Tool that institutions may use to conduct a self-assessment of their cyber preparedness. The assessment tool for institutions was released to the industry in June 2015. The FFIEC is in the process of preparing a cybersecurity assessment tool for TSPs that is planned to be released in 2016.

Human Resources (staffing and training): The vast majority of the FDIC's 1,166 commissioned risk management examiners have basic IT examination skills. The FDIC has 365 commissioned examiners who have completed all four post-commission IT schools and more than 600 who have completed at least one of these schools. The FDIC also has 60 dedicated IT examiners, and 104 risk management examiners designated as either intermediate or advanced IT subject matter experts based on their completion of an on-the-job training program. Finally, 41 specialized ITEA positions support the IT examination process, including 30 new positions added in 2015 for ITEAs with advanced technical skills.

The IT examination function is supported by IT policy and examination personnel in its Washington, D.C. Headquarters. The FDIC will also expand its headquarters operations to address the growing risk exposure in the payment services area and to enhance its examination of TSPs and cybersecurity risks in the banking industry.

Information Technology: ViSION is used to schedule and track the completion of risk management examinations and any related enforcement actions or significant events at institutions due to noncompliance with IT-related banking laws and regulations.

Verification and Validation

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

The majority of TSP exams are conducted and scheduled on an interagency basis. Planning for examinations of the largest TSPs takes place annually with the OCC and the FRB. Examinations of smaller TSPs are managed at the FDIC regional office level in coordination with the local FRB and OCC counterparts. All IT examination activity (including TSPs) conducted by FDIC staff and detailed information on individual examiner participation is tracked through FDIC systems.

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.

2015 Performance Results

This annual performance goal and performance indicator are unchanged from 2015, but the associated performance targets have been updated for 2016. The FDIC successfully met the performance targets for this annual performance goal in 2015.

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 consumer 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 all 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 2016, the FDIC estimates that it will conduct approximately 1,375 compliance and/or CRA examinations.

The FDIC's compliance examination approach emphasizes a risk-focused scoping process to look at an institution's compliance risk management practices and the potential risk of consumer harm. 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 areas that pose the greatest risk for consumer harm. 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.

Institutions that are subject to enforcement actions because of unfavorable ratings for compliance with consumer protection and fair lending laws and regulations 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 an unsatisfactory rating. 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 497 authorized positions (470 permanent, 27 nonpermanent) in its field examination workforce for compliance and consumer protection in 2016. 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 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.

2015 Performance Results

This annual performance goal and its associated performance indicators and targets are unchanged from 2015. The performance targets for the annual performance goal were met in 2015.

STRATEGIC OBJECTIVE 3.2

Consumers have access to accurate and 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 has a comprehensive program to disseminate information to banks and the public on consumer rights under consumer protection and fair lending laws and regulations. It also operates a centralized Consumer Response Center that coordinates the investigation of, and response to, consumer complaints and inquiries. For correspondence related to FDIC-supervised institutions, FDIC staff contacts the institution and reviews the bank's actions for compliance with applicable federal consumer protection regulations before providing a response. Correspondence regarding institutions under the jurisdiction of other primary federal regulators is referred to those agencies. Target response times vary by the type of inquiry or complaint.

Human Resources (staffing and training): The FDIC's centralized Consumer Response Center (CRC) is located in Kansas City and is staffed by FDIC employees. CRC staff and management team work in partnership with supervisory staff in each region on consumer complaints and inquiries involving new or unusual issues or sensitive matters.

Information Technology: The FDIC uses an automated Customer Assistance Form on the FDIC's website to facilitate submission of consumer correspondence. The Specialized Tracking and Reporting System (STARS) is used to capture and report information regarding the FDIC's consumer assistance program, including response time.

Verification and Validation

The FDIC closely monitors the timeliness of its acknowledgment letters and responses through STARS. Performance results are monitored through established management processes.

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

2015 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2015. In 2015, the FDIC successfully met the performance target for this annual performance goal.

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

- *Publish the results of the 2015 FDIC National Survey of Unbanked and Underbanked Households.*
- *Promote broader awareness of the availability of low-cost transaction accounts consistent with the FDIC's Model SAFE transaction account template.*
- *Complete and present to the Advisory Committee on Economic Inclusion (ComE-IN) a report on the pilot Youth Savings Program (YSP) conducted jointly with the CFPB.*

Means and Strategies

Operational Processes (initiatives and strategies): Approximately 28 percent of U.S. households are underserved by the banking industry, based on survey results previously published by the FDIC. This includes both "unbanked" households (those with no checking or savings accounts) and "underbanked" households (those with checking or savings accounts who have used 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, in the past 12 months).

The Advisory Committee 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 2016, the FDIC will publish results from its *2015 FDIC National Survey of Unbanked and Underbanked Households* (Household Survey) conducted jointly with the U.S. Census Bureau. In addition to the Household Survey, the FDIC also collects information to provide insights into banks efforts to serve the unbanked and underbanked. In 2016, the FDIC will report on the results of qualitative research into the strategies that banks are using to serve these populations. Together, these efforts will enable the FDIC to provide an important set of references that will 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 support the expanded availability of SAFE accounts and the responsible use of technology, including mobile banking, to expand banking services to the underbanked population. In 2016, the FDIC will issue a report on research with consumers and banks to further assess opportunities to take advantage of the economic inclusion potential presented by mobile financial services. 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 2016, FDIC working groups will continue to conduct research, develop policy proposals, facilitate partnerships, and conduct outreach 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, policy, and consumer and community 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 website.

Verification and Validation

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

2015 Performance Results

This annual performance goal and its associated performance indicator are unchanged from 2015, but its performance targets have been updated for 2016. In 2015, the FDIC substantially met the performance targets for this annual performance goal.

STRATEGIC GOAL 4:

Large and complex financial institutions are resolvable in an orderly manner under bankruptcy.

STRATEGIC OBJECTIVE 4.1

Large and complex financial institutions are resolvable under the Bankruptcy Code.

Annual Performance Goal 4.1-1

Identify and address risks in large, complex financial institutions, including those designated as systemically important.

Indicators and Targets

1. Completion of statutory and regulatory requirements under Title I of the DFA and Section 360.10 of the FDIC Rules and Regulations
 - *In collaboration with the FRB continue to review all resolution plans subject to the requirements of Section 165(d) of the DFA to ensure their conformance to statutory and other regulatory requirements. Identify potential impediments in those plans to resolution under the Bankruptcy Code.*
 - *Continue to review all resolution plans subject to the requirements of Section 360.10 of the IDI rule to ensure their conformance to statutory and other regulatory timeframes. Identify potential impediments to resolvability under the Federal Deposit Insurance (FDI) Act.*
2. Risk monitoring of large, complex financial institutions, bank holding companies and designated nonbanking firms
 - *Conduct ongoing risk analysis and monitoring of large, complex financial institutions to understand and assess their structure, business activities, risk profiles, and resolution and recovery plans.*

Means and Strategies

Operational Processes (initiatives and strategies): Ongoing risk analysis and monitoring is conducted by resident FDIC teams at large, complex financial institutions and offsite analytical teams composed of quantitative experts and complex financial institution specialists with bank examination backgrounds. The offsite teams analyze industry and market conditions and trends to support individual institution monitoring and the consideration of broader policy issues. They attempt to identify early warning signals and triggers and the range of possible response actions by monitoring financial condition and performance, assessing institutional risk management capabilities, and reviewing recovery plans. FDIC staff also participates in collaborative risk management examinations and targeted reviews of SIFIs with other regulatory agencies.

Under Section 165(d) of the DFA, covered companies are required to submit resolution plans that provide for their rapid and orderly resolution under the Bankruptcy Code in the event of material financial distress or failure. The staffs of the FDIC and FRB have shared responsibility for the review of the plans submitted by covered companies to assess informational completeness and the resolvability of individual banks and bank holding companies.

In addition, under Section 360.10 of the FDIC Rules and Regulations, the IDI Rule requires each covered IDI to provide a resolution plan that allows the FDIC as receiver to resolve the institution in an orderly manner, enable prompt access of insured deposits, maximize the return from the failed institution's assets, and minimize losses realized by creditors and the DIF. The FDIC has the authority to review those plans.

Human Resources (staffing and training): Ongoing risk monitoring is conducted by onsite resident teams and offsite analysts who have expertise with large, complex financial institution operations. The FDIC's review of resolution plans submitted under Section 165(d) of the DFA is carried out by a multidisciplinary team of personnel from various divisions with expertise across all major operational and business line functions of the covered companies, both domestically and internationally. The FDIC's review of resolution plans submitted under the IDI Rule is carried out by multidisciplinary teams primarily consisting of commissioned examiners and resolution specialists. These teams are complemented by subject matter experts, as necessary. Training needs for each of these groups are reviewed regularly to ensure that these teams have the knowledge and expertise necessary to appropriately perform their assigned responsibilities.

Information Technology: The FDIC uses existing technology to track the submission and review of the resolution plans required under Section 165(d) of the DFA and Section 360.10 of the FDIC Rules and Regulations.

Verification and Validation

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

2015 Performance Results

This annual performance goal is unchanged from 2015. However, its associated performance indicator and targets have been updated to distinguish between the review of resolution plans submitted by covered companies under Title I of the DFA and those submitted by covered IDI's under Section 360.10 of the FDIC Rules and Regulations. The FDIC successfully met the performance target for this annual performance goal in 2015.

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 objectives:

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

The FDIC assesses the assets and liabilities of a failing institution to determine its 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 identifies and investigates claims owed to the receivership and pursues those claims on behalf of the receivership when it is cost effective to do so and/or when public policy dictates that the FDIC pursue legal action against a debtor (e.g., 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 them instructions on how to file a claim. Once the FDIC receives and analyzes the information, valid claims are paid under the priorities set 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.

In addition to resolutions administered using FDI Act authority, the FDIC may be called upon to carry out the orderly liquidation of certain large, systemically important financial companies under Title II of the DFA. In 2016, the FDIC will continue to pursue planning and operational readiness initiatives to bolster its ability to administer, if necessary, the resolution of large financial institutions including those designated as systemically important.

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. (5.1-1)
		Manage the receivership estate and its subsidiaries toward an orderly termination. (5.1-2)
	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. (5.2-1)
	Resolution of the failure of a large, complex financial institution is carried out in an orderly manner in accordance with statutory mandates	Ensure the FDIC’s operational readiness to administer the resolution of large financial institutions, including those designated as systemically important. (5.3-1)

STRATEGIC GOAL 5:

Resolutions are orderly and receiverships are managed effectively.

STRATEGIC OBJECTIVE 5.1

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

Annual Performance Goal 5.1-1

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. Given adequate time, the FDIC prepares an online 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. From 2008 to 2012, whole bank loss-share transactions were used extensively to sell most of the assets of a failed bank to an acquiring bank. Because of continued improvement in the economy, the use of loss-share transactions decreased significantly in 2013, and there were no loss-share transactions in 2014 or 2015.

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 an Internet-based platform. Potential asset purchasers are given the opportunity to view all sales information electronically before submitting bids online.

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 its resolutions and receivership management functions. When workload increases, as it did from 2007 through 2011, the FDIC may add nonpermanent 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 as necessary to manage and sell the assets of failed institutions. The FDIC has comprehensive 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. Contract expenditures and the number of new contract awards declined in 2015, continuing a trend that began in 2011.

The FDIC will continue in 2016 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 will continue to identify and address barriers to the participation of underrepresented groups, including minority- and women-owned businesses and law firms, in FDIC contracting and asset purchase opportunities.

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 sell assets received from failed institutions. In addition, the Franchise Marketing System (FMS) is used to track franchise marketing activities for failed financial institutions. FMS provides a comprehensive source of information on 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.

2015 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2015. The FDIC successfully met the performance target for this annual performance goal in 2015.

Annual Performance Goal 5.1-2

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 department managers meets monthly to review and evaluate the progress that has been made in carrying out each 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 work to remove impediments to the termination of its remaining open receiverships. During 2015, eight new receiverships were added to the FDIC's inventory of receiverships and 43 were terminated, leaving 446 active receiverships at year end.

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.

2015 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2015. The FDIC successfully met the performance target for this annual performance goal in 2015.

STRATEGIC OBJECTIVE 5.2

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

Annual Performance Goal 5.2-1

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 2016, 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 decisions 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 performance goal. Progress in meeting this goal is reported through established management processes.

2015 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2015. The FDIC successfully met the performance target for this annual performance goal in 2015.

STRATEGIC OBJECTIVE 5.3

Resolution of the failure of a large, complex financial institution is carried out in an orderly manner in accordance with statutory mandates.

Annual Performance Goal 5.3-1

Ensure the FDIC's operational readiness to administer the resolution of large financial institutions, including those designated as systemically important.

Indicators and Targets

1. Establishment of resolution plans and strategies
 - *Refine plans to ensure the FDIC’s operational readiness to administer the resolution of large financial institutions including those designated as systematically important.*
2. Meetings of the Systemic Resolution Advisory Committee (SRAC)
 - *Hold a meeting of the Systemic Resolution Advisory Committee in early 2016 to obtain feedback on resolving SIFIs.*
3. Enhanced cross-border coordination and cooperation in resolution planning
 - *Continue to deepen and strengthen bilateral working relationships with key foreign jurisdictions.*

Means and Strategies

Operational Processes (initiatives and strategies): The largest bank holding companies and designated nonbank financial companies are required to prepare resolution plans under Title I of the DFA. These resolution plans must demonstrate that the firm could be resolved under bankruptcy without severe adverse consequences for the financial system or the U.S. economy. As a backstop, for circumstances in which an orderly bankruptcy process might not be possible, Title II of the DFA provides the FDIC with Orderly Liquidation Authority (OLA) to manage the failure of the firm. This authority may only be implemented after recommendations by the appropriate federal regulatory agencies and a determination by the Secretary of the Treasury in consultation with the President.

OLA is the mechanism for ensuring that policymakers will not be faced with the same poor choices they faced in 2008. Its tools are intended to enable the FDIC to carry out the process of winding down and liquidating the firm, while ensuring that shareholders, creditors, and culpable management are held accountable and taxpayers do not bear losses. The OLA provides the FDIC with several authorities—not all of which are available under bankruptcy—that are broadly similar to those that the FDIC has to resolve the failure of IDI’s under the FDI Act. They include the authority to establish a bridge financial company, to stay the termination of certain financial contracts, to provide temporary liquidity that may not otherwise be available, to convert debt to equity, and to coordinate with domestic and foreign authorities in advance of a resolution to better address any cross-border impediments. In the years since enactment of the DFA, the FDIC has made significant progress in developing the operational capabilities to carry out a resolution using the OLA, if necessary.

Given the challenges presented in the resolution of a large, complex financial company—especially as these companies are currently organized and operated—the FDIC initially focused its efforts on developing a resolution strategy called the single point of entry.

That strategy would place the top-tier parent company of the firm into receivership while establishing a temporary bridge financial company to hold and manage its critical operating subsidiaries for a limited period. To operate the bridge financial company, the FDIC would appoint a new board of directors and senior management that would be charged with managing the wind-down of the firm in a way that minimizes systemic disruption. In order to minimize moral hazard and promote market discipline, shareholders and creditors would bear losses, and culpable management would be replaced.

As a well-capitalized entity, the FDIC expects that the bridge financial company and its subsidiaries would be in a position to borrow from customary sources in private markets to meet its liquidity needs. However, if such funding was not immediately available, the law provides a dedicated, back-up source of liquidity—not capital—through the Orderly Liquidation Fund (OLF). The OLF would be used, if necessary, in the initial stage of resolution until private funding could be accessed.

There are a number of important limitations on the use of the OLF. The DFA limits the amount that can be borrowed and requires that any OLF borrowing must be repaid from recoveries on the assets of the failed firm. If that should prove insufficient, assessments would be levied on the largest financial companies. Under the law, taxpayers cannot bear losses. Instead, losses are borne by the failed company through its shareholders and creditors, and, if necessary, by the financial industry through assessments.

The FDIC also established and consults regularly with the SRAC, which advises the FDIC on the potential effects of a large complex financial institution failure on financial stability and economic conditions, 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 Advisory 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 applying accounting rules and practices.

Advance planning and cross-border coordination for the resolution of G-SIFIs will be essential to minimizing disruptions to global financial markets. Recognizing that G-SIFIs create complex international legal and operational concerns, the FDIC continues to work with foreign regulators to establish frameworks for effective cross-border cooperation.

Human Resources (staffing and training): This annual performance goal will be carried out largely by existing FDIC staff. The training needs of staff are reviewed regularly to ensure that teams have knowledge and expertise necessary to appropriately perform their assigned responsibilities. Training specifically related to certain nonbank financial companies has been developed and will be provided to appropriate team members in 2016.

Information Technology: Existing information technology systems from the failed institution will be used in the resolution of a large, complex firm. The FDIC will continue to identify other IT needs relative to a failure of a large, complex financial institution during 2016.

Verification and Validation

The FDIC has extensive experience in resolving the failure of IDIs and has devoted considerable time and resources to planning for the rapid and orderly resolution of a financial institution under Title II of the DFA. To evaluate the effectiveness of these planning efforts and to identify areas of further development, the FDIC has conducted an operational exercise to validate the current Title II planning efforts. The exercise included senior FDIC managers and staff representing areas within the organization that would be responsible for executing a resolution under Title II of the DFA. Participants discussed the primary actions that would occur during the initial appointment of the FDIC as receiver of a SIFI and the stabilization phase immediately following appointment. The exercise enhanced organization cooperation and awareness, in addition to identifying areas for further work.

2015 Performance Results

This annual performance goal has been revised for 2016 to provide expanded focus on the resolution of large financial institutions generally, including those designated as systematically important. One performance indicator has also been revised to be consistent with that change. The other two 2015 performance indicators and one performance target are unchanged other than performance targets have been updated for 2016.

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. These resources must be aligned and deployed to the areas where they are most needed. An overview of planned 2016 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 predominantly paid from the Deposit Insurance Fund (DIF), which is funded from 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 disciplined approach to 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 depository institution failures. The FDIC relied primarily on nonpermanent staff and contractor resources to address the resulting uptick in its supervisory and resolutions workload in order to facilitate future budget and staffing reductions when workload returned to more normal levels. In subsequent years, both the annual operating budget and authorized staffing level declined substantially. For 2016, the FDIC's annual operating budget and authorized staffing are approximately 45 percent and 27 percent, respectively, below the peak levels experienced in 2010 and 2011. The FDIC will continue to carefully monitor both its supervision and receivership management workload and will take steps to further reduce expenses for these programs as underlying workload declines.

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 among federal agencies, especially those 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 2016, the FDIC will continue to pursue several ongoing initiatives to shape its future permanent workforce while addressing immediate staffing needs.

Workforce Development Initiative

Like many other federal agencies, the FDIC faces potential succession management challenges as many of its long-term, experienced employees retire. Introduced in 2013, the FDIC's Workforce Development Initiative emphasizes the need to prepare employees to fulfill current and future workforce capability and leadership needs. This focus ensures that the FDIC has a workforce positioned to meet today's core responsibilities while preparing to fulfill its mission in the years ahead.

During 2015, the FDIC continued to develop and implement the Workforce Development Initiative. The effort is designed to address comprehensive succession planning needs and workforce development challenges and opportunities. The initiative is focused on four broad objectives: to attract and develop talented employees across the agency, to enhance the capabilities of employees through training and diverse work experiences, to encourage employees to engage in active career development planning and seek leadership roles in the FDIC, and to build on and strengthen the FDIC's operations to support these efforts.

In 2016, the FDIC will continue to develop and implement the strategies, programs and infrastructure to support the attainment of these objectives in meeting its long-term workforce needs. The FDIC is in the early stages of a multi-year effort to identify future workforce and leadership requirements assess current workforce capabilities, support employees who aspire to leadership and management roles, and develop and source the talent to meet emerging workforce needs.

In 2015, an interdivisional pilot succession planning review was conducted to consider the current state of management talent at the FDIC and establish developmental recommendations for aspiring senior leaders. In 2016, this process will be expanded agency-wide to include more than 900 FDIC managers and leaders. The long-term goal of the effort is to increase the pool of capable employees eligible to apply for leadership positions through a systematic, deliberate approach to cultivating leadership talent.

During 2015, several programs were launched to support both aspiring leaders and employees in broadening their capabilities. One example is the expansion of the Mentorship Program to include a leadership mentoring focus. More than 300 employees and managers enrolled in the program as mentors and/or mentees in 2015. This program is designed to establish a partnership between an employee and a more experienced advisor with the goal of exploring professional development and career plans. In 2016, the FDIC plans to further the implementation of these and other efforts to achieve the goals of the Workforce Development Initiative.

The FDIC continues to focus on ensuring the availability of a workforce prepared to meet today's core mission functions, including oversight responsibilities required under DFA.

A key component of the FDIC's long-term workforce development strategy continues to be the Corporate Employee Program (CEP). The 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 cross-trained, flexible workforce that can be redeployed rapidly to address new workload priorities resulting from changing conditions in the banking industry and the broader economy.

Once employees complete the CEP training program and are commissioned in their assigned disciplines, they have numerous opportunities to further their expertise in particular specialized areas. In 2015, the FDIC began a multi-year effort to develop more advanced skills through rigorous and structured training programs for specialists in such areas as accounting, capital markets, information technology, Bank Secrecy Act compliance, anti-fraud, anti-money laundering, large bank supervision, and a variety of other specialized areas. The FDIC also provides opportunities to prepare employees for managerial and leadership positions.

Another outgrowth of its strategic workforce planning is an employee development program designed to expand the number of FDIC employees who have broad, cross-divisional experience with the largest and most complex FDIC-insured banks and bank holding companies. The program provides experience in supervision, risk analysis and monitoring, deposit insurance pricing and fund management, and resolution planning.

FDIC employees and leaders have a long tradition of responding effectively in times of crisis, while continuing to execute day-to-day mission requirements. Through further development of its human capital strategies, the FDIC will work to ensure that the future FDIC workforce is as prepared, capable, and dedicated as the one it has today.

Workforce Diversity and Inclusion

In 2016, the FDIC will continue to pursue a more comprehensive, integrated, and strategic focus on diversity and inclusion within the FDIC workforce. The FDIC Diversity and Inclusion Executive Advisory Council, composed of key senior executives, oversees the implementation of the FDIC Diversity and Inclusion Strategic Plan, which was initially issued in early 2013 and is updated annually.

The plan lays out a course for achieving workforce diversity through targeted recruiting; cultivating greater workplace inclusion through collaboration, flexibility, and fairness; and ensuring the sustainability of diversity and inclusion achievements by equipping leaders with the ability to manage diversity, monitor results, and refine approaches on the basis of actionable data. The plan details specific steps to enhance diversity and inclusion at the FDIC in the areas of recruiting, hiring, succession planning, leadership engagement, analytics and reporting, training, communications, strategic planning, and performance management rating enhancements.

A Culture of Workplace Excellence

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

Survey results 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 gain 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 environment, and training, technology, and other resources.

The FDIC's Workplace Excellence (WE) Program plays an important role in helping the FDIC maintain a culture of excellence. The WE Program is composed of a National WE Steering Committee and individual Division/Office WE Councils focused on maintaining, enhancing, and institutionalizing positive workplace and cultural change at the national and division/office levels at the FDIC. The WE Program enhances communication, provides additional opportunities for employee input and engagement, and promotes employee empowerment.

Employee Learning and Development

The FDIC provides employees with skills-based training and leadership development opportunities to help achieve its mission. In 2016, the FDIC's Corporate University will continue to offer innovative solutions to prepare both current and new employees for the challenges ahead. It will also continue to use its learning programs as opportunities to strengthen its organizational culture, build key competencies, and reinforce corporate values.

The FDIC provides its workforce with the technical knowledge and skills necessary to examine and supervise financial institutions and manage receiverships. In 2016, the FDIC will continue to develop and implement the priority components of the approved Division of Depositor and Consumer Protection (DCP) and the Division of Risk Management Supervision (RMS), as approved by the divisions' Training Oversight Committee. This work will ensure the currency of examiner curricula with recent regulatory changes, and expand the use of distance-learning methods to expand access of field staff to training resources. The FDIC also will conclude a three-year effort to develop a comprehensive curriculum to provide foundational knowledge, specialized skills, and cross-training opportunities across functions for employees in the Division of Resolutions and Receiverships (DRR) to promote a flexible workforce and ensure readiness for future resolutions and receiverships activity. In support of the FDIC's responsibilities for the possible orderly liquidation of a systemically important financial company, facilitated discussions and tabletop exercises will continue to 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. The FDIC has a comprehensive leadership development curriculum that consists of core courses, electives, and enrichment activities. Development of the core leadership curriculum was completed in 2011 and significantly updated in 2015. In 2016, new courses will be added to the robust electives program and enrichment programs and customized training will be offered at headquarters and in the field.

Management of Information Technology Resources

The use of information technology (IT) is essential to accomplishing the FDIC's mission. Innovative, timely, reliable, and secure information helps the FDIC meet its annual performance goals and carry out daily operations. Protection of digital information is vital as technology becomes an increasingly integral component of business functions. In 2016, the FDIC will focus on managing its IT resources to improve information security, support its responsibilities under the DFA, and improve performance and efficiency across all program areas.

Information Security

The FDIC has a robust, risk-based, organization-wide information security program. Digital information and information systems are treated as corporate assets to be protected, with controls at a level commensurate with the sensitivity of information processed, stored, or transmitted. Since government agencies face increasing and ever-changing cyber-threats, the FDIC must continue to enhance its continuous threat monitoring capabilities. The FDIC maintains a risk management approach to cybersecurity that provides an accurate picture of the FDIC's security risk posture at all times. The approach provides visibility into assets, leverages automated data feeds to quantify risk, ensures security control effectiveness, and supports prioritized remedy implementation. In 2016, the FDIC will continue implementing enhanced strategies for ensuring the security of the FDIC's systems and IT infrastructure against external intrusion.

Security and privacy are embedded into the FDIC's culture. Each employee and contractor must review and complete annual information security and privacy awareness training to acknowledge their responsibilities under the information security and privacy programs. The privacy program is primarily focused on ensuring that appropriate steps are taken to protect personally identifiable information from unauthorized use, access, disclosure, or sharing and to protect associated information systems and websites from unauthorized access, modification, disruption, or destruction.

Continuity of Operations (COOP)

The FDIC has been classified as a Category II FEMA organization, which means that systems providing mission essential functions must be recovered within 12 hours should a disaster occur. In 2015, a COOP tabletop exercise identified needed changes to communications used during a disaster. In 2016, documentation will be developed and approval sought to execute improvements to disaster recovery capabilities.

In 2014, the FDIC placed into operation a Sensitive Compartmented Information Facility (SCIF) to meet COOP requirements for a Category II agency. This project included hiring a full-time Special Security Officer and constructing the SCIF to standards of Intelligence Community Directive 705, Sensitive Compartmented Information Facilities. The SCIF received physical security accreditation in August 2014. Communications testing was successfully completed in 2015 through the interim classified communications platform that was installed pending the full installation of the system.

In 2015, the FDIC worked with DOD and Intelligence Community classified communications service providers to conduct the initial site assessments for the installation of the communications systems necessary to meet the standards set forth in NCS D 3-10 for continuity of communications. In 2016, the FDIC will continue to work with the communications systems providers to complete the installation of the critical classified communications platforms that are required to ensure compliance with NCS D 3-10.

The FDIC participated in the training and exercises directed by the White House and FEMA through the annual continuity exercise, Eagle Horizon 2015. In addition, an internal FDIC continuity exercise was conducted with senior leadership to detect potential risks and identify mitigation strategies to safeguard operations. The exercise highlighted potential gaps that will be addressed in 2016 along with best practices to enhance the FDIC's ability to continue to perform its mission essential functions during emergency events.

In 2015, the FDIC worked with key stakeholders on a Business Impact Analysis/Business Process Analysis for all divisions and offices that will continue in 2016. The findings and best practices identified in the two analyses will be integrated into the Corporate Continuity of Operations Plan to refine roles and responsibilities during an emergency. Those findings and best practices will be also used to update and complete Business Continuity Plans for all FDIC Regional Offices. These plans will help to minimize disruptions to FDIC operations, thus enabling continuous performance of essential FDIC functions.

Management Controls

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 in 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. As the FDIC transitions back to post-crisis operational status, those efforts will return to ensuring that key financial operations and processes maintain sound internal controls. The goal will be to ensure that these operations are managed appropriately and that opportunities to improve the control environment are identified and implemented in an efficient and timely manner.

In 2016, the FDIC will focus on improving its core business functions, with a continuing emphasis on activities associated with DFA Title II implementation, system security management, system development risk management, enhanced performance metrics, and the operational risks accompanying client-led development. In 2016, the FDIC will also continue to review a sample of transactions and invoices to confirm management attestations that financial reporting and internal control procedures have been correctly followed. Process maps are being developed for critical operations, and billing reviews will be performed on high-dollar contracts as part of monitoring exposure to improper payments. All of these efforts support processes to make sure that the foundation of controls remains strong throughout the Corporation.

During 2015, the FDIC began implementation of policies and controls to govern internal decision support models used by its divisions and offices. That effort will continue in 2016, with the initial implementation of a comprehensive, corporate-wide model validation program. This program will ensure that FDIC models are sound through routine testing and evaluation carried out according to tailored model validation programs approved by FDIC senior management.

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 2016 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 2016 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	\$1,083,243,517
Insurance	\$331,605,158
Receivership Management	\$574,782,274
Corporate Expenses	\$221,070,106
TOTAL	\$2,210,701,055

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 early 2015, the FDIC Board of Directors approved a new *FDIC Strategic Plan, 2015-2019*, that reflected the addition of strategic goals and objectives related to the FDIC's new responsibilities for resolution planning for large and complex banks and bank holding companies under the DFA.

In developing its Strategic and Annual Performance Plans, the FDIC uses an integrated planning process in which senior management provides guidance and direction on FDIC goals and priorities. Plans and budgets are developed to achieve those goals and priorities 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, the findings of 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 its internal website and internal communications, such as videos, newsletters, and staff meetings. Pay and recognition programs are structured to reward employee contributions to the achievement of the FDIC's annual performance 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 website (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) coordinates the evaluation of the FDIC's programs and issues follow-up reports. 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 cybersecurity, failed bank data, the development of IT systems supporting FDIC operations, infrastructure development for new operational areas, as well as process mapping and development of performance metrics in several areas. In 2016, 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 FRB and the 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 implementation of Basel III; revisions to risk-based and leverage capital requirements; the liquidity coverage ratio; credit risk retention; and other supervisory guidance policies, including policies addressing capital adequacy, information technology and cybersecurity risks, leveraged lending, and liquidity risk management. In addition, the 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 the majority of 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. Finally, the FDIC collaborates with the Federal Housing Finance Agency (FHFA), which is the rule-writer and supervisor for the Government Sponsored Enterprises and the Federal Home Loan Banks.

The Federal Financial Institutions Examination Council

The FFIEC is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of financial institutions. The member agencies of the FFIEC are the FDIC, the FRB, the OCC, the NCUA, and the CFPB.

In addition, the Chair of the FFIEC State Liaison Committee serves as a 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 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 is a member of 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. Other areas of significant focus include liquidity and funds management, market risk exposure and derivatives activities. In 2015, the FDIC and the other federal banking agencies worked closely with the BCBS to improve the Basel III Capital Accord to strengthen the resiliency of the banking sector and improve liquidity risk management. As a result, the BCBS published a final leverage ratio standard, a final framework for securitization exposures, a proposal for a revised standardized approach, and a final standard for the Basel III liquidity metric known as the Net Stable Funding Ratio. The FDIC also provides substantial support on various BCBS qualitative impact studies, which are used to monitor the impact of proposed and final standards on banking entities.

International Colleges of Regulators

The FDIC participates in several groups of international regulators to address international consistency in the implementation of over-the-counter (OTC) derivatives reforms. The OTC Derivatives Regulators' Forum is a college of regulators that discuss initiatives on derivative reforms mandated by the Group of Twenty (G-20) and FSB.

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 changing the infrastructure of the largest dealer banks. The group is composed of supervisors of the G-SIFIs. 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 assigns ratings based on its assessment of the degree of transfer risk inherent in U.S. banks' foreign exposure.

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 builds strong bilateral and multilateral relationships with foreign deposit insurers, resolution authorities, 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 Consumer Financial Protection Bureau (CFPB) 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; 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 deposit insurance and failed bank resolution 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 CFPB, 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 money laundering, terrorist financing, and fraud.

- 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, terrorist financing and other illicit financial activities. Areas of focus include information technology, prepaid access/cards, cross-border activities, suspicious activity reporting, and other emerging risks.
- The FFIEC BSA/AML Working Group is composed of representatives from the federal bank regulatory agencies, FinCEN, and the CSBS to coordinate BSA/AML policy matters, training, and 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 Basel Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) Expert Group (AMLEG) is responsible for monitoring AML/CFT issues that have a bearing on banking supervision, coordinating with the Financial Action Task Force, and serving as a forum for AML/CFT experts from banking supervisory agencies.
- 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 (1) the Payments Fraud Working Group, co-chaired by the FDIC and DOJ, and composed of the federal bank regulatory agencies, the FBI, FinCEN, the IRS, the Bureau of Public Debt (BPD), and the U.S. Postal Service; and (2) the Cyber Fraud Working Group, composed of the federal bank regulatory agencies, DOJ, the FBI, FinCEN, the IRS, and the BPD.

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 the FLEC workgroup.

Financial Education Partnerships

The FDIC collaborates extensively with other agencies to promote financial education and capability initiatives. The FDIC's work during 2015 focused primarily on young people given the *Starting Early for Financial Success* focus of the Financial Literacy and Education Commission. The FDIC worked closely with the CFPB to launch and promote new educational tools for parents, students, and teachers. And, the FDIC and four other agencies issued the *Interagency Guidance to Encourage Financial Institution Youth Savings Programs and Address Related Frequently Asked Questions* on February 24, 2015. In addition, the FDIC worked with the U.S. Small Business Administration on significant enhancements to Money Smart for Small Business.

Alliance for Economic Inclusion

The FDIC established and leads the Alliance for Economic Inclusion (AEI), a national initiative to bring all unbanked and underserved populations into the financial mainstream.

The AEI is composed of broad-based coalitions of financial institutions, community-based organizations, and other partners in 14 markets across the country. These coalitions work to increase banking services for underserved consumers in low- and moderate-income neighborhoods, minority and immigrant communities, and rural areas. These services include savings accounts, affordable remittance products, targeted financial education programs, small-dollar loan programs, alternative delivery channels, and other asset-building programs.

The Financial Stability Board (FSB)

The FDIC actively participates in the work of the Financial Stability Board (FSB), an international body established by the G-20 leaders in 2009. As a member of the FSB's Resolution Steering Group and its Cross-Border Crisis Management Group, the FDIC has helped develop international standards and guidance on issues relating to the resolution of G-SIFIs. Much of this work has related to the operationalization of the FSB's Key Attributes.

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.

U.S. Small Business Administration Strategic Alliance Memorandum

The FDIC partners with the U.S. Small Business Administration (SBA) to encourage financial institutions to prudently serve entrepreneurs and small business owners. Through a Strategic Alliance Memorandum (SAM), the FDIC and SBA collaborate by co-sponsoring events and activities to help banks become fully aware of SBA capital access programs and connect banks to opportunities to address small business training, counseling, and financial service needs.

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 U.S. economy continued to expand at a moderate pace in 2015, but challenges remain.

After gaining momentum in 2014, the U.S. economy slowed in 2015 due to temporary factors, and the effects of a strong dollar and low oil prices that weighed on exports and energy investment spending. However, strong personal consumption and the improving labor market bode well for continued modest expansion of the economy. The unemployment rate has declined from a peak of 10 percent in 2009 to 5.1 percent in late 2015, but a strong dollar and weak global economy will weigh on exports and growth. As expected, The Federal Reserve raised interest rates in late 2015.

The U.S. economy continues to face a number of risks. As the economy improves, the Federal Reserve faces challenges normalizing monetary policy in a manner that supports both economic growth and price stability. Financial markets may encounter periods of volatility as monetary policy normalizes, which may adversely affect bank profitability. Even modest increases in interest rates can affect asset valuations and earnings potential of depository institutions. In addition, fiscal challenges for federal, state, and local governments have the potential to weigh on economic growth. Globally, the recovery in Europe remains tenuous and slowing growth in some of the major advanced and emerging market economies could adversely affect trade and financial markets. If U.S. growth and monetary policy continue to diverge from those of other major countries, then the resulting dollar appreciation could exacerbate existing trade imbalances and potentially create volatility in global capital flows and financial markets. Financial crises in Greece, Puerto Rico, and China have the potential to further unsettle markets.

Steady expansion of the U.S. economy should continue to support the performance of 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 challenges and risks that merit continued attention by regulators.

Insured institution performance showed mixed results through the first three quarters of 2015.

The 6,270 FDIC-insured commercial banks and savings institutions that filed financial results for the first nine months of 2015 reported net income of \$122.9 billion, up \$7.3 billion (6.3 percent) from the first nine months of 2014. The increase was mainly attributable to a decline in litigation expenses and goodwill at a few larger institutions, and higher net interest and noninterest income. More than 63 percent of institutions reported higher net income in the first nine months in 2015 than in 2014 and only 4.8 percent reported negative net income compared to 6.1 percent a year ago.

The average return on assets (ROA) was 1.05 percent, up from 1.03 percent a year ago. Net operating revenue (the sum of net interest income and total noninterest income) was \$512 billion, up \$8 billion from a year ago. Noninterest income was \$2.5 billion (1.3 percent) higher than in 2014, due to a slight improvement in income from mortgage refinancing. Noninterest income from the sale, securitization, and servicing of 1-4 family residential mortgages was \$437 million (3.3 percent) higher in the first three quarters of 2015 than in 2014. Interest rates declined and therefore, market values for securities portfolios, and realized gains on securities were \$548 million (23.3) percent higher. Because of the low interest rate environment, net interest margins improved at many banks as they invested longer-term, higher-yielding assets funded with short-term liabilities. Net interest income was \$5.8 billion (1.8 percent) higher than in 2014.

Loan-loss provisions were higher the first three quarters than the same time period in 2014. Insured institutions set aside \$25.0 billion in provisions for loan and lease losses, a \$3.4 billion (15.8 percent) increase compared to a year earlier. Noninterest expenses were \$2.7 billion (0.9 percent) lower than in 2014, as “other” noninterest expenses were \$6.5 billion (3.8 percent) higher. This decline is largely attributable to the fact that itemized litigation expenses at three of the largest banks were \$4.3 billion (64.2 percent) lower than a year ago.

Asset quality indicators continued to improve in 2015. In the nine months ended September 30, noncurrent loan balances—those that were 90 days or more past due or in nonaccrual status—declined by \$32.8 billion (19.1 percent). Noncurrent 1-4 family residential mortgage loans fell by \$25.5 billion (23.4 percent), while noncurrent nonfarm nonresidential real estate loans declined by \$5.3 billion (31.6 percent). Noncurrent real estate construction and land development loans were \$2.9 billion (48.6 percent) lower, and noncurrent commercial and industrial (C&I) loans declined by \$3.2 billion (35.0 percent).

Net charge-offs (NCOs) of loans and leases totaled \$26.6 billion in in the first three quarters of 2015, down \$3.1 billion (10.5 percent) from a year earlier. This was the sixth year in a row that total NCOs were less than a year earlier. NCOs of 1-4 family residential mortgages were \$900 million (31.0 percent) lower than in 2014, while NCOs of home equity lines of credit declined by \$829 million (36.5 percent). NCOs of real estate loans secured by nonfarm nonresidential real estate properties fell by \$298 million (34.3 percent), and commercial and industrial NCOs increased by \$221 million (8.0 percent).

Asset growth was relatively strong in the first nine months of 2015. At the end of September, total assets of insured institutions were \$451 billion (2.9 percent) higher than a year earlier.

Since year-end 2014, banks increased their investment securities portfolios by \$85 billion (2.6 percent), as holdings of mortgage-backed securities rose by \$90 billion (5.2 percent). Insured institutions also increased their balances with Federal Reserve banks by \$152 billion (11.0 percent). Total loan and lease balances increased by \$332.8 billion (4.0 percent), led by growth in C&I loans (up \$87.3 billion, or 5.1 percent). Real estate loans secured by nonfarm nonresidential properties increased by \$49.4 billion (4.3 percent), while real estate loans secured by multifamily residential properties rose by \$31.6 billion (10.6 percent).

Much of the growth in assets was funded by increases in deposit balances. Deposits in domestic offices increased by \$281.2 billion (2.7 percent) in the nine months ended September 30. Most of the growth occurred in large-denomination accounts, as estimated insured deposits increased by only \$208 billion (3.4 percent). Nondeposit liabilities decreased by \$36.2 billion (1.8 percent), as advances from Federal Home Loan Banks declined by \$8.8 billion (1.9 percent). Equity capital increased by \$56.7 billion (3.3 percent).

At the end of September, there were 203 insured institutions with total assets of \$51 billion were on the FDIC's "Problem Bank List". Nine months earlier 291 problem institutions with combined assets of \$87 billion were on the Problem Bank List. Problem banks are identified as institutions with financial, operational, or managerial weaknesses that threaten their viability, although historical analysis shows that most problem institutions do not fail.

In the first nine months of 2015, six banks with combined assets of \$6.4 billion failed. At the end of September, the Deposit Insurance Fund (DIF) balance stood at \$70.1 billion, up from \$62.8 billion nine months earlier. The reserve ratio was 1.09 percent, compared to 1.01 percent on December, 31, 2014.