

**FEDERAL DEPOSIT  
INSURANCE CORPORATION**

**FDIC Strategic Plan**

*2018 – 2022*

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## **CHAIRMAN’S MESSAGE**

I am pleased to present the *FDIC Strategic Plan, 2018 – 2022*, which was approved by the Board of Directors on January 25, 2018. The plan has been updated in accordance with the requirements of the Government Performance and Results Act (GPRA) of 1993 (as amended) and the GPRA Modernization Act of 2010, and supersedes the *FDIC Strategic Plan, 2015 – 2019*, which was approved in April 2015.

The plan sets forth the FDIC’s long-term strategic goals and objectives for carrying out its core mission responsibilities for insuring depositors, supervising insured institutions, and resolving the failure of insured institutions. It describes the means and strategies that will be employed in pursuit of these goals and objectives and identifies factors outside the FDIC’s control that could potentially affect their achievement. The FDIC pursues these goals and objectives through annual performance goals that are established each year and published in the agency’s *Annual Performance Plan*. The FDIC reports on its performance against the annual performance goals in its *Annual Report*.

For more than 80 years, the FDIC has carried out its mission of maintaining public confidence and stability in the nation’s financial system. The FDIC is committed to carrying forward that mission as outlined in this *Strategic Plan*.

**Martin J. Gruenberg**  
**Chairman**

## **MISSION, VISION, AND VALUES**

### ***MISSION***

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

- Insuring deposits,
- Examining and supervising financial institutions for safety and soundness and consumer protection,
- Making large and complex financial institutions resolvable, and
- Managing receiverships.

### ***VISION***

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

### ***VALUES***

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

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

## THE FDIC AND THE BANKING INDUSTRY: PERSPECTIVE AND OUTLOOK

### Introduction

Congress created the FDIC in the Banking Act of 1933 to maintain stability and public confidence in the nation's banking system. The statute provided a federal government guarantee of deposits in U.S. depository institutions so that depositors' funds, within certain limits, would be safe and available to them in the event of a financial institution failure. In addition to its role as insurer, the FDIC is the primary federal regulator of federally insured state-chartered banks that are not members of the Federal Reserve System. The FDIC also acts as receiver for insured depository institutions (IDIs) that fail, and has resolution planning responsibilities (jointly with the Federal Reserve Board) for large and complex financial companies.

The FDIC carries out its mission through three major programs: insurance, supervision, and receivership management.

- The Insurance Program encompasses the activities undertaken by the FDIC to administer the Deposit Insurance Fund (DIF), which is funded through assessments on IDIs as well as investment income, and to provide depositors with access to their insured funds when an IDI fails.
- The Supervision Program encompasses the activities undertaken by the FDIC to promote safe and sound operations and compliance with fair lending, consumer protection, and other applicable statutes and regulations by IDIs for which the FDIC is the primary federal regulator (in cooperation with state banking agencies). The FDIC also has backup supervisory responsibility for other IDIs for which the Board of Governors of the Federal Reserve System (FRB) and the Office of the Comptroller of the Currency (OCC) are the primary federal regulators.

Primary Federal Regulator	Number of Institutions	Total Assets (Dollars in Millions)
FDIC	3,668	\$2,881,537
OCC	1,247	\$11,689,460
FRB	822	\$2,671,406
TOTAL	5,737	\$17,242,403
Source: Quarterly Banking Profile. Data as of 9/30/2017.		

In addition, the FDIC and the FRB have joint responsibility for reviewing resolution plans submitted by large bank holding companies and designated nonbank financial companies that demonstrate how they would be resolved in a rapid and orderly manner under the U.S. Bankruptcy Code in the event of financial distress.

- The Receivership Management Program encompasses activities undertaken by the FDIC, in its capacity as receiver, to resolve failed IDIs in the least costly manner to the DIF; maximize net recoveries to the creditors of receiverships; and, under specified circumstances, administer the orderly liquidations of covered financial companies.

Over the next four years, the FDIC will face numerous issues and challenges in each of these major programs due to changing economic conditions, continuing changes in the nature of the financial services industry, expected changes in financial services regulation, and emerging consumer protection issues that affect the financial services industry. Some of the major issues and challenges are addressed in more detail below.

### **The Impact of the Economy**

The performance of the economy directly affects the performance of individual financial institutions and the overall banking industry. Interest rates, inflation, unemployment, the business cycle, and shocks to specific sectors like agriculture, energy, housing, or commercial real estate all influence lending and funding strategies of IDIs. Economic and financial conditions abroad also have an impact on the U.S. economy and on the performance of banks.

The United States is in the midst of one of the longest recorded economic expansions. Economic growth has been subdued but sustained since the last recession ended in mid-2009. Household balance sheets have recovered from the financial crisis, as household wealth has increased from rising home prices and stock market valuations. While residential fixed investment remains below pre-crisis levels, business investment has returned to long-term trends. The economic outlook is for continued moderate growth, although downside risks remain.

Banks generally have improved their asset quality and capital and liquidity ratios. Although annual loan growth has slowed in recent quarters, all major loan categories continue to grow. Industry-wide profitability (as measured by return on assets) has been trending up, and the majority of banks report year-over-year growth in their quarterly net income. The number of problem institutions has fallen dramatically from the post-crisis high and is at its lowest level since 2008.

While the banking industry continues to perform well, the interest-rate environment and competitive lending conditions continue to pose challenges for many institutions. Some banks have responded to this environment by investing in longer-term or higher-risk assets. In some cases, banks may be entering unfamiliar business lines or offering new products to increase profitability. For these reasons, banking institutions remain vulnerable to interest-rate risk when interest rates eventually normalize to their longer-run levels. Overall, the industry must manage interest-rate risk, liquidity risk, and credit risk carefully to remain on a long-run, sustainable growth path.

## Other Major Strategic Challenges

In addition to the challenges posed by the economy, the FDIC expects to face other challenges that will shape its priorities over the next four years.

- **Future of Community Banking.** The FDIC is the primary federal regulator for most community banks, which make up 92 percent of FDIC-insured bank and thrift charters (up from 87 percent in 1984); hold a majority of deposits in rural and “micropolitan” counties (those with populations up to 50,000 people), including more than 600 U.S. counties where community banks hold 100 percent of all bank deposits; and account for 46 percent of the industry’s small loans to farms and businesses.<sup>1</sup> Despite their long-term resilience and continuing importance as a source of credit to the vital small business sector, community bankers remain concerned about their competitive position vis-à-vis larger non-community banks.
- **Large and Complex Financial Institutions.** Although the FDIC is not the primary federal regulator for most large and complex IDIs, it has both insurance and back-up supervisory responsibilities for those institutions and acts as receiver for those that fail. The assets within the banking industry are concentrated today in a small number of large, complex banks and other financial institutions that have highly diverse business strategies and complex legal and business structures that make it difficult for the management of these companies to fully understand and manage their risks. These risks are intertwined among both their insured and uninsured subsidiaries, and the largest and most complex of these companies often have global footprints and interdependent counterparty relationships with one another that increase their complexity and risk.
- **Information Technology and Cybersecurity.** Cybersecurity threats continue to pose risks to banks, businesses, consumers, financial markets, and the FDIC. In addition to addressing cybersecurity threats internally, the FDIC works collaboratively with other federal and state agencies to help ensure that FDIC-insured institutions also take appropriate steps to address this risk.
- **Economic Inclusion.** Based on a 2015 FDIC survey, more than one-quarter of U.S. households do not have an account at an IDI or obtain financial services and products from alternative, nonbank financial firms.<sup>2</sup>

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<sup>1</sup> Based on the definition of community banks in the *FDIC Community Banking Study*, 2012.

<sup>2</sup> *2015 National Survey of Unbanked and Underbanked Households*, October 2016. The survey reported that 7.0 percent of U.S. households (9.0 million households) had no relationship with a mainstream financial institution and that another 19.9 percent of U.S. households (24.5 million households) were underbanked (“underbanked” households were defined as those that had a bank account but had also obtained during the 12-month period prior to the survey financial services or products from alternative financial services providers outside of the banking system).

The FDIC recognizes that public confidence in the banking system is strengthened when households effectively use the mainstream banking system to deposit funds securely, conduct basic financial transactions, accumulate savings, and access credit on safe and affordable terms. The FDIC will continue to pursue the challenge of expanding the access of underserved households and communities to the products and services of FDIC-insured institutions. This requires engagement with both large and small banks across the country as well as with local governments and community leaders to understand business and partnership opportunities and promote financial education. By helping connect banks and communities in new ways and increasing awareness and use of safe and affordable banking services, the FDIC expects that it can strengthen the country's banking system and communities nationwide.

- **Workforce Management and Development.** The FDIC depends upon the talents and skills of its employees to accomplish its mission. Much of the FDIC's current workforce will transition into retirement over the next decade, even as the need for employees with advanced technical skills continues to increase. To address these challenges, the FDIC will develop and implement strategies over the next several years to recruit, train, develop, and maintain a highly skilled and engaged workforce drawn from all segments of U.S. society that embodies at all levels the principles of diversity, inclusion, and workplace excellence.<sup>3</sup>

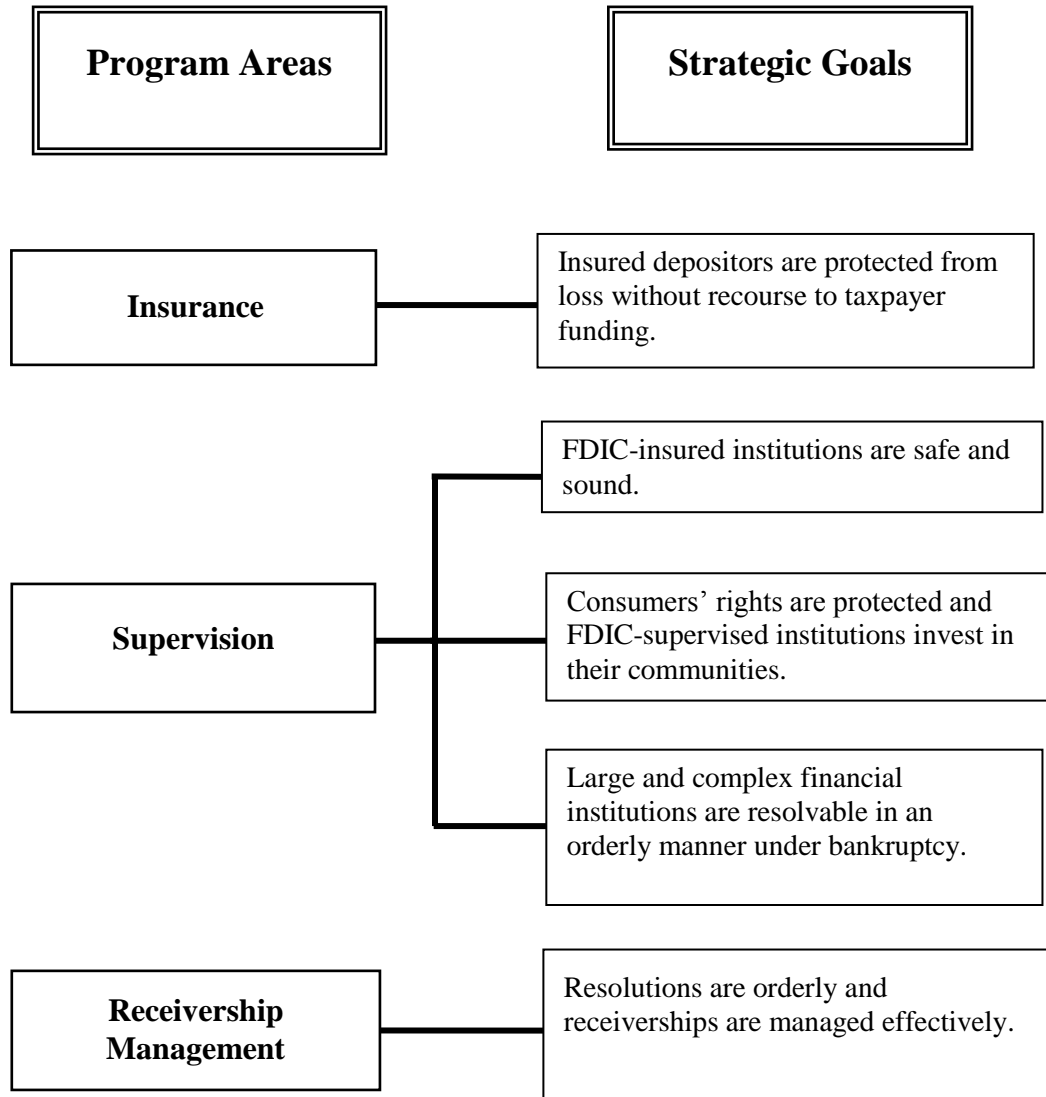
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<sup>3</sup> The FDIC has issued (and updates annually, as needed) a *Diversity and Inclusion Strategic Plan* that guides its efforts in this area.



# THE FDIC'S MAJOR PROGRAMS

The FDIC has three major program areas or lines of business. The agency's strategic goals for each of these programs are presented in the diagram below.



## ***Insurance Program***

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### **Program Description**

Deposit insurance is a fundamental component of the FDIC's role in maintaining stability and public confidence in the U.S. financial system. By promoting industry and consumer awareness of deposit insurance, the FDIC protects depositors at banks and savings associations of all sizes. When these IDIs fail, the FDIC ensures that the customers have timely access to their insured deposits and other services. The basic limit of federal deposit insurance coverage is currently \$250,000 per depositor. To keep pace with the evolving banking industry and maintain its readiness to protect insured depositors, the FDIC prepares and maintains contingency plans to promptly address a variety of IDI failures and conducts large scale simulations to test its plans.

The DIF must remain viable so that adequate funds are available to protect insured depositors in the event of an institution's failure. The FDIC maintains a sufficient DIF balance by collecting risk-based insurance premiums from IDIs and through prudent fund investment strategies. The FDIC continually evaluates the adequacy of the DIF. It identifies risks to the insurance fund by analyzing regional, national, and global economic, financial, and financial institution developments, and by collecting and evaluating information through the supervisory process.

## ***Insurance Program***

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### **STRATEGIC GOAL 1**

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

#### **Strategic Objectives**

- 1.1 Customers of failed IDIs have timely access to insured funds and financial services.**
- 1.2 The FDIC promptly identifies and responds to potential risks to the DIF.**
- 1.3 The DIF and system remain strong and adequately financed.**
- 1.4 The FDIC resolves failed IDIs in the manner least-costly to the DIF.**
- 1.5 The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.**

The means and strategies used to achieve these strategic objectives and the external factors that could impact their achievement are described below.

- 1.1 Customers of failed IDIs have timely access to insured funds and financial services.**

*Means & Strategies:* When an institution fails, the FDIC facilitates the transfer of the institution's insured deposits to an assuming institution or pays insured depositors directly. The FDIC's goal is to provide customers with access to their insured deposits within one to two business days.

The FDIC continually monitors changes in financial institution operations and products to ensure the FDIC's ability to handle potential financial institution failures. The FDIC develops, tests, and maintains contingency plans to ensure it is prepared to handle a wide range of potential failure scenarios, including the failure of a large financial institution; simultaneous, multiple failures; the failure of an institution with large international holdings; and the failure of an insured institution that operates primarily through the internet.

*External Factors:* The goal of providing customers of failed institutions with access to their insured deposits within one to two business days is well established, but might be difficult to achieve in the case of an extremely large or complex institution or a sudden and unexpected failure. However, even if it took somewhat longer to complete all deposit insurance determinations, no depositor would ultimately lose any portion of an insured deposit.

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

*Means & Strategies:* The FDIC, in cooperation with the other primary federal regulators, proactively identifies and evaluates the risk and financial condition of individual IDIs. It also identifies broader economic and financial risk factors that affect all insured institutions. It accomplishes these objectives through a wide variety of activities, including the following:

- A risk-based deposit insurance assessment system, whereby institutions that pose greater risk to the DIF pay higher premiums;
- A strong examination and enforcement program;
- Collection and publication of detailed banking data and statistics;
- A vigorous research program;
- An off-site monitoring system that analyzes and assesses changes in banking profiles, activities, and risk factors;
- A comprehensive ongoing analysis of the risks in financial institutions with more than \$10 billion in assets through the Large Insured Depository Institution Program and Institution Monitoring Program for IDIs held by U.S. Global Systemically Important Banks;
- Thorough and timely review of deposit insurance applications and other applications from IDIs; and
- A comprehensive framework for continually assessing risks to the banking industry.

*External Factors:* In spite of the comprehensive efforts undertaken by the FDIC to identify and respond to potential risks to the DIF, natural disasters, public policy changes, and sudden economic or financial market crises could cause broad losses within the financial services industry and the DIF. In addition, a fraud perpetrated on a financial institution could result in a sudden and unforeseen loss to the DIF.

## **1.3 The DIF and system remain strong and adequately financed.**

*Means & Strategies:* The FDIC's continued status as an independent agency is crucial to its ability to objectively assess risks and set appropriate assessment rates. The FDIC maintains the viability of the DIF by investing the fund, monitoring and responding to changes in the reserve ratio, collecting risk-based premiums, and evaluating the deposit insurance system in light of an evolving financial services industry. It regularly analyzes the growth or shrinkage of estimated insured deposits, the current assessment base, loss

expectations, interest income earned on the fund, and operating expenses. This information is used to develop a schedule of risk-based assessment rates.

Banks generally have improved their asset quality and capital and liquidity ratios. Although annual loan growth has slowed in recent quarters, all major loan categories continue to grow. Industry-wide profitability (as measured by return on assets) has been trending up, and the majority of banks report year-over-year growth in their quarterly net income. The number of problem institutions has fallen dramatically from the post-crisis high and is at its lowest level since 2008.

Recent trends in banking industry performance have been generally positive. The DIF balance has risen for the past eight years and stood at \$90.5 billion on September 30, 2017, up from \$83.2 billion at the end of 2016. The reserve ratio stood at 1.28 percent at September 30, 2017, up from 1.20 percent at the end of 2016.

The FDIC Board of Directors is statutorily required to establish a Designated Reserve Ratio (DRR) for the DIF that is not less than 1.35 percent, and set assessment rates to meet that target no later than September 30, 2020. But it may also establish a higher DRR and has set the DRR at 2.0 percent for every year since 2011. The FDIC is operating under a DIF Restoration Plan that provides, among other things, that the reserve ratio will reach 1.35 percent by the statutory deadline. The Restoration Plan requires the FDIC to update DIF income and loss projections at least semiannually, which allows the Board of Directors to evaluate whether growth in the DIF under current assessment rates is likely to be sufficient to meet the statutory requirement. Because institutions with total assets of \$10 billion or more are required by statute to bear the cost of increasing the reserve ratio from 1.15 percent to 1.35 percent, the FDIC Board of Directors imposed a temporary surcharge on these larger institutions that began in the third quarter of 2016 and will continue until the reserve ratio reaches 1.35 percent.

*External Factors:* Projections for the DIF are subject to considerable uncertainty arising from the economic outlook. Key risks to the economic outlook include the effects of interest rate increases on economic growth and adverse global developments. A slowdown in the U.S. economic recovery could result in more bank failures than projected and a decline in the value of failed bank assets. In addition, future assessment revenue could diverge from staff projections depending on changes in bank risk profiles and in the projected growth in the industry assessment base.

#### **1.4 The FDIC resolves failed IDIs in the manner least-costly to the DIF.**

*Means & Strategies:* When an institution fails, the FDIC facilitates an orderly, least-cost resolution.<sup>4</sup> Using an estimated value of the failing institution's assets and liabilities, the FDIC markets the institution to potential bidders. After analyzing the bids received, the FDIC conducts a least-cost test determination and selects the least-cost strategy to pursue.

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<sup>4</sup> In resolving a failing institution, the FDIC calculates the estimated cost of various resolution options and selects the option resulting in the lowest total estimated cost to the DIF.

*External Factors:* In accordance with law, if a failure threatens serious adverse systemic effects on economic conditions or financial stability, resolution strategies other than the least-cost resolution may be employed.

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

*Means & Strategies:* To inform consumers and FDIC-insured institutions about federal deposit insurance coverage, the FDIC provides financial institutions with a variety of educational tools and materials designed to help customers understand their deposit insurance coverage.

In addition, the FDIC uses several other approaches to disseminate information on deposit insurance coverage, including the following:

- Operation of a toll-free call center<sup>5</sup> staffed by specialists who respond to questions from depositors and bankers,
- Training and other educational opportunities to help bank employees better understand the FDIC’s deposit insurance rules,
- An array of web-based educational resources for consumers and bankers, and
- A wide range of publications and videos explaining how FDIC deposit insurance works.

*External Factors:* A significant rise in the volume of bank failures, or publicity that raises public concerns about the possibility of significant bank failures, could result in bank runs by misinformed depositors or public avoidance of an insured depository institution. Timely, accurate, and understandable information is essential to alleviating these risks. An increased volume of bank failures and public concern about the possibility of additional failures could also result in substantial increases in the demand for information about FDIC insurance coverage that could temporarily exceed the FDIC’s capacity to provide such information. In such cases, the FDIC would augment staff resources for this function as quickly as possible.

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<sup>5</sup> 877-ASK-FDIC (877-275-3342); 800-925-4618 (TDD-for hearing impaired)

## ***Supervision Program***

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### **Program Description**

Although the FDIC is the insurer for all IDIs in the United States, it is the primary federal supervisor only for state-chartered banks and savings institutions that are not members of the Federal Reserve System.<sup>6</sup> Nonetheless, the FDIC's roles as an insurer and primary supervisor are complementary, and many activities undertaken by the FDIC support both the insurance and supervision programs. Through review of examination reports, use of off-site monitoring tools, and participation in examinations conducted by other federal regulators (either through agreements with these regulators or, in limited circumstances, under the exercise of the FDIC's authority to conduct special (backup) examination activities), the FDIC regularly monitors the potential risks at all insured institutions, including those for which it is not the primary federal supervisor. The FDIC also takes into account supervisory considerations in the exercise of its authority to review and approve applications for deposit insurance from new institutions and other applications from IDIs, regardless of the chartering authority.

In addition, the FDIC has statutory responsibilities for certain bank holding companies and nonbank financial companies that are designated as systemically important. The FDIC and FRB have joint responsibility for reviewing and assessing resolution plans developed by these companies that demonstrate how they would be resolved in a rapid and orderly manner under the U.S. Bankruptcy Code in the event of financial distress.

The FDIC pursues the following three strategic goals in fulfilling its supervisory responsibilities as the primary federal supervisor for state non-member banks and savings institutions, the backup supervisor for other FDIC-insured institutions, and the reviewer of resolution plans:

- FDIC-insured institutions are safe and sound.
- Consumers' rights are protected and FDIC-supervised institutions invest in their communities.
- Large and complex financial institutions are resolvable in an orderly manner under bankruptcy.

The FDIC promotes safe and sound financial institution practices through regular risk management examinations, publication of guidance and policy, ongoing communication with industry officials, and the review of applications submitted by FDIC-supervised institutions to expand their activities or locations. When appropriate, the FDIC has a range of informal and formal enforcement options available to resolve safety-and-soundness problems identified at these institutions. The FDIC also has staff dedicated to administering off-site monitoring programs and to enhancing the agency's ability to timely identify emerging safety-and-soundness issues.

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<sup>6</sup> This includes state-licensed insured branches of foreign banks. As of 9/30/17, the FDIC had primary supervisory responsibility for 3,668 FDIC-insured, state-chartered commercial banks and savings institutions that are not members of the Federal Reserve System (generally referred to as "state non-member" institutions).

The FDIC promotes compliance by FDIC-supervised institutions with consumer protection, fair lending, and community reinvestment laws through a variety of activities, including ongoing communication with industry officials, regular compliance and Community Reinvestment Act (CRA) examinations, dissemination of information to consumers about their rights and required disclosures, and investigation and resolution of consumer complaints regarding FDIC-supervised institutions. The FDIC also has a range of informal and formal enforcement options available to resolve compliance problems identified at these institutions and their institution-affiliated parties.



## ***Supervision Program – Risk Management***

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### **STRATEGIC GOAL 2**

FDIC-insured institutions are safe and sound.

#### **Strategic Objective**

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

*Means & Strategies:* As noted above, the FDIC is the primary federal supervisor for all state non-member banks and state-chartered savings institutions. For those institutions, the FDIC performs risk management (safety and soundness), trust, Bank Secrecy Act/Anti-Money Laundering, and information technology (IT) examinations in cooperation with state banking regulators. Most state banking agencies participate in an examination program under which certain examinations are performed on an alternating basis by the state agency and the FDIC. In addition, the FDIC, OCC, and FRB conduct IT examinations of third-party technology service providers that provide a range of services to IDIs. As the threat of cyberattacks continues to be prominent, the FDIC engages with other regulators and the private sector to exercise and refine protocols for addressing cyber events.

Risk management examinations are conducted according to statutorily established timeframes. These examinations assess an institution's overall financial condition, management practices and policies, compliance with applicable laws and regulations, and the adequacy of management and internal control systems to identify, measure, and control risks. Examination procedures may also detect the presence of fraud or insider abuse. In addition, the FDIC reviews the risk management capabilities of those FDIC-supervised institutions that apply for permission to engage in new or expanded business activities.

Communication and corrective action are important components of the FDIC's strategy for ensuring the safety and soundness of the institutions it supervises. Risks identified during an examination are discussed with the institution's management and board of directors. If an examination reveals serious weaknesses in the operations of the institution or indicates that the institution is operating in a weakened financial condition, the FDIC may issue formal or informal enforcement actions that remain in effect until corrective actions are taken and the identified weaknesses are addressed. In the case of severe problems, the institution may be instructed to seek additional capital, merge with another institution, or liquidate.

The FDIC's statutory authority also gives it a degree of supervisory responsibility in its role as insurer for insured depository institutions for which it is *not* the primary federal supervisor. The agency has staff in each of its regional offices that regularly review examination reports and other available information from the primary federal regulators for those institutions.

The FDIC also performs off-site monitoring of those institutions on an ongoing basis, particularly for institutions with more than \$10 billion in assets. In addition, the FDIC has the authority to conduct special (backup) examination activities for institutions for which it is not the primary federal regulator. Under this authority, the FDIC participates in examinations of certain IDIs that present heightened risk to the DIF and designated large, complex IDIs.

Ensuring the safety and soundness of FDIC-insured institutions over the next four years will require an effective supervisory program that incorporates the lessons learned from past financial crises, identifies potential new risks that emerge, and responds quickly to such issues. As the current economic expansion has progressed, more banks have been growing their loan portfolios and, in some cases, have been funding this growth with sources other than stable core deposits. These trends have the potential to give rise to heightened credit risk and liquidity risk. In addition, an extended period of historically low interest rates and tightening net interest margins has created incentives for IDIs to reach for yield in their lending and investment portfolios by extending portfolio durations, heightening their vulnerability to interest-rate risk.

Through regular on-site examinations and interim contacts with state non-member institutions, FDIC staff will actively engage in a constructive dialogue with banks to ensure that their policies to manage credit risk, liquidity risk, and interest-rate risk are effective, and, where appropriate, FDIC staff will work closely with institutions that have significant exposure to these risks and encourage them to take appropriate steps to mitigate risks. The FDIC will use off-site monitoring to help identify institutions with outsized risk exposures and follow up with individual institutions to better understand their risk profiles.

Cybersecurity is a risk area that will continue to receive particular attention. During this period, the FDIC will refine its IT examination program for insured institutions and major technology service providers, and increase its collaboration with other regulators, law enforcement, and security agencies. In addition, in light of the risks posed to the DIF by large and complex banks and the FDIC's new responsibilities for systemically important financial institutions (SIFIs), the agency will continue to enhance its supervisory monitoring program for large and complex banks.

The FDIC dedicates significant resources to the continuing identification of emerging issues. It regularly reviews supervisory information from the thousands of examinations that are conducted annually as well as information from a variety of external data sources to identify and, where appropriate, initiate supervisory responses to newly identified areas of risk. For example, the FDIC is currently monitoring trends, opportunities, and risks in

financial technology (fintech); evaluating fintech’s impact on banking, deposit insurance, oversight, inclusion, and consumer protection; and formulating strategy to respond to opportunities and challenges presented by fintech to supervised institutions.

The FDIC has established and consults regularly with the Advisory Committee on Community Banking, which advises the FDIC on the impact of FDIC supervisory policies and practices on community banks. Members of the Advisory Committee have a wide range of knowledge and experience related to community banks.

*External Factors:* Several factors outside of the FDIC’s control could affect the successful achievement of this strategic objective. In accordance with statutorily established time frames, most risk management examinations of well-capitalized and well-managed state non-member institutions are point-in-time examinations that occur at 18-month intervals. Between examinations, institutions may enter new lines of business, extend their lending programs into riskier areas, or implement new technologies without the knowledge of the FDIC or state regulatory agencies. Major changes in economic conditions could also affect institutions between examinations. The FDIC will continue to improve off-site tools to monitor potential risks in institutions on a continuing basis between examinations.

Under the alternating examination program, certain examinations are conducted in alternating periods by the state supervisory authority. Resource constraints outside of the FDIC’s control sometimes affect the timely completion of examinations by these state authorities. In such cases, the FDIC will conduct the examination itself within a reasonable timeframe after the originally scheduled examination date if the state agency is unable to do so.

***Supervision Program – Compliance and Consumer Protection***

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**STRATEGIC GOAL 3**

Consumers’ rights are protected, and FDIC-supervised institutions invest in their communities.

**Strategic Objectives**

- 3.1 FDIC-supervised institutions comply with consumer protection, CRA, and fair lending laws and do not engage in unfair or deceptive practices.**
- 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.**
- 3.3 The public has access to safe and affordable products and services from IDIs and the opportunity to benefit from a banking relationship.**

The means and strategies used to achieve these strategic objectives and the external factors that could impact their achievement are described below.

- 3.1 FDIC-supervised institutions comply with consumer protection, CRA, and fair lending laws and do not engage in unfair or deceptive practices.**

*Means & Strategies:* The FDIC pursues this strategic objective primarily through compliance and CRA examinations of all FDIC-supervised institutions. CRA examinations are subject to statutory timelines, while compliance examinations are conducted according to timeframes established by FDIC policy. These examinations evaluate the compliance of institutions with consumer protection, privacy, CRA, and fair lending laws and regulations. If an examination reveals serious violations, the FDIC may implement either formal or informal enforcement actions to correct the identified violations. In unusual cases, non-compliance with consumer laws may subject the institution to significant legal risk, and could result in administrative enforcement actions or private litigation. In addition, when the FDIC has reason to believe that a “pattern or practice” of violations of fair lending laws has occurred at an institution, the FDIC is required by statute to refer the matter to the Department of Justice. An institution’s failure to comply with consumer protection, CRA, or fair lending laws and regulations might also affect the application of an FDIC-supervised institution seeking to engage in new or expanded business activities.

The FDIC sponsors or participates in numerous outreach and technical assistance activities designed to facilitate better understanding of and compliance with CRA, consumer protection, and fair lending laws and regulations by FDIC-supervised institutions. In addition, it actively participates in interagency policy development efforts and issues policy guidance. The FDIC focuses its examinations and other supervisory activities on those industry products, services, and practices that have the highest potential risk for violations of law that may result in potential harm to consumers.

*External Factors:* Most compliance and CRA examinations are point-in-time examinations that occur at scheduled intervals in accordance with FDIC policy. Between examinations, institutions may implement new products, services, or practices that hold significant potential risk for consumer harm without the knowledge of the FDIC. In addition, major changes in economic conditions could also affect institutions between examinations. During economic downturns, institutions sometimes elect to reduce costs by decreasing their internal resources dedicated to compliance.

### **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.**

*Means & Strategies:* The FDIC provides information about consumer protection and fair lending laws and regulations to help consumers understand their rights. This information is disseminated through brochures and other media, including the FDIC's website ([www.fdic.gov](http://www.fdic.gov)). In addition, the FDIC frequently conducts or participates in educational seminars and conferences on consumer protection and fair lending issues to help both consumers and insured institutions better understand consumer protection, CRA, and fair lending laws and regulations.

The FDIC maintains a toll-free call center for consumer complaints and inquiries about FDIC-supervised institutions and has established target timeframes for investigating and responding to these complaints. It is also a leader in promoting greater financial literacy, primarily through its award-winning *Money Smart* curriculum. The agency will continue to enhance its outreach with this product over the next several years by updating the curriculum to address new consumer products and services and adapting the basic curriculum to additional target audiences.

*External Factors:* Although the FDIC makes information available to a broad array of consumers, individual consumers may not always use it. In addition, increasing complexity and aggressive and targeted marketing increase the challenges consumers face in evaluating alternatives in the marketplace.

### **3.3 The public has access to safe and affordable products and services from IDIs and the opportunity to benefit from a banking relationship.**

*Means and Strategies:* The FDIC has played a national leadership role in recent years in promoting broader economic inclusion of unbanked and underbanked households within the nation's banking system through the availability of safe and affordable transaction and saving accounts, as well as the opportunity to build credit profiles and borrow money to meet their needs. The FDIC's *Money Smart* financial literacy curriculum is a key tool for pursuing this objective by seeking to educate a wide variety of target populations about basic financial principles and how they can be harnessed to achieve financial goals. The FDIC also sponsors or conducts research and demonstration projects, develops policy proposals, facilitates partnerships, and participates in targeted outreach and technical

assistance activities with both the institutions it supervises and various community-based organizations to further this objective.

The FDIC established and supports the Advisory Committee on Economic Inclusion to inform and support its research, demonstrations, and pilot projects and to promote sound supervisory and public policies to help ensure that underserved households have access to mainstream financial products and services that are affordable, easy to understand, and not subject to unfair or unforeseen fees. In addition, on a biennial basis, the FDIC conducts jointly with the U.S. Census Bureau the only comprehensive, nationwide research survey of unbanked and underbanked households in the United States to determine the extent to which these households are being served by the U.S. banking industry. The FDIC also engages banks; other federal, state and local government agencies; and non-profit organizations serving a broad spectrum of consumers and small businesses in building locally based coalitions to participate in financial education and information sharing. These coalitions promote local economic inclusion opportunities in communities where financial health has lagged the rest of the country.

Over the next several years, the FDIC will continue to pursue several multi-year initiatives to promote broader economic inclusion. It will continue to promote adoption of its model transaction account product (SAFE accounts); pursue strategies to improve financial resilience; build savings and improve credit records; and evaluate whether mobile financial services and other new technologies can be responsibly used to expand banking services to the unbanked and underbanked population. The FDIC also will continue to work with federal and local partners to facilitate community development through affordable housing, small business development, and related initiatives.

*External Factors:* The access of underserved households to credit from mainstream financial institutions could be disproportionately affected during economic downturns or periods of economic stress. Changing technological and market conditions could also positively or negatively affect opportunities to expand economic inclusion in the nation's banking system.

## ***Supervision Program – Resolution Planning***

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### **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.**

*Means and Strategies:* Certain large financial companies are required to prepare and submit annually to the FDIC and FRB resolution plans, or “living wills,” demonstrating that they could be resolved in a rapid and orderly manner under the Bankruptcy Code (or other applicable insolvency regime) in the event of material financial distress or failure. Among other things, the resolution plans must identify each firm’s critical operations, core business lines, and the key obstacles to a rapid and orderly resolution. The FDIC and FRB share responsibility for reviewing the plans, assessing informational completeness and resolvability under the Bankruptcy Code, identifying and requiring firms to address any shortcomings, and providing firms with guidance on the submission of future plans. The FDIC has a complementary rule that requires certain IDIs to periodically submit resolution plans that would enable the FDIC, as receiver, to resolve their failure in an orderly, least-costly manner.

The FDIC’s review of resolution plans is intended to improve the resolvability of bank holding companies (and other designated financial companies) through the bankruptcy process and their subsidiary IDIs through the FDIC’s traditional resolution processes as deposit insurer. These reviews enhance the FDIC’s ability to prepare for possible large resolutions and its understanding of how the FDIC’s resolution authorities could be best used. The FDIC has established on- and off-site monitoring and risk assessment programs that support the FDIC’s review of the resolution plans submitted by these companies. In addition, the FDIC employs multidisciplinary teams that include both supervisory and receivership management expertise in the review of these plans. The FDIC also collaborates closely with the primary federal supervisors for the affected IDIs in the review of these plans.

*External Factors:* The rapid and orderly resolution of a large and complex financial institution under either bankruptcy or Orderly Liquidation Authority may be complicated by legal and operational concerns that stem from the cross-border operations of many large, complex financial institutions. The FDIC actively works with foreign authorities to address these issues.

In addition, the sheer size and complexity of these firms pose legal and operational challenges to their resolution. Preplanning and structural and operational reforms by these companies are essential to achieving a rapid and orderly resolution under any legal framework.

## ***Receivership Management Program***

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### **Program Description**

When an IDI fails, the FDIC is ordinarily appointed receiver. In that capacity, it 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 that are collected from the sale of assets and the disposition of valid claims are distributed to the receivership's creditors according to priorities set by law.

The FDIC seeks to terminate receiverships in an orderly and expeditious manner. Once the FDIC has completed the disposition of the receivership's assets and has resolved all obligations, claims, and other legal impediments, the receivership is terminated, and a final distribution is made to its creditors. Receivership creditors may include secured creditors, unsecured creditors (including general trade creditors), subordinate debt holders, shareholders, uninsured depositors, and the DIF (as subrogee). The FDIC, in its corporate capacity, is often the largest creditor of the receivership.

The FDIC may also be called upon to resolve the failure of a large, systemically important financial company if failure under the Bankruptcy Code would threaten U.S. financial stability. In such circumstances, the authority now exists to place a failed or failing financial company into an FDIC receivership process if no viable private-sector alternative is available to prevent the default of the company. The FDIC's Orderly Liquidation Authority (OLA) is intended to ensure the rapid and orderly resolution of the failure of the covered financial company in accordance with statutory mandates. The FDIC has been actively engaged in, and will continue over the next several years to pursue, resolution planning and operational readiness initiatives to make sure that it is prepared, if necessary, to fulfill this responsibility.

The FDIC's assessment of the resolution plans submitted by bank holding companies, other covered companies, and IDIs helps develop and improve its capabilities to administer large resolutions under any of the available authorities. The actions firms take to address the shortcomings identified in their plans and the direction to address those shortcomings will improve the likelihood that the firms will be resolvable under bankruptcy and/or traditional FDIC resolution processes, and will enhance the FDIC's ability to conduct a rapid and orderly resolution under the OLA, if necessary, to protect U.S. financial stability.



## ***Receivership Management Program***

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### **STRATEGIC GOAL 5**

Resolutions are orderly and receiverships are managed effectively.

#### **Strategic Objectives**

- 5.1 Receiverships are managed to maximize net return and terminated in an orderly and timely manner.**
- 5.2 Potential recoveries, including claims against professionals, are investigated and pursued if deemed to be meritorious and expected to be cost-effective.**
- 5.3 Resolution of the failure of a large, complex financial institution is carried out in an orderly manner in accordance with statutory mandates.**

The means and strategies used to achieve these strategic objectives and the external factors that could impact their achievement are described below.

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

*Means & Strategies:* Under the Federal Deposit Insurance (FDI) Act, the FDIC, in its receivership capacity, manages the assets of failed IDI receiverships to preserve their value and disposes of them as quickly as possible, consistent with the objective of maximizing the net return on those assets. The oversight and prompt termination of receiverships preserves value for the uninsured depositors and other receivership claimants by reducing overhead and other holding costs. 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. In addition, the FDIC has a new rule that requires IDIs with large numbers of deposit accounts to implement information technology and recordkeeping enhancements to improve the FDIC's ability to pay deposit insurance rapidly and resolve such institutions at the least cost to the DIF.

In fulfilling its responsibilities to creditors of failed institutions, the FDIC, as receiver, manages and sells the receivership assets using a variety of strategies, and identifies and collects monies due to the receivership. Given adequate time, the FDIC prepares in advance an information package and an asset valuation review for each failing IDI to help solicit bidders and sell as many of the institution's assets as possible at resolution or shortly thereafter. The FDIC manages the remaining assets in a cost-effective manner to preserve value until they can be marketed. Most of the remaining assets are marketed within 120 days after an insured institution fails. The failed institution's assets are often grouped into pools to be most appealing to acquirers and are marketed through an internet-based platform.

*External Factors:* A severe economic downturn could lead to more institution failures and could affect the pace at which the FDIC markets assets and terminates receiverships. Economic and other factors, such as extended litigation and problems resolving environmentally tainted receivership properties, might also delay the termination of a receivership.

## **5.2 Potential recoveries, including claims against professionals, are investigated and pursued if deemed to be meritorious and expected to be cost-effective.**

*Means & Strategies:* When an insured depository institution fails, the FDIC, as receiver, acquires a group of legal rights, titles, and privileges generally known as professional liability claims. The FDIC's attorneys and investigators work together to identify and pursue claims arising from the failure of an insured institution that are deemed to be meritorious and expected to be cost-effective. The team conducts a factual investigation of the events that contributed to losses at the institution as well as legal research and analysis of the facts and potential claims. For each potential claim, the team recommends whether the claim should be pursued based on an assessment of the merits of the claim and likelihood of a recovery exceeding the estimated cost of pursuing the claim. The timely investigation and evaluation of potential claims against professionals who may have caused losses to the institution enables the FDIC to identify opportunities to maximize recoveries to each receivership and to hold accountable directors, officers, and professionals who cause losses to insured financial institutions. This process also enhances industry awareness of sound corporate governance standards.

*External Factors:* Potential claims are generally subject to statutes of limitations that establish time limits for the claim to be filed. A substantial increase in the number of failures could make it difficult to complete investigations of all potential claims and to decide within the established time limit whether to pursue any claims. The same problem could occur with very complex investigations or claims. Other obstacles to timely investigation and evaluation of claims include difficulty accessing critical information or witnesses. In such cases, the FDIC may seek to enter into tolling agreements with the potential defendants to extend the allowable timeframe for the claims to be filed.

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

*Means & Strategies:* Large, complex financial institutions in the United States historically have been organized under a holding company structure, with a top-tier parent and operating subsidiaries that comprise hundreds, or even thousands, of interconnected entities that share funding and support services and span legal and regulatory jurisdictions across international borders. Functions and core business lines often are not aligned with individual legal entity structures, and critical operations cross legal entities and jurisdictions, with funding dispersed among affiliates as needs arise. These integrated legal structures present obstacles to the orderly resolution of one part of the company without

triggering a costly collapse of the entire company and potentially transmitting adverse effects throughout the financial system.

To improve the ability of firms to be resolved in bankruptcy, the FDIC and FRB have worked closely with firms, and provided detailed feedback regarding key issues and obstacles to orderly resolution in bankruptcy. In response, firms have made significant changes to their operations and legal structure. The agencies also have fostered significant public transparency surrounding the resolution planning process to improve the public's understanding of the progress that has been made. In addition to taking steps to improve resolvability under bankruptcy, the FDIC has been preparing contingency plans for firms to be resolved under the OLA, should that be necessary to protect U.S. financial stability.

To ensure the FDIC's operational readiness to conduct the resolution of a large, complex financial institution, the FDIC continues to update and refine its firm-specific contingency plans. In addition, the FDIC is developing operational procedures for administration of a receivership, if necessary. The FDIC conducts simulations and tabletop exercises and undertakes joint contingency planning with other U.S. and foreign regulatory authorities to enhance communications and operational readiness, and it is exploring other opportunities to collaborate with U.S. and foreign authorities to ensure effective coordination and cooperation in a resolution. In addition, the FDIC, together with other U.S. financial regulatory agencies, continues to develop its relationships with key regulatory authorities in other countries to facilitate closer coordination and cooperation in the event of the failure of a global SIFI. The FDIC also analyzes emerging issues and is enhancing its understanding of the legal and policy structures in other countries that might affect a rapid and orderly resolution.

The FDIC established the Systemic Resolution Advisory Committee, to advise on the potential effects the failure of a large, complex financial institution would have on financial stability and economic conditions. Members of the Advisory Committee bring a wide range of knowledge and experience to resolution-related issues, including expertise in managing complex firms, administering bankruptcies, working within different legal jurisdictions, and understanding the application of accounting rules and practices.

*External Factors:* The specific facts surrounding the failure of a large, complex financial institution may affect the FDIC's ability to execute a resolution as planned, especially considering the complex and interconnected nature and global reach of these firms. As part of its contingency planning efforts, the FDIC will seek to mitigate this risk by collecting and maintaining comprehensive, up-to-date information on these institutions that will support a rapid and orderly resolution, if that becomes necessary.

## **OFFICE OF INSPECTOR GENERAL**

The FDIC’s Office of Inspector General (OIG) is an independent organizational unit established under the Inspector General Act of 1978, as amended, that conducts audits, evaluations, investigations, and other reviews of FDIC programs and operations. The OIG’s mission is to promote the economy, efficiency, and effectiveness of FDIC programs and operations, and to prevent, deter, and detect waste, fraud, abuse, and misconduct in FDIC programs and operations.

The OIG aims to drive change and make a difference by prompting and encouraging improvements and efficiencies at the FDIC, help preserve the integrity of the agency and the banking system, and protect depositors and financial consumers. To accomplish its mission and achieve its vision, the OIG has established the following six goals:

- Conduct superior, high-quality audits, evaluations, and reviews;
- Investigate significant matters of wrongdoing and misconduct relating to FDIC employees, contractors, and institutions;
- Strengthen relations with partners and stakeholders;
- Administer resources prudently, safely, securely, and efficiently;
- Exercise leadership skills at all levels within the organization; and
- Promote teamwork within the Office.

The OIG also has developed internal objectives to accomplish these goals.

## **Appendix: The FDIC’s Strategic Planning Process**

### **Introduction**

The FDIC is subject to the requirements of the Government Performance and Results Act (GPRA) as modified by the GPRA Modernization Act of 2010. In accordance with the requirements of these statutes, the FDIC reviews and updates its *Strategic Plan* every four years, publishes *Annual Performance Plans* and *Performance Reports*, and conducts program evaluations to assess whether the agency’s programs are achieving their stated purposes.

### **Annual Performance Plan and Report**

The FDIC’s *Strategic Plan* is implemented through annual performance plans. The annual plans identify annual performance goals, indicators, and targets for each strategic objective. The FDIC submits an *Annual Report* to Congress in February of each year that compares actual performance to the annual performance goals for the prior year. This report is also made available to FDIC stakeholders and the public through the FDIC’s website.

The FDIC’s long-term strategic goals and objectives are expressed in outcome terms, and selected outcome measures are included in the agency’s annual performance plans. However, many of the performance indicators in these annual plans are process measures (for example, completing required examinations). It is often difficult to establish a direct causal relationship between the agency’s activities and the outcomes experienced by insured institutions. The FDIC continues to work with the other regulatory agencies to improve its performance measures.

### **Corporate Planning and Performance Management Process**

The FDIC establishes performance goals annually through an integrated planning and budgeting process. In formulating these performance goals, the agency considers the external economic environment, the condition of the banking and financial services industry (including potential risks), projected workload requirements, and other corporate priorities. The FDIC’s plans also may be influenced by the results of program evaluations and management studies, prior year performance results, and other factors. Based on this information, planning guidance is established by senior management with input from program personnel.

After annual performance goals are established, a proposed annual corporate operating budget is developed, taking into account the financial, human capital, technological, and other resources required to accomplish the FDIC's core mission responsibilities and other annual performance goals. The budget is typically approved by the Board of Directors in December.

Annual performance goals are communicated to employees through established supervisory channels, the internal FDIC website, the *FDIC News*, and other means. Staff prepares progress reports, and senior management conducts performance reviews quarterly.

### **Stakeholder Consultation**

The FDIC requested comment from stakeholders and the public on a draft of this strategic plan through a posting on the FDIC website for a 14-day period in November–December 2017. All comments and suggestions were carefully reviewed and changes made to the plan where appropriate.

### **Program Evaluations**

The Risk Management and Internal Control Branch in the Division of Finance 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. Such participation is critical to fully understanding the program being evaluated. It also gives the divisions and offices a stake in the process. 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 also are considered in strategic planning for the FDIC. During the period covered by this *Strategic Plan*, the FDIC will continue to perform risk-based reviews in each strategic area of the agency.