FEDERAL DEPOSIT INSURANCE CORPORATION

2020 Annual Performance Plan

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CHAIRMAN'S MESSAGE

I am pleased to present the Federal Deposit Insurance Corporation's *2020 Annual Performance Plan* that outlines the Corporation's goals and priorities for this year.

As outlined in the *2019 Annual Report*, the banking industry remains strong and well-positioned to support economic growth. The FDIC continues to fulfill its vital mission to maintain stability and public confidence in the nation's financial system by establishing high standards in all areas of operation: insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protection, making large, complex financial institutions resolvable, and managing receiverships. In 2020, the FDIC will focus on strengthening the banking system, fostering innovation, and ensuring that banks can meet the needs of businesses and consumers across the nation.

This *Annual Performance Plan* sets forth annual performance goals for 2020. Many of the initiatives identified above are reflected in these goals as well as activities necessary to accomplish the FDIC's core mission responsibilities.

I remain honored to serve as the FDIC Chairman, and I look forward to leading the FDIC to ensure that the Nation's banks remain strong.

Sincerely,

Jelena McWilliams

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, 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:

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

PROGRAM DESCRIPTIONS AND ANNUAL PERFORMANCE GOALS

INSURANCE

SUPERVISION

RECEIVERSHIP MANAGEMENT

INSURANCE PROGRAM

One way the Federal Deposit Insurance Corporation (FDIC) maintains stability and public confidence in the U.S. financial system is 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 ensure that insured depository institutions (IDIs) 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. As of December 31, 2019, the FDIC insured more than 600 million accounts with more than $7.7 trillion in depositor funds at more than 5,177 institutions across the nation.

Before a prospective IDI 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 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 IDIs. If significant emerging risks or other serious concerns are identified for an IDI 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 IDI fails, the FDIC ensures 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 IDIs.

The financial crisis of 2008–09 and ensuing recession resulted in a large number of depository institution failures and significant losses to the DIF. The number of problem banks peaked in 2010 and has been declining since 2011. The number of bank failures declined from a peak of 157 in 2010 to four in 2019. This trend has allowed the FDIC to rebuild the DIF. As of December 31, 2019, the fund balance had risen to $110.3 billion from a low of -$20.9 billion at the end of 2009. In addition, the reserve ratio (the fund balance as a percent of estimated insured deposits) had risen to 1.41 percent as of December 31, 2019, from 1.36 percent a year earlier.

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) revised the statutory authorities governing the FDIC's management of the DIF. As a result of the changes mandated by the Dodd-Frank Act, the FDIC developed a comprehensive, long-term management plan for the DIF that sets a target reserve ratio of 2.0 percent and a strategy for establishing assessment rates and dividends to meet that target. The plan also aims to achieve moderate, steady assessment rates throughout economic and credit cycles to reduce pro-cyclicality, while maintaining a positive fund balance even during a banking crisis.

The Dodd-Frank Act also increased the minimum reserve ratio for the DIF from 1.15 percent to 1.35 percent, required that the reserve ratio reach that level by September 30, 2020, and mandated that banks with $10 billion or more in assets bear the responsibility of increasing the DIF reserve ratio from 1.15 percent to 1.35 percent.[2] The comprehensive, long-term management plan for the DIF complements the revised Restoration Plan that was adopted in October 2010. The Restoration Plan was designed to ensure that the reserve ratio reached the statutory minimum ratio by the prescribed deadline. To achieve the minimum ratio, the FDIC imposed surcharges on large banks (generally those with $10 billion or more in assets).[3] The reserve ratio exceeded 1.35 percent in 2018, at which time surcharges ceased.

In addition, small banks (generally those with less than $10 billion in assets) earned assessment credits to offset their contributions to growth in the reserve ratio from 1.15 percent to 1.35 percent. After the reserve ratio exceeded 1.35 percent in 2018, the FDIC calculated that small banks would receive $765 million in assessment credits. The FDIC began applying these small bank credits to offset quarterly deposit insurance assessments as of the second quarterly assessment period of 2019 (ending June 30, 2019), when the reserve ratio first reached or exceeded 1.38 percent. By year end 2019, approximately $559 million of the credits were applied, and the remaining credits are expected to be applied or refunded by the end of 2020.[4]

[2] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 334(d), 124 Stat. 1376, 1539 (2010) (codified at 12 U.S.C. § 1817(nt)).

[3] See 81 Fed. Reg. 16069, 16066 (Mar. 25, 2016). Under a final rule approved by the FDIC Board in November 2019, the FDIC will continue to automatically apply credits to reduce banks' quarterly assessments up to the entire amount of the assessment, as long as the reserve ratio is at least 1.35 percent, for up to four assessment periods. After applying the small bank credits for four assessment periods, the FDIC will remit the remaining balance of any small bank credits in lump-sum payments to each bank holding such credits. See 84 Fed. Reg. 65269.

[4] The FDIC applied $320 million in credits to the second quarter 2019 assessment invoices (with payment due on September 30, 2019) and applied $239 million in credits to the third quarter 2019 assessment invoices (with payment due on December 30, 2019).

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 IDIs have timely access to insured funds and financial services.	Respond promptly to all IDI 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 system remain strong and adequately financed.	Monitor the status of the DIF reserve ratio and analyze the factors that affect fund growth. Adjust assessment rates, as necessary. (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)
		Ensure timely consideration and efficient processing of *de novo* deposit insurance applications. (1.3-3)
	The FDIC resolves failed IDIs in the manner least-costly to the DIF.	Market failing institutions to all qualified and interested potential bidders. (1.4-1)
	The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.	Provide educational information to IDIs and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts. (1.5-1)

STRATEGIC GOAL 1:

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

STRATEGIC OBJECTIVE 1.1

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

Annual Performance Goal 1.1-1

Respond promptly to all IDI closings and related emerging issues.

Indicators and Targets

1. Number of business days after an institution failure that depositors first 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 IDI is identified as a potential failure, the FDIC develops an operational plan to handle the resolution of the institution. The resolution process begins with an assessment of the institution's assets and liabilities. An information package is prepared as a marketing tool for qualified institutions that are interested in acquiring the failing institution. After conducting due diligence, institutions submit bids that are evaluated and compared to the cost of liquidation to determine the least costly resolution.

If the federal or state chartering authority chooses to close the institution, the FDIC is named receiver, allowing it to take control of the failed institution and, if necessary, determine which deposits are insured.

If a buyer is found, the FDIC works with the assuming institution to transfer purchased assets along with either all deposits or only insured deposits as quickly as possible. If a buyer is not found during the resolution process, insured balances are disbursed directly to depositors of the failed institution and all the assets remain in the receivership. In either case, the insured depositors are provided access to their accounts within one or two business days.

As banking industry practices and technologies evolve, so do potential risks that might affect the resolution process. The FDIC continues to review and enhance its existing plans, processes, and systems in response to those changes and potential risks.

Human Resources (staffing and training): For 2020, the FDIC's Division of Resolutions and Receiverships has authorized staffing of 350 permanent employees dedicated to handling the failure of IDIs and the management of ensuing receiverships. There are still a large number of open receiverships resulting from previous failures. The FDIC expects to be able to fully manage the residual receivership management workload and open receiverships with its permanent staff.

Information Technology: Technology is critical to making deposit insurance determinations and payments efficiently. 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 prior to failure to estimate the amount of uninsured deposits for the least-cost test. When an insured deposit transaction or a payout is the least costly resolution, CAS is used to determine the amount of insured deposits. 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 IDI opens for business and makes insured funds available to the failed institution's depositors. For a deposit payout, the measure of the number of business days to funds availability is verified by comparing the date of failure with the date that deposit insurance checks are mailed to depositors.

2019 Performance Results

The FDIC successfully met the performance targets for this annual performance goal for each of the four insured institution failures that occurred in 2019. This annual performance goal and its associated performance indicators and targets are substantively unchanged for 2020.

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, available resources, and FDIC performance metrics.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC maintains a vigorous research and publications program that focuses on issues and topics of importance to the banking industry. Much of this research is conducted in collaboration with the academic community through the Center for Financial Research (CFR). Research findings are disseminated through meetings of the Advisory Committee on Community Banking (CBAC) and the Advisory Committee on Economic Inclusion (ComE-IN), *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*, the *FDIC Quarterly*, and *Risk Reviews*), 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. FDIC employees 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. Local FDIC offices nationwide also conduct banker roundtable events that provide a forum for bankers to receive information and raise questions about new regulatory guidance or emerging risks. The FDIC's "Trust through Transparency" initiative further enhances the FDIC's foundation of public trust and accountability by ensuring open and direct communication in major FDIC business areas. The FDIC will continue to identify opportunities to provide information and increase data access to strengthen trust among consumers, financial institutions, and the FDIC.

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.

The risk analysis program and risk-focused examination training have 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 public website (www.fdic.gov) is a centralized source for FDIC research and analysis on potential areas of risk that is available to 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. As part of the "Trust through Transparency" initiative, the FDIC will publish performance metrics, such as turnaround times for examinations and bank charter applications, call center usage and response times, and data on the status of supervisory and assessment appeals. This data will be available on the FDIC's Transparency and Accountability webpage (https://www.fdic.gov/transparency/).

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 management reporting processes.

2019 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2019. This annual performance goal and its associated performance indicator and targets are unchanged for 2020.

STRATEGIC OBJECTIVE 1.3

The DIF and system remain strong and adequately financed.

Annual Performance Goal 1.3-1

Monitor the status of the DIF reserve ratio and analyze the factors that affect fund growth. Adjust assessment rates, as necessary.

Indicator and Targets

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

    - *Provide updated fund balance projections to the FDIC Board of Directors semiannually.*

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

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC has a Financial Risk Committee (FRC) that recommends to the Chief Financial Officer a DIF contingent loss reserve for anticipated failures of open banks. The FRC regularly reviews adverse events to identify lessons or implications for monitoring and addressing risks in these banks 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. In addition, it 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 perform 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-Related 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

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

In 2020, 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 provide updates semiannually to the FDIC Board of Directors on the status of the DIF.

2019 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2019. This annual performance goal and its associated performance indicator and targets are unchanged for 2020.

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.

Indicators and Targets

1. Activities to expand and strengthen engagement with strategically important foreign jurisdictions and key international organizations and associations, and to advance the FDIC's global leadership and participation on deposit insurance, institution supervision, resolution practices, and international financial safety net issues

    - *Foster strong relationships with international banking regulators, deposit insurers, and other relevant authorities by engaging with strategically important jurisdictions and organizations on international financial safety net issues.*

    - *Provide leadership and expertise to key international organizations and associations that promote sound deposit insurance and effective bank supervision and resolution practices.*

2. Provision of technical assistance and training to foreign counterparts

    - *Promote international standards and expertise in financial regulatory practices and stability through the provision of technical assistance and training to global financial system authorities.*

Means and Strategies

Operational Processes (initiatives and strategies): As a recognized global leader in providing sound deposit insurance, depository institution supervision, and bank 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 the Association of Supervisors of Banks of the Americas (ASBA).

The Director of the FDIC's Division of Insurance and Research serves on IADI's Executive Council and the Core Principles Research Council Committee. In addition, the Director chairs the Training and Technical Assistance Council Committee and the Financial Technology Technical Committee. The FDIC also chairs IADI's Training and Conference Technical Committee, leading the association's efforts to promote best practices in deposit insurance through the application of IADI Core Principles for Effective Deposit Insurance Systems (Core Principles). The FDIC also chairs the Training and Technical Committee of ASBA. In 2020, 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 2020 with authorities in strategically important foreign jurisdictions 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; close work with the Bank of England's Resolution Directorate and the Single Resolution Board; tabletop exercises, principal-level events, and joint papers; hosting of foreign delegations; and support for missions to foreign authorities. The FDIC also will 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 activities intended to implement the Key Attributes of Effective Resolution Regimes for Financial Institutions (Key Attributes) from a U.S. perspective. The Key Attributes, endorsed by the Group of Twenty (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 exposing taxpayers to the risk of loss. The FDIC will continue its work with the FSB to develop an assessment methodology for the Key Attributes.

The FDIC also will support visits and technical assistance for foreign counterparts that strengthen financial institution supervision and regulation and promote the adoption of sound deposit insurance and resolution frameworks. The FDIC will continue to promote the adoption of sound supervisory principles and practices in the Americas by providing subject matter experts as instructors for ASBA-sponsored training and ASBA-led research and guidance initiatives.

The FDIC will participate with the International Monetary Fund and World Bank in their Financial Sector Assessment Program (FSAP), Reports on the Observance of Standards and Codes, and Technical Assistance by making available subject matter experts for deposit insurance program reviews and resolution-related matters. The FDIC will review any proposed recommendations included in the FSAP Technical Note and provide written responses to address non-policy based recommendations.

Human Resources (staffing and training): Available resources include FDIC staff dedicated to promoting the adoption of sound bank supervision, resolution, and deposit insurance principles and coordinating the FDIC's global outreach and technical assistance programs supplemented by subject matter experts within the FDIC. In 2020, training will expand the FDIC's staff expertise in evaluating the compliance of deposit insurance systems with IADI's Core Principles. Staff from divisions and offices throughout the FDIC regularly coordinate and collaborate on major international activities and outreach in order to advance the FDIC's international agenda.

Information Technology: Information about the FDIC's international programs, such as technical assistance, foreign visitor, 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 public website (www.fdic.gov).

Verification and Validation

Progress in meeting this annual goal is reported through established management reporting 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.

2019 Performance Results

The FDIC successfully met the performance targets for this goal in 2019. This annual performance goal and its associated performance indicators and targets are unchanged for 2020.

Annual Performance Goal 1.3-3

Ensure timely consideration and efficient processing of *de novo* deposit insurance applications.

Indicator and Target

1. Timeliness of review and disposition of deposit insurance applications

    - *Act on 75 percent of deposit insurance applications within 120 days after receiving a substantially complete application.*

Means and Strategies

Operational Processes (initiatives and strategies): As the sole agency with authority to grant deposit insurance, the FDIC seeks to ensure its application processes and review requirements are clear and efficient. In 2019, the FDIC held roundtable meetings to gather feedback on its application process and provide technical guidance, reviewed comments received in response to a request for information on ways that the application process could be improved, and updated its application processes and guidance.

Human Resources (staffing and training): Available resources include application subject matter experts in each regional office and at headquarters, as well as periodic training for all regional case managers who evaluate and process applications for deposit insurance.

Information Technology: Information about the FDIC's *de novo* application processes, pending applications, actions taken, and average processing timeframes is communicated through the FDIC's public website (www.fdic.gov).

Verification and Validation

Progress in meeting this goal will be reported through established management reporting processes.

2019 Performance Results

The FDIC successfully met the performance targets for this goal in 2019. The annual performance goal is unchanged from 2019, but the associated performance indicator and target are new for 2020.

STRATEGIC OBJECTIVE 1.4

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

Annual Performance Goal 1.4-1

Market failing institutions to all qualified and interested potential bidders.

Indicator and Target

1. Scope of qualified and interested bidders solicited

    - *Contact all qualified and interested bidders.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC markets the deposits and assets of failing institutions to all qualified and interested potential bidders to encourage as much competition as possible. An inventory is maintained of qualified financial institutions that may be interested in bidding for a failing institution. When preparing a list of potential bidders for a failing institution, consideration is given to the 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 existing FDIC personnel. Staffing requirements are continually assessed within the context of current and projected workload to ensure that the FDIC is appropriately staffed.

The FDIC may utilize contractor support, nonpermanent employees, and employees temporarily assigned from other divisions to meet heightened workload demands and mission responsibilities in this area.

Information Technology: The FDIC documents franchise marketing activities for failing IDIs through the Franchise Marketing System (FMS). FMS provides a comprehensive source of information on all aspects of the marketing and sale of failing IDIs, including bid list criteria for each prospective transaction and the list of qualified potential bidders. In addition to other data, FMS contains information on the valuation, marketing strategies, and sale of assets to an acquirer at the time of resolution.

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 ensure that only those institutions that meet the established criteria for the transaction are included.

2019 Performance Results

The FDIC successfully met the performance target for this annual performance goal for each of the four IDI failures that occurred in 2019. This annual performance goal and its associated performance indicator and target are substantively unchanged for 2020.

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 IDIs 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 methods to educate IDI employees and depositors about 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:

- Operates a toll-free call center (877-ASK-FDIC) to answer questions about FDIC deposit insurance coverage. The call center is staffed by contractors who are trained to provide answers to many different questions about deposit insurance coverage. Complex or unique issues, or those requiring additional analysis and review, are referred by the call center to FDIC employees who specialize in deposit insurance issues and who can research the issue and respond.

- Maintains educational and informational resources on its website.

- Publishes articles on deposit insurance coverage in *FDIC Consumer News* (a monthly newsletter for consumers published by the FDIC).

- Works to raise awareness of deposit insurance coverage through the national and regional news media.

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 deposit insurance works. The FDIC also provides training to employees of IDIs.

Human Resources (staffing and training): The FDIC has a dedicated staff of 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 inquiries through the Enterprise Public Inquiry and Complaint System (EPIC). The FDIC also provides the Electronic Deposit Insurance Estimator (EDIE), which consumers and bankers can use to estimate deposit insurance coverage, on its public website. The FDIC continues to use the internet and the latest multimedia technology to deliver 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 EPIC and established management reporting processes.

2019 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2019. This annual performance goal and its associated performance indicators and targets are unchanged for 2020.

SUPERVISION PROGRAM

Another way the FDIC promotes public confidence and stability in the nation's financial system is through its Supervision Program, which promotes the safety and soundness of IDIs, 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 associations that are not members of the Federal Reserve System, generally known as state nonmember banks and state-chartered savings associations. This includes state-licensed insured branches of foreign banks. As insurer, the FDIC also has special (back-up) examination authority for state member banks that are supervised by the Board of Governors of the Federal Reserve System (FRB) and national banks and federal savings associations 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 Dodd-Frank Act expanded the FDIC's statutory responsibilities beyond IDIs to bank holding companies (BHCs) with more than $250 billion in assets and nonbank financial companies that are designated as systemically important financial institutions (SIFIs) by the Financial Stability Oversight Council (FSOC). The Dodd-Frank Act designates the FRB as the primary supervisor of these companies, and the FDIC has established off-site monitoring programs and has certain statutory back-up examination authorities for these institutions. The purpose of the FDIC's monitoring and risk assessment activities for these institutions is, where possible, to mitigate identified risks; to assess the adequacy of the institutions' efforts to prepare to reorganize or liquidate through bankruptcy in the event of financial distress; and to be prepared, if necessary, to conduct an orderly liquidation of the company.

As the primary federal regulator of all insured state nonmember banks and state-chartered savings associations, 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 (BSA) and information technology (IT) 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 an institution's management and internal control systems to identify and control risks. In addition, the FDIC uses off-site monitoring programs to enhance its ability to promptly identify emerging safety-and-soundness issues.

The FDIC's consumer 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. The program 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 consumer compliance examination program focuses on the 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 FDIC-supervised institutions to assess the effectiveness of their compliance management systems and CRA performance. Institutions 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. More information on the FDIC's relationship with CFPB is found in Appendix D.

If weaknesses are identified through the examination process, the FDIC promptly takes appropriate supervisory action. Formal and informal enforcement actions may be taken to correct identified violations, unsafe or unsound practices, or breaches of fiduciary duty. Enforcement actions may also be taken if institutions are operating in a deteriorated financial condition or are failing to comply with consumer protection, fair lending, or other statutes. These enforcement actions remain in place until the identified weaknesses are remedied.

The FDIC also investigates consumer complaints about FDIC-supervised IDIs. 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 uses surveys to monitor consumers' satisfaction with its responses to complaints and inquiries.

In addition, the FDIC acts on applications from IDIs to undertake certain transactions or engage in new or expanded business activities. In reviewing these applications, the FDIC evaluates the statutory factors relevant to the application. Generally, depending on the type of application, these factors may pertain to, for instance, capital adequacy, management, financial resources, convenience and needs of the community to be served, and risk to the DIF. Consistent with the relevant statutory factors, the FDIC's evaluations consider an institution's compliance with consumer protection and fair lending requirements, as well as performance under the CRA.

During the examination process, FDIC examiners assess how well an institution is managing the risks associated with its particular business model. The findings of these assessments are shared with the institution's management in the report of examination. In 2020, the FDIC will continue to identify risks that are not well managed, recommend improvements to bank management, and track management's corrective actions.

More information about the FDIC's supervisory program, including laws, regulations, and supervisory guidance, is available at www.fdic.gov.

Cybersecurity

Cybersecurity remains an ongoing concern for the financial services sector because of the reliance on IT not only in bank operations, but also as an interface with customers. The frequency and sophistication of cyberattacks continues to increase, and the financial services sector is a prime target. In response, financial institutions and their service providers are continually challenged to assess the quickly changing risks and to allocate adequate resources to mitigate those risks to an acceptable level.

The FDIC monitors cybersecurity issues on a regular basis, through on-site examinations of insured institutions, participation in the Financial and Banking Information Infrastructure Committee (FBIIC), examination of services provided to IDIs by certain technology service providers, and threat monitoring, such as through membership in the Financial Services Information Sharing and Analysis Center.

In 2020, the FDIC, along with the other members of the Federal Financial Institutions Examination Council (FFIEC)[5], will continue to update the *FFIEC IT Examination Handbook*, which provides examination guidelines and procedures. The FFIEC issued an updated *Business Continuity Management Booklet* in 2019 to replace the former *Business Continuity Planning Booklet*. The FDIC, in concert with other agencies, will also assess cyber risks horizontally at large, complex financial institutions to understand the level of risk in the financial system.

Monitoring Large Institutions

In 2020, the FDIC will continue to develop its capabilities related to its responsibilities under the Dodd-Frank Act. The FDIC will conduct ongoing risk monitoring reviews of all banking organizations with more than $100 billion in assets, as well as any nonbank financial companies designated as systemically important by the FSOC (designated nonbank SIFIs).

The FDIC and the FRB are jointly responsible for reviewing the resolution plans filed by BHCs and designated nonbank SIFIs to ensure that each provides a credible plan for reorganizing a firm or liquidating it through bankruptcy without severe adverse consequences for the financial system or the U.S. economy. The FDIC will review the resolution plans submitted in 2020.

The FDIC also presently requires IDIs with more than $50 billion in assets to submit IDI resolution plans pursuant to the FDIC's independent IDI Plan Rule. In 2020, the FDIC intends to publish a notice of proposed rulemaking (NPR) soliciting public comments on possible amendments to the IDI Plan Rule to tailor IDI resolution plan requirements. Following a review of comments received, the FDIC intends to publish a final rule.

[5] See Appendix D for more information about the FFIEC, its members, and its functions.

Supervision Modernization

The FDIC continues to leverage technology to improve the efficiency and effectiveness of its supervision efforts. These improvements are designed to reduce the compliance burden for institutions – especially community banks – without sacrificing the quality of the FDIC's supervision program.

In 2019, the FDIC established a new Supervision Modernization subcommittee of the CBAC, comprised of bankers, technologists, former regulators, and legal experts to consider how the FDIC can improve the efficiency of the examination process. The Subcommittee will report its findings to the CBAC in the first half of 2020.

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

Strategic Goal	Strategic Objective	Annual Performance Goals
FDIC-insured institutions are safe and sound.	The FDIC exercises its statutory authority, in cooperation with other primary federal regulators and state agencies, to ensure that all FDIC-insured institutions appropriately manage risk.	Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. When problems are identified, promptly implement appropriate corrective programs, and follow up to ensure that identified problems are corrected. (2.1-1)
		Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering, and other financial crimes. (2.1-2)
		Establish regulatory capital standards that ensure institutions have sufficient loss-absorbing capacity to remain resilient under stress while reducing complexity and maximizing efficiency. (2.1-3)
		Implement strategies to promote enhanced cybersecurity and business continuity within the banking industry. (2.1-4)
		Update rules, regulations, and other guidance to enhance efficiency and transparency while maintaining the safety and soundness of the financial system. (2.1-5)

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

Strategic Goal	Strategic Objectives	Annual Performance Goals
Consumers' rights are protected, and FDIC-supervised institutions invest in their communities.	FDIC-supervised institutions comply with consumer protection, CRA, and fair lending laws and do not engage in unfair or deceptive practices.	Conduct on-site CRA and consumer compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised institutions. When violations are identified, promptly implement appropriate corrective programs, and follow up to ensure that identified problems are corrected. (3.1-1)
	Consumers have access to accurate and easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.	Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions. (3.2-1)
	The public has access to safe and affordable products and services from IDIs and the opportunity to benefit from a banking relationship.	Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives. (3.3-1)

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

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

STRATEGIC GOAL 2:

FDIC-insured institutions are safe and sound.

STRATEGIC OBJECTIVE 2.1

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

Annual Performance Goal 2.1-1

Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. When problems are identified, promptly implement appropriate corrective programs and follow up to ensure that identified problems are corrected.

<u>Indicators and Targets</u>

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 IDIs 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.*

<u>Means and Strategies</u>

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 institutions. The FDIC performs safety and soundness, BSA, and IT reviews at each risk management examination of an FDIC-supervised IDI. As applicable, the FDIC also conducts reviews of trust, registered transfer agent, municipal securities dealer, and government security dealer activities at these examinations.

In 2020, the FDIC projects that it will conduct more than 1,400 risk management examinations required under statute, FDIC policy, or agreements with state supervisors. The number of risk management examinations to be conducted during 2020 may fluctuate as the number of FDIC-supervised IDIs 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 tools 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 tools are also used to identify the need for inquiries or on-site visits to FDIC-supervised institutions outside of the regular examination cycle.

On-site examinations also review technology-related activities to determine how each FDIC-supervised 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. The FDIC regularly engages with technology vendors, 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): In 2020, the FDIC has 1,497 authorized positions in its field workforce to conduct risk management examinations. Field examiners conduct on-site examinations and visits. These positions include a variety of examiners with specialized skills, such as large bank specialists, loan review analysts, and IT examiners and specialists.

Staffing and training needs are reviewed regularly to ensure that the examination staff possess the skills and knowledge to effectively identify existing and emerging risks. The FDIC updated its IT certification training program in 2019 and is currently updating its certification training programs and subject matter expertise in the areas of IT, trust, accounting, BSA/anti-money laundering, and capital markets.

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 also is 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.

Verification and Validation

The number and timing of examinations are tracked through ViSION and reported through established management reporting processes. Enforcement actions and the timing of required on-site visits are also tracked through ViSION. The FDIC uses its Regional Office Internal Control Review program to ensure 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.

2019 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2019. This annual performance goal and its associated performance indicators and targets are unchanged for 2020.

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 BSA 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 institutions. These examinations and reviews cover sound risk management, compliance with recordkeeping and reporting requirements, the ability of the institution to identify and report suspicious activities, and compliance with trade and economic sanctions. BSA/AML examinations and OFAC reviews are performed as a part of all risk management examinations of FDIC-supervised institutions. The FDIC also completes BSA/AML examinations and OFAC reviews for states that do not conduct these examinations. 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): More than 300 FDIC examiners are designated as BSA/AML subject matter experts. Staffing and training needs are reviewed regularly to ensure 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. In 2017, the FDIC strengthened its BSA/AML staffing resources by establishing senior BSA/AML examiner positions in each region. In 2018, the FDIC began the development of a formal on-the-job training program to develop higher-level proficiencies in the BSA/AML and OFAC examination specialty area. This program will be implemented in 2020. Additionally, the FDIC initiated implementation of a web-based BSA training program for all examiners during 2019; all staff will complete the course within the first half of 2020.

Information Technology: ViSION is used to track the number and timing of required BSA/AML examinations. Examiners also use the Examination Tool Suite (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 reporting processes.

2019 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2019. This annual performance goal and its associated performance indicator and target are unchanged for 2020.

Annual Performance Goal 2.1-3

Establish regulatory capital standards that ensure institutions have sufficient loss-absorbing capacity to remain resilient under stress while reducing complexity and maximizing efficiency.

Indicator and Targets

1. U.S. implementation of internationally agreed capital standards and other capital standards for large institutions

   - *Issue an interagency final rule on holdings of total loss-absorbing capacity.*

   - *Issue an NPR to implement the final Basel III standards into the U.S. regulatory capital framework.*

   - *Issue a final rule to implement the Net Stable Funding Ratio (NSFR).*

Means and Strategies

Operational Processes (initiatives and strategies): FDIC staff have been working closely with the staffs of the other federal banking agencies to tailor capital and liquidity requirements for large institutions, consistent with the provisions of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). EGRRCPA raised the asset threshold for the application of enhanced prudential standards under the Dodd-Frank Act to $250 billion, while giving the FRB the authority to apply enhanced standards to firms with total consolidated assets between $100 billion and $250 billion under certain conditions. In 2019, the agencies finalized a rule to implement the relevant EGRRCPA provisions by tailoring the application of regulatory capital and liquidity requirements based on a banking organization's size, risk profile, and systemic footprint. The largest, most systemically important banks will continue to be subject to the most rigorous standards while smaller, less systemically important institutions will be subject to standards tailored to their risk profile. EGRRCPA also made certain changes to the leverage ratio calculation for custody banks. The agencies issued both an NPR and final rule to address these changes during 2019.

The remaining Basel III standards to be implemented in the United States for the largest and most complex institutions would address concerns regarding excessive variability in the measurement of risk-weighted assets (RWAs) across large internationally active banking institutions. These revisions are designed to reduce RWA variability by enhancing the robustness and risk sensitivity of the standardized approach for credit risk and operational risk and constraining the use of internal models. In addition, the Basel III revisions will enhance the market risk framework by introducing: a clearer boundary between the trading book and the banking book, an internal models approach that relies upon the use of expected shortfall models, separate capital requirements for risk factors that cannot be modeled, and a risk-sensitive standardized approach that is designed and calibrated to be a credible fallback to the internal models approach. The FDIC, OCC, and FRB will issue a proposed rule in 2020 to address these issues.

In April 2019, the FDIC, OCC, and FRB issued an NPR that would address an advanced approaches banking organization's regulatory capital treatment of an investment in unsecured debt instruments issued by foreign or U.S. global systemically important banking organizations (GSIBs) for the purposes of meeting minimum total loss-absorbing capacity and, where applicable, long-term debt requirements, or unsecured debt instruments issued by GSIBs that are equivalent or subordinated to such debt instruments. Under the proposal, investments by an advanced approaches banking organization in such unsecured debt instruments generally would be subject to deduction from the advanced approaches banking organization's own regulatory capital. The proposal would reduce both interconnectedness within the financial system and systemic risk. The agencies have received and reviewed comments on the proposed rule and plan to issue a final rule during 2020.

During the financial crisis, a number of large banking organizations failed or experienced serious difficulties, in part, because of severe liquidity problems. In May 2016, the FDIC and other banking agencies proposed a rule that would reduce the vulnerability of large banking organizations to liquidity risk. The NSFR rule would require certain large banks to maintain sufficient levels of stable funding, including capital, long-term debt, and other stable sources over a one-year window, to account for the liquidity risks arising from their assets, derivatives, and off-balance-sheet activities. Comments were received and carefully reviewed by FDIC staff along with the staffs of other federal banking agencies. FDIC staff anticipate a final rule for consideration in 2020.

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 in numerous Basel policy development groups. In 2019, the FDIC continued to increase the number of staff with capital markets expertise by providing internal and external training on liquidity, funding, capital, trading activities, financial modeling, and other capital market areas. The FDIC is also developing a formal on-the-job training program to develop higher-level proficiencies in the capital markets specialty area.

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 management reporting processes.

2019 Performance Results

The FDIC met six of the seven performance targets for this annual performance goal in 2019. A final rule to implement the NSFR is still under review. This annual performance goal is unchanged, but its associated performance indicator and targets have been updated for 2020.

Annual Performance Goal 2.1-4

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

Indicator and Targets

1. Enhance the cybersecurity awareness and preparedness of the banking industry

    - *Continue to conduct horizontal reviews that focus on the IT risks in large, complex supervised institutions and in technology service providers.*

    - *Continue to use the Cybersecurity Examination Program for the most significant service provider examinations.*

    - *Improve the analysis and sharing of cybersecurity-related threat information with financial institutions.*

Means and Strategies

Operational Processes (initiatives and strategies): The importance of cybersecurity and business continuity management to ensure the soundness and stability of the nation's financial sector cannot be overstated. The FDIC prioritizes this issue and adjusts its financial institution supervision and technology service provider examinations to address cybersecurity risk in light of current threats. Currently, the FDIC assesses supervised institutions' ability to manage IT risks through the Information Technology Risk Examination (InTREx) program. This program, developed in collaboration with the FRB and the Conference of State Bank Supervisors (CSBS), supports examiners in evaluating cybersecurity, business continuity, incident response, audit and assessment, board and management oversight, vendor relationships, and payment systems. When weaknesses are identified in supervised institutions or technology service providers, the FDIC uses a range of informal and formal actions to compel correction.

The FDIC co-led an effort through the FFIEC Task Force on Supervision to develop a uniform process and tool for assessing how technology service providers manage cybersecurity risks. The Cybersecurity Examination Program was issued in August 2017 and is now being used to assess cybersecurity risk management at the most significant technology service provider examinations.

Human Resources (staffing and training): All commissioned risk management examiners have basic IT examination skills attained through the FDIC's training programs. The FDIC also has 78 designated IT examiners, 163 (145 intermediate and 18 advanced) risk management examiners designated as either intermediate or advanced IT subject matter experts based on completion of the FDIC's IT on-the-job training program, and 27 specialized IT Examination Analysts who support the IT examination process with advanced technical skills. IT policy and examination personnel at headquarters also support the examination function.

Information Technology: ViSION is used to schedule and track the completion of risk management examinations, and to track 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 technology service provider examinations are conducted and scheduled on an interagency basis. Planning for examinations of the largest technology service providers takes place annually with the OCC and the FRB. Examinations of smaller technology service providers are managed at the FDIC regional office level in coordination with local FRB and OCC counterparts.

All IT examination activity (including technology service provider examinations) 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 ensure 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.

2019 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2019. This annual performance goal and its associated performance indicator and targets are unchanged for 2020.

Annual Performance Goal 2.1-5

Update rules, regulations, and other guidance to enhance efficiency and transparency while maintaining the safety and soundness of the financial system.

Indicators and Targets

1. Modernize FDIC regulations to tailor regulatory requirements and processes

   - *Issue a final rule on brokered deposits.*

   - *Issue revised stress testing guidance.*

2. Revise and clarify FDIC policies, procedures, and guidance

   - *Issue a final rule to codify and amend the FDIC's Statement of Policy on Section 19 of the Federal Deposit Insurance Act (FDI Act).*

   - *Issue a final rule clarifying the applicability of the "valid when made" rule.*

3. Complete rulemakings related to large, complex financial institutions

   - *Issue an interagency final rule to modify the treatment of covered funds under the Volcker Rule.*

   - *Issue a final rule amending the swap margin requirements.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC has worked to strengthen the banking system by modernizing its approach to supervision and regulation. These efforts seek to enhance efficiency and transparency while maintaining the safety and soundness of the system. To have a strong financial system – and strong economic growth – banks must be able to meet the needs of consumers and businesses across the nation. This requires, in turn, that regulators modernize rules as the industry evolves.

In 2019, the FDIC began a comprehensive review of its longstanding regulatory framework for brokered deposits, which was implemented in 1989. The implementing regulation has not been revised to meaningfully address the significant changes in technology, business models, and products across the financial services industry over those 30 years. The FDIC's review resulted in a proposal issued for public comment in December 2019 that would establish a new, transparent framework for determining what qualifies as a brokered deposit. In 2020, the FDIC intends to issue a final rule on brokered deposits.

The federal banking agencies issued interagency guidance on stress testing in 2012 for banking organizations with more than $10 billion in total consolidated assets. The guidance generally describes the importance of tailored stress testing as a part of broader risk management and governance practices that can better equip banking organizations to address a range of adverse outcomes. The guidance also establishes broad principles for an effective stress testing framework in relation to institution risk management and governance structures, as well as for contributing to capital and liquidity planning. EGRRCPA raised the asset threshold for mandatory stress testing established under the Dodd-Frank Act to $250 billion in total consolidated assets. Accordingly, the FDIC amended its stress testing rule regarding the Dodd-Frank Act, and is working with the other agencies to revise the 2012 guidance to better align with the spirit of this statutory change.

During 2020, the FDIC will also continue its review of existing FDIC policies, procedures, and guidance. In November 2019, the FDIC approved an NPR to clarify the federal law governing interest rates state banks may charge their customers. The FDIC's proposal would codify longstanding legal interpretations of the FDI Act and provide that the interest rate on a loan, as permitted by the law where the bank is located, would not be affected by subsequent events, such as a change in state law, a change in the relevant commercial paper rate, or the sale/assignment/transfer of the loan. In 2020, the FDIC intends to issue a final rule.

Section 19 of the FDI Act generally prohibits individuals convicted of certain crimes from becoming employed by, or participating in the affairs of, an insured depository institution. In 1998, the FDIC issued a Statement of Policy (SOP) on Section 19, which set forth criteria for providing relief for individuals with convictions for certain low-risk crimes that constituted *de minimis* crimes, forgoing the need for an application for a waiver of Section 19. In November 2019, the FDIC approved an NPR to codify the Section 19 SOP in the FDIC's regulations and seek public comment on all aspects of the Section 19 SOP. In 2020, the FDIC intends to issue a final rule.

Lastly, the FDIC will issue rulemakings related to large, complex financial institutions.

In January 2020, the FDIC issued a proposal to modify the regulations implementing the Volcker Rule by clarifying the provisions related to the prohibitions and restrictions on investments in private equity and hedge funds (i.e., "covered funds"). Following a review of comments received, the FDIC intends to issue a final rule.

In November 2019, the FDIC, FRB, OCC, Federal Housing Finance Agency (FHFA), and Farm Credit Administration (FCA) published a proposed rule that would amend the swap margin rule, which establishes capital and margin requirements for non-cleared swaps. Specifically, the proposal would:

- Preserve the status quo for legacy swaps transferred to or by a covered swap entity in the event of the U.K. withdrawal from the E.U. without a Withdrawal Agreement (i.e., Brexit);
- Preserve the status quo for legacy swaps amended as part of the London Inter-Bank Offered Rate (LIBOR) transition;
- Modify inter-affiliate margin treatment to repeal initial margin requirements but retain the variation margin requirements; and
- Extend the compliance period for certain smaller counterparties and clarify the existing trading documentation requirements in the swap margin rule.

In 2020, the FDIC intends to issue a final rule.

Human Resources (staffing and training): The FDIC maintains dedicated staff who are experts in the development of regulation, policy, and guidance within its Division of Risk Management Supervision and Legal Division. These experts will work together to carry out the policy matters listed above.

Information Technology: Information regarding changes to FDIC rules, regulations, and guidance will be communicated through the FDIC's public website (www.fdic.gov).

Verification and Validation

Progress in meeting this goal will be reported through established management reporting processes.

2019 Performance Results

This annual performance goal and its associated performance indicators and targets are new for 2020.

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 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.*

2. Implementation of corrective programs

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

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC conducts CRA and consumer compliance examinations of FDIC-supervised depository institutions to determine compliance with consumer protection and fair lending laws and performance under the 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 institutions. In 2020, the FDIC estimates that it will conduct 1,089 consumer compliance and/or CRA examinations.

The FDIC's consumer 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 result in an institution's non-compliance with consumer protection and fair lending laws or infringe upon 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 438 authorized permanent consumer compliance examiner positions in its field examination workforce in 2020. Staffing and training needs are reviewed regularly to ensure that staff resources supporting the consumer compliance supervision program are adequate to conduct a high-quality examination program and to ensure 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 consumer compliance and CRA examinations, support pre-examination planning, and provide management information. The FDIC is in the process of developing a replacement set of applications for SOURCE (planned for implementation in 2021).

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 reporting processes.

2019 Performance Results

The FDIC achieved the performance targets for the annual performance goal in 2019. This annual performance goal and its associated performance indicators and targets are substantively unchanged for 2020.

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.

Indicators and Targets

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.*

2. Public availability of information on consumer complaints

    - *Publish, through the Consumer Response Center (CRC), an annual report regarding the nature of the FDIC's interactions with consumers and depositors.*

    - *Publish, on the FDIC's website, and regularly update metrics on requests from the public for FDIC assistance.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC has a comprehensive program to disseminate information to IDIs and the public on consumer rights under consumer protection and fair lending laws and regulations. It also operates a centralized CRC that coordinates the investigation of, and response to, consumer complaints and inquiries. For correspondence related to FDIC-supervised institutions, FDIC staff contact the institution and reviews its 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 CRC is located in Kansas City and is staffed by FDIC employees. CRC staff and management 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 relies on EPIC to maintain records and process public correspondence submitted through an online portal.

Verification and Validation

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

In addition, surveys are sent to all consumers who have filed written consumer protection and fair lending complaints about an 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.

2019 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2019. This annual performance goal and its associated performance indicator and targets are unchanged for 2020.

STRATEGIC OBJECTIVE 3.3

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

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

   - *Issue rules and guidance to ensure that FDIC-supervised institutions meet the credit needs of their communities.*
   - *Publish the results of the 2019 Survey of Unbanked and Underbanked Households.*
   - *Launch "How Money Smart Are You?" an online, interactive learning game.*
   - *Strengthen connections between small businesses and FDIC-insured institutions.*
   - *Increase engagement and collaboration to preserve and promote Minority Depository Institutions (MDIs).*

Means and Strategies

Operational Processes (initiatives and strategies): Approximately 25 percent of U.S. households were underserved by the banking industry in 2017, based on survey results published by the FDIC in October 2018. This includes both "unbanked" households (i.e., those with no checking or savings accounts) and "underbanked" households (i.e., 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).

During 2019, the FDIC worked with its regulatory partners to issue a proposal to modernize regulations under the CRA, which have not been substantively updated for nearly 25 years. The proposal seeks to encourage greater lending and investment in low- and moderate-income communities where there is significant need for credit. In addition, the proposal would recognize the evolution of the banking system, including the emergence of digital banks, by adding a test to determine whether banks need to establish additional CRA assessment areas. During 2020, the FDIC will review comments on the proposal and work with the OCC to issue a final rule.

The FDIC will also work with the other banking agencies to issue guidance regarding small-dollar lending. An FRB study found that nearly four in 10 households cannot cover a $400 emergency expense with cash. While some banks offer small-dollar lending to help consumers meet needs such as this, many banks have chosen not to offer such products, due in part to regulatory uncertainty. The FDIC will assess its current guidance to ensure that it does not impose an unnecessary impediment to banks that may be considering extending responsible small-dollar credit.

In 2020, the FDIC will undertake several initiatives to promote economic inclusion.

- The FDIC will launch "How Money Smart Are You?", a set of interactive online learning tools that use a gameshow format to help consumers build financial skills and knowledge at their own pace, with an option to receive certificates of completion. This product is based on the recently updated *Money Smart for Adults* instructor-led curriculum, which features tested tools to help people build financial skills and confidence through knowledge and practice. In addition, the FDIC expects to highlight opportunities for greater usage of *Money Smart* with specific audiences, such as people located in disproportionally unbanked geographic areas, persons with disabilities, or youth workforce programs. The FDIC highlights examples of how *Money Smart* is effectively used through *Money Smart News*, a newsletter for financial educators that has more than 70,000 subscribers.

- The FDIC will encourage IDIs and their partners to prudently serve the financial needs of emerging entrepreneurs and small businesses through training and technical assistance. For example, the FDIC will expand awareness of the *Money Smart for Small Business* curriculum, including two modules, recently updated in collaboration with the U.S. Small Business Administration (SBA), by promoting promising strategies to use the curriculum to support lending activities. The FDIC will also engage community banks and their partners to identify and promote local opportunities to support small businesses. These efforts include raising awareness of responsive, effective, and prudent lending programs offered by the SBA and others.

- The FDIC will publish the results of the *2019 FDIC National Survey of Unbanked and Underbanked Households*, conducted jointly with the U.S. Census Bureau and complete planning for the 2021 administration of this survey.

- ComE-IN will continue to support research, demonstration projects and pilots, and promote 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. ComE-IN'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. ComE-IN may recommend to the FDIC specific improvements, 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 2020, FDIC working groups will continue to facilitate partnerships and conduct outreach to expand access to mainstream banking services for underserved consumers. The FDIC may present these proposals to ComE-IN for advice and recommendations.

- The FDIC will increase engagement and collaboration to preserve and promote MDIs in 2020. The FDIC will convene meetings of the new MDI Subcommittee of the CBAC to gain insight into industry needs, seek input on program operations, and share best practices. In addition, the agency will host roundtables and other opportunities to match MDIs with potential collaboration partners, including other MDIs; conduct a media campaign to promote the visibility and benefits of MDIs; and engage troubled MDIs through the execution of supervisory strategies, enhanced outreach, and technical assistance.

Human Resources (staffing and training): This annual performance goal will be carried out largely by existing staff in the FDIC's Consumer Policy and Consumer and Community Affairs Sections, as well as researchers in the Division of Insurance and Research. ComE-IN activities are supported by staff in several FDIC divisions. Employees in those divisions provide staff support for ComE-IN, as needed, including support for its research, demonstration projects, and pilots. MDI-related activities will be carried out by the FDIC's National Director for MDI and Community Development Banking and supporting staff.

Information Technology: Existing technology will be used to accomplish this goal. The FDIC broadcasts ComE-IN'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.

2019 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2019. This annual performance goal is unchanged from 2019, but the performance indicators and targets have been updated for 2020.

STRATEGIC GOAL 4:
Large, complex financial institutions are resolvable in an orderly manner under bankruptcy.

STRATEGIC OBJECTIVE 4.1

Large, 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. Rulemaking for resolution planning requirements

    - *Issue an NPR and, following a review of comments, a final rule to tailor and make adjustments to the FDIC's resolution planning requirements for IDIs.*

2. Compliance with the statutory and regulatory requirements under Title I of the Dodd-Frank Act and Section 360.10 of the FDIC Rules and Regulations

    - *In collaboration with the FRB, review all resolution plans subject to the requirements of Section 165(d) of the Dodd-Frank Act to ensure their conformance to statutory and other regulatory requirements. Identify and provide feedback to firms on potential impediments in those plans to resolution under the Bankruptcy Code.*

    - *Review resolution plans subject to the requirements of Section 360.10 of the IDI Rule to ensure their conformance to other regulatory requirements.*

3. Risk monitoring of large, complex financial institutions, BHCs, 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): Under Section 165(d) of the Dodd-Frank Act, covered companies (defined as certain nonbank financial companies, BHCs, and foreign banks that have total consolidated assets of $250 billion or more) 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 BHCs.

In addition, under Section 360.10 of the FDIC Rules and Regulations, the IDI Plan Rule requires each covered IDI (defined as IDIs with $50 billion or more in total assets) to provide a resolution plan that allows the FDIC as receiver to resolve the institution in an orderly manner, enable prompt access to insured deposits, maximize the return from the failed institution's assets, and minimize losses realized by creditors and the DIF. The FDIC has the sole authority to review those plans.

Ongoing risk analysis and monitoring is conducted by resident FDIC teams at large, complex financial institutions and off-site analytical teams composed of quantitative experts and complex financial institution specialists with resolution and supervision backgrounds. The off-site 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 the financial condition and performance, assessing institutional risk management capabilities, and reviewing recovery plans. FDIC staff also participate in collaborative risk management examinations and targeted reviews of SIFIs with other regulatory agencies.

To implement EGRRCPA, the FDIC and FRB issued a final rule in 2019 amending the asset threshold for the applicability of resolution plan requirements under Section 165(d) of the Dodd-Frank Act. In addition, as noted above, the FDIC issued an advance notice of proposed rulemaking (ANPR) in April 2019 soliciting public comments on possible amendments to the IDI Plan Rule to tailor IDI resolution plan requirements. In 2020, the FDIC intends to publish an NPR soliciting public comments on possible amendments to the IDI Plan Rule to tailor IDI resolution plan requirements. Following a review of comments received, the FDIC intends to publish a final rule.

Human Resources (staffing and training): The FDIC's review of resolution plans submitted under Section 165(d) of the Dodd-Frank Act 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 Plan 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.

Ongoing risk monitoring is conducted by on-site resident teams and off-site analysts who have expertise with large, complex financial institution operations.

Information Technology: The FDIC uses existing technology to track the submission and review of the resolution plans required under Section 165(d) of the Dodd-Frank Act and Section 360.10 of the FDIC Rules and Regulations. In addition, the FDIC uses the Systemic Monitoring System for ongoing risk monitoring of systemically important BHCs and nonbank financial companies.

Verification and Validation

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

2019 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2019. This annual performance goal and associated performance indicators are unchanged from 2019, but the performance targets have been updated for 2020.

RECEIVERSHIP MANAGEMENT PROGRAM

The FDIC also promotes public confidence and maintains stability in the nation's financial system through its receivership management program. When an IDI fails, the FDIC is appointed receiver. In its receivership capacity, the FDIC assumes responsibility for efficiently achieving maximum recoveries from the disposition of receivership assets and the pursuit of amounts due to the failed bank. These funds are then distributed to the receivership's creditors under the priorities set by law.

Prior to failure, the FDIC analyzes the assets and liabilities of a failing institution to determine the institution's current market value. Using this information, the FDIC works to market and sell the institution in whole or in part to qualified institutions or investors. The FDIC markets failed institutions broadly, ensuring that all qualified parties are given an opportunity to present bids. Bids are evaluated and compared to the cost of liquidation to determine the least costly resolution.

In the event an assuming institution cannot be found, the FDIC will use other resolution transactions including a Payout (where insured funds are paid directly to depositors), a Deposit Insurance National Bank (DINB), or a Bridge Bank. The "Recordkeeping for Timely Deposit Insurance Determination" rule (12 C.F.R. part 370 of the FDIC's Rules and Regulations) requires each IDI with two million or more deposit accounts to configure its IT system to calculate the insured and uninsured amount in each deposit account. This requirement will assist in the potential resolution of a large institution and ensure the timely payment of insured funds to depositors.

All assets, or any remaining assets not purchased by an assuming institution are retained in the receivership for final disposition. Various strategies are then used to sell the assets as quickly and efficiently as possible to maximize recovery to the DIF.

Additionally, FDIC staff identify and investigate claims against directors, officers, and other professionals, and pursue those claims on behalf of the receivership when the claims are both meritorious and expected to be cost effective. The FDIC also ensures 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 timely claim. Once the FDIC receives and analyzes the information, valid claims are paid under the priorities set by law. The FDIC terminates the receivership after the disposition of all assets and the payment of eligible creditors.

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 institutions under Title II of the Dodd-Frank Act. However, this is only in circumstances when failure in bankruptcy, the statutory preferred option, would threaten U.S. financial stability. In 2020, 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 pursued if deemed to be meritorious and expected to be cost-effective.	Conduct investigations into all potential professional liability claim areas for all failed IDIs 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) and within 120 days of that date if the pool of similar assets is of sufficient size to bring to market (for structured sales).*

Means and Strategies

Operational Processes (initiatives and strategies): After the resolution of the failed institution, the FDIC collects and manages any remaining assets in a cost-effective manner to maximize recoveries and preserve value until the assets can be marketed. The FDIC uses the Standard Asset Valuation Estimation (SAVE) methodology, valuation contractors, and financial advisors to value most of the assets of a failed institution and to inform the marketing and disposition plan. The failed institution's assets are grouped into pools and potential asset purchasers are given the opportunity to view sales information before submitting bids online.

Generally, 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. Most of any remaining assets are marketed within 120 days after an insured institution fails.

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): For 2020, the FDIC has 350 permanent authorized positions to carry out its resolutions and receivership management functions. If resolution activities increase, the FDIC may add nonpermanent staff and contractor resources to help with the additional workload.

Contractors are used as necessary to manage and sell the assets of failed institutions. The FDIC has comprehensive policies, procedures, and internal controls that cover every phase of the contracting process.

Consistent with the requirements of the Dodd-Frank Act, 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, sales strategies, and other business processes more efficient and to keep pace with changing market and emerging business practices.

Verification and Validation

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

2019 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2019. This annual performance goal and its associated performance indicator and target are unchanged for 2020.

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 transactions, 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 uninsured depositors and other receivership claimants by reducing overhead and other holding costs. Each receivership is monitored on an ongoing basis by staff and a receivership oversight committee. The committee meets monthly to review and evaluate the progress that has been made in removing the impediments preventing receivership terminations.

To be eligible for termination, a receivership must be free of all impediments. These impediments may include contractual liabilities, offensive or defensive litigation, potential representation and warranty asset sale claims, open employee benefit plans, open subsidiary corporations where articles of dissolution have not 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 verified that no material financial or legal risks remain, a final distribution is made to the creditors and the receivership is terminated. During 2019, four new receiverships were added to the FDIC's inventory of receiverships and 28 were terminated, leaving 248 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 (if needed) are available to fulfill the FDIC's receivership management responsibilities.

Information Technology: The Receivership Oversight Management System (ROMS) provides information to track FDIC receiverships through the termination process and is used to identify termination impediments.

Verification and Validation

The process of terminating a receivership is tracked in FDIC systems and monthly termination reports are reviewed for accuracy. System users validate data and any discrepancies are reconciled. Results are reported through established management reporting processes.

2019 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2019. This annual performance goal and its associated performance indicator and target are substantively unchanged for 2020.

STRATEGIC OBJECTIVE 5.2

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

Annual Performance Goal 5.2-1

Conduct investigations into all potential professional liability claim areas for all failed IDIs 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 IDI.*

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 recovery sources including liability and fidelity insurance policies. 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.

In 2019, the FDIC implemented process improvements to increase efficiency and streamline the collection of failed bank records. These process improvements, including a new inventory methodology, enable faster document analysis. As a result, the time between the failure of the institution and the identification and availability of data necessary for use in pursuit of a claims decision is reduced.

Human Resources (staffing and training): Workload requirements are regularly reassessed to ensure that staffing is sufficient to fulfill these responsibilities. The FDIC uses contractor resources (including outside legal counsel) and hires nonpermanent staff, as needed.

Information Technology: The FDIC DOLLARS system is utilized to obtain the status, and monitor the pursuit, of professional liability claims. The system provides the means to track institution failure dates, potential statute of limitation expiration dates, and other pertinent dates.

Verification and Validation

Periodic data reviews are conducted to ensure that the information in DOLLARS is current and accurate. Progress in meeting this goal is reported through established management reporting processes.

2019 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2019. This annual performance goal and its associated performance indicator and target are unchanged for 2020.

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. Refinement of resolution plans and strategies

    - *Continue to refine plans to ensure the FDIC's operational readiness to administer the resolution of large, complex financial institutions.*

2. Continued cross-border coordination and cooperation in resolution planning

    - *Continue to deepen and strengthen working relationships with key foreign jurisdictions, both on a bilateral basis and through multilateral fora.*

Means and Strategies

Operational Processes (initiatives and strategies): The largest BHCs are required to prepare resolution plans under Title I of the Dodd-Frank Act. These resolution plans must demonstrate that the firm could be resolved under bankruptcy without serious adverse effects on financial stability in the United States. As a backstop, for circumstances in which an orderly bankruptcy process might not be possible, Title II of the Dodd-Frank Act 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.

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. This strategy would place the top-tier parent company of the firm into receivership while establishing a temporary bridge financial company (BFC) to hold and manage its critical operating subsidiaries for a limited period. To operate the BFC, 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. Losses would be borne by creditors, including holders of long-term debt and equity, in accordance with the priorities established under the OLA. As a well-capitalized entity, the FDIC expects that the BFC 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 Dodd-Frank Act 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.

Advance planning and cross-border coordination are essential to prepare for the orderly resolution of systemically important financial companies with international operations. Recognizing that such financial companies present complex cross-border legal and operational planning challenges, the FDIC works on an ongoing basis with foreign regulators to operationalize, maintain, and enhance 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.

Information Technology: Existing IT 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 2020.

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 large, complex financial institutions. To evaluate the effectiveness of these planning efforts and to identify areas of further development, the FDIC holds operational exercises to validate the steps involved in carrying out a systemic resolution. In addition, the resolution strategies are presented and discussed in international fora, including crisis management groups and several other international platforms for engagement among senior staff of supervisory and resolution authorities focused on resolution planning.

2019 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2019. This annual performance goal and its associated performance indicators and targets are unchanged for 2020.

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 2020 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 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 ensure 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. The FDIC has approved and adhered to declining budgets for 10 consecutive years and declining staffing authorizations since 2012. This reflects, in large part, the recovery of the banking industry from the recent financial crisis, but it also reflects the ongoing commitment of staff throughout the corporation to prudently manage the FDIC's expenses. For 2020, the FDIC's annual operating budget and authorized staffing level decreased approximately 1.3 percent and 2.7 percent, respectively, from 2019 (see Appendix A).

Human Capital Management

The FDIC's most important resource is the "intellectual capital" that its employees contribute to achieving 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 employer among federal agencies.

More than one-third of the FDIC's current permanent workforce is projected to retire over the next 10 years. This dynamic will enable the FDIC to reshape its permanent workforce to provide effective regulatory oversight and meet the emerging challenges of an increasingly complex U.S. financial system. In 2020, the FDIC will continue to pursue several ongoing initiatives to develop its future permanent workforce while effectively addressing its shorter-term staffing needs.

Strategic Workforce Planning and Readiness

Like many federal agencies, the FDIC faces potential succession management challenges as many of its long-term, experienced employees consider retirement.

In 2020, the FDIC will continue to implement strategies and programs to support the attainment of these objectives in meeting its long-term workforce needs. The FDIC continues 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.

Organizational Efficiency for Large, Complex Financial Institutions

The FDIC is committed to addressing the unique challenges associated with the supervision and potential resolution of large, complex financial institutions. The agency's ability to analyze and respond to risks in these institutions is particularly important, as the institutions comprise a significant share of banking industry assets and deposits. In 2019, the Division of Complex Institution Supervision and Resolution (CISR) was formed in order to centralize and integrate the FDIC's operations related to the supervision and resolution of large, complex financial institutions, including SIFIs, financial market utilities (e.g., central counterparties), and all FDIC-insured depository institutions with assets greater than $100 billion for which the FDIC is not the primary federal regulatory authority. In 2020, CISR will continue its responsibility for supervision and monitoring and resolution planning and execution for large, complex financial institutions in the CISR portfolio.

Examiner Recruiting, Hiring, and Training

A key component of the FDIC's long-term workforce development strategy continues to be developing the examiner workforce. Beginning in 2020, new examiner trainees will be hired directly into either the Division of Risk Management Supervision or the Division of Depositor and Consumer Protection and will immediately begin the training program in their assigned disciplines. This change resulted from a comprehensive review of entry-level examiner hiring conducted in 2019. It is intended to reduce attrition among trainees and newly-commissioned examiners and shorten the time required to earn a commission. The FDIC will also explore the use of loan review and IT and cyber security analysts to perform certain aspects of risk management examinations. These analysts should require less intensive training than commissioned examiners, which will reduce training time and costs. The FDIC will assess the impact of these changes on the examiner workforce, including time to hire, time to commission, retention, and workforce diversity.

Workforce Diversity and Inclusion

The FDIC continues its comprehensive, integrated, and strategic focus on diversity and inclusion within the FDIC workforce. The FDIC Diversity and Inclusion Executive Advisory Council (D&I EAC), composed of key senior executives, oversees the implementation of the *FDIC Diversity and Inclusion Strategic Plan.* In 2020, an updated three-year plan will be issued to comprehensively encompass the FDIC's diversity and inclusion efforts by including significant aspects from the previous *Disability Employment Program Strategic Plan*.

The updated plan will continue to advance the FDIC's progress in achieving greater workforce diversity through targeted recruiting and cultivating greater workplace inclusion through collaboration, flexibility, and fairness. The plan also ensures 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. 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 are detailed in the new plan.

The new plan covers all aspects of the FDIC's diversity and inclusion efforts and retains the key goals, strategies, and actions specific to individuals with disabilities. This ensures that all employees are included in plan initiatives, while confirming the focus on the FDIC's goal to maintain the percentage of persons with targeted disabilities to 2 percent or more of the FDIC workforce. In 2020, the FDIC will continue to monitor, track, and report to the D&I EAC on the implementation of the plan with respect to the hiring and advancement of individuals with disabilities, the maintenance of an inclusive environment for those individuals, and the progress made toward achieving the FDIC's goal for the representation of persons with targeted disabilities in the FDIC workforce.

Employee Engagement

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 also are 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.

In 2019, the FDIC launched a new employee engagement initiative, TEAM FDIC, in support of the Chairman's priorities of Transparency, Empowerment, Accountability, and Mission. The initiative encourages active employee participation in short-term project teams to positively impact the FDIC workplace and support the FDIC mission. Employees submitted more than 60 project ideas resulting in seven Integrated Project Teams (IPTs) engaging more than 80 diverse employees from across the agency. Of the remainder, more than one-third of the ideas submitted are already being addressed through ongoing corporate initiatives, and all submitted ideas are reviewed and a response is provided. The FDIC will continue to increase employee engagement opportunities in 2020 by expanding the TEAM FDIC initiative to encourage employees to identify and propose solutions to challenges at the local and regional levels.

Employee Learning and Development

The FDIC provides employees with skills-based training and leadership development opportunities to help achieve its mission. The FDIC is modernizing learning and development, including expanding virtual and online offerings, integrating modern learning technology, and modernizing the training center. In 2020, the FDIC's Corporate University (CU) will continue to offer innovative solutions to prepare both current and new employees for the challenges ahead. It also will continue to use its learning programs as opportunities to strengthen its organizational culture, build key competencies, and reinforce corporate values.

In 2020, the FDIC will continue to develop and implement the priority training components of the Division of Depositor and Consumer Protection and the Division of Risk Management Supervision, as approved by the divisions' Training Oversight Committee. This work will ensure that examiner curricula reflect recent regulatory changes and expand the use of distance-learning methods to provide field staff with access to training resources. In addition, the examiner training courses are being revised to better align with on-the-job training, so that new examiners start each phase of that training more prepared for the exam tasks that they will be assigned.

The FDIC provides its workforce with the technical knowledge and skills necessary to examine and supervise financial institutions and manage receiverships. The FDIC continues to provide training to resolution specialists on the multi-tiered structures of deposit accounts, complex IT systems, and complicated financial statements they will most likely encounter during the resolution and receivership of large banks.

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. The FDIC also provides consultative services to managers and delivers custom leadership training for intact teams.
In 2020, CU will continue to deliver training when and where it is needed, including developing mobile learning tools and virtual learning experiences. CU also will contribute to agency-wide crisis readiness through its strategic simulations program (SSP). In 2020, SSP intends to play an even larger role in agency-wide crisis readiness by expanding its scope to include strategic forecasting and coordination among FDIC divisions and the broader financial regulatory community, both within the U.S. and internationally.

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.

Management of Information Technology Resources

More than ever before, the FDIC relies on modern, secure IT to achieve its mission. The advent of advanced IT capabilities, from real-time collaboration to artificial intelligence and machine learning (AI/ML), offer new opportunities for the FDIC to conduct its core business with greater efficiency while protecting sensitive FDIC information. The FDIC is committed to providing a robust, resilient, and secure IT environment that supports emerging business needs, promotes efficient operations, and improves the effectiveness of FDIC engagement with regulated institutions and the public. To effectively manage its IT resources, the FDIC will evaluate market innovations that can help modernize its portfolio of legacy IT systems, strengthen the IT infrastructure that serves its workforce and mission constituents, and implement new core business capabilities.

The FDIC is committed to improving its technology, people, and processes. The current IT environment is heavily dependent on outdated legacy applications and platforms that are run in an on-site data center. The FDIC will seek opportunities to increase agility by transitioning to low-code/no-code, cloud-based applications and revamping existing processes to improve the management of IT projects and portfolios. The FDIC will also implement solutions to maintain and improve its cybersecurity posture to address emerging threats and regulatory needs. Finally, the FDIC will pursue initiatives to re-shape its workforce by identifying and addressing new IT skill requirements through targeted training and recruiting efforts.

IT Modernization Plan and Roadmap

In 2020, and over the next five years, the FDIC will embark on a wide range of application, data, and structural initiatives defined in its newly developed *IT Modernization Plan and Roadmap, 2020-2024*. The plan guides the FDIC's technology activities and spending priorities over the next five years, and is based on an update of the Corporation's *IT Strategic Plan* that seeks to more closely align the vision and direction of the FDIC's information management and technology programs with the accomplishment of the FDIC's core mission responsibilities and the needs of its business lines. It establishes the FDIC's target architecture and outlines a comprehensive five-year plan to modernize legacy IT systems and embrace emerging technologies to drive business innovation and efficiencies and support emerging business needs. This will be accomplished through the implementation of an agile and responsive IT environment that is characterized by increased collaboration with the FDIC's business organizations.

The *IT Modernization Plan and Roadmap* identifies six business drivers that express the optimal target state to support the business. Four of those drivers emphasize support for FDIC business lines and improved interactions with FDIC stakeholders: *Supervision Modernization*, *Crisis Preparedness*, *Streamlined Stakeholder Interactions*, and *Data as a Corporate Resource*. Planned 2020 initiatives to address those drivers include projects to modernize key legacy applications, support streamlined interactions with financial institutions, redesign public-facing applications, begin implementation of new technologies such as AI/ML, and optimize the way data is used by the FDIC and its stakeholders.

The remaining business drivers focus on improving the FDIC's technology environment by promoting a *Digital Workforce* and providing *Resilient and Cost-Effective Corporate Support*. *Digital Workforce* initiatives seek to allow staff to perform work unencumbered by limitations related to technology, geography, or manual processes. Planned 2020 initiatives include several projects to foster collaboration, modernize training, and expand communication capabilities. *Resilient and Cost-Effective Corporate Support* initiatives address the technology needs of FDIC support organizations, and support internal IT operational improvements. In 2020, the FDIC also plans to embark on initiatives to improve financial and acquisition management.

Information Security and Privacy

Cybersecurity risk management will remain a priority as security threats and information system vulnerabilities become more complex, particularly in conjunction with the transition to cloud-based platforms provided by third parties. The FDIC has incorporated into the *IT Modernization Plan and Roadmap* initiatives that continue to build upon the principles set forth in the *FDIC Information Security and Privacy Strategic Plan* to mature cybersecurity capabilities to ensure the continued confidentiality, availability, and integrity of FDIC systems and data. In 2020, the FDIC will continue to partner with other federal agencies by using common tools and providing the necessary monitoring and detection information to the federal dashboard, thus contributing to the nation's overall cybersecurity strategy. In addition, the FDIC will continue to implement current and emerging federal information security regulations, policies, and practices, including those governing the collection, access, and use of data to execute the FDIC's mission.

Data Management

The FDIC has long recognized that data is one of its most important resources, both for internal use and for dissemination to the financial industry and other stakeholders. As part of the *IT Modernization Plan and Roadmap*, the FDIC will strengthen its data governance, while addressing projects to maximize efficient data utilization. The effective management of data across the FDIC is central to fulfilling the supervisory, insurance, and resolution functions. Managing and governing FDIC data as a corporate resource is fundamental to empowering FDIC staff at all levels of the organization, to perform analysis, support operations, and conduct research to enable sound, evidence-based decision-making. Equally important is the need to protect and secure sensitive data and information from unauthorized access or misuse, which requires a corporate understanding and visibility across the entire organization.

In 2020, the FDIC will launch the Enterprise Data Governance Group (EDGG), chaired by the Chief Information Officer (CIO), that will be tasked with the development of an enterprise data management strategy and the implementation of a new enterprise data governance framework. The FDIC will also establish an AI/ML platform to explore more effective utilization of data within the supervision environment. Additional 2020 projects that will enhance the FDIC's data governance and management capabilities include the formalization of the target data architecture, implementation of a data literacy program, and the identification of requirements for an enterprise data catalog.

Enterprise Risk Management and Internal Control

As an integral part of its stewardship of the DIF, the FDIC maintains a comprehensive risk management and internal control program designed to identify and mitigate enterprise risks and improve the efficiency, effectiveness, and control of internal operations. Enterprise Risk Management (ERM) is a way to identify, prioritize, and manage risk across the corporation. The FDIC's ERM program aims to address the full spectrum of significant internal and external risks facing the corporation and the combined impact of those risks as an interrelated portfolio. In 2020, the FDIC will continue to identify and implement risk-mitigation activities to address risks identified in the FDIC's corporate Risk Inventory. In addition, the FDIC will deliver corporate-wide ERM training; raise ERM program awareness in the regions; and report to the Chairman, Operating Committee, and Audit Committee, on a routine basis.

The FDIC's internal control program includes the plans, methods, polices, and procedures that provide reasonable assurance that management's objectives are achieved, operations are effective and efficient, reporting is reliable for internal and external use, and the FDIC follows applicable laws and regulations. In 2020, the FDIC will continue to ensure that key financial operations and processes maintain sound internal controls, operations are appropriately managed, and opportunities to improve the control environment are identified and implemented in an efficient and timely manner. The FDIC anticipates focusing specifically on controls related to information security management, supply chain risk management, crises readiness, system development, acquisition efficiency and effectiveness, and model risk management.

The FDIC will continue to review a sample of transactions and invoices to confirm management attestations regarding financial reporting and internal control procedures. The FDIC will also continue to develop process maps for critical operations and enhance data mining capabilities to monitor exposure to improper payments. All of these efforts help to ensure that internal control remains strong throughout the FDIC.

APPENDICES

Appendix A: Program Resource Requirements

Appendix B: The Planning Process

Appendix C: Program Evaluation

Appendix D: Interagency Relationships

Appendix E: External Factors

Appendix F: Organizational Chart

APPENDIX A

Program Resource Requirements

The chart below breaks out the 2020 FDIC 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 2020 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	$1,056,272,845
Insurance	$370,989,739
Receivership Management	$312,076,597
Corporate Expenses	$278,082,756
TOTAL	$2,017,421,937

In addition, the FDIC has a total authorized 2020 staffing level of 5,755 full-time equivalent (FTE) positions.

APPENDIX B

The 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. This *Annual Performance Plan* identifies the goals, indicators, and targets for each strategic objective. In January 2018, the FDIC Board of Directors approved the *2018-2022 FDIC Strategic Plan*, which reflects the current strategic goals and objectives of the FDIC.

In developing these 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, such as the annual Office of Inspector General's report on the Top Management and Performance Challenges Facing the FDIC; 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 based on the achievement of the FDIC's annual performance goals.

Throughout the year, FDIC senior management reviews progress reports. The FDIC's *Annual Report* to Congress, which is posted on the FDIC's public website (www.fdic.gov), compares actual performance results to the performance targets for each annual performance goal. For 2019, the FDIC assessed the reliability of the performance data contained in the *2019 Annual Report*. The FDIC found no material inadequacies, and the data are considered to be complete and reliable.

APPENDIX C

Program Evaluation

The Risk Management and Internal Controls Branch in the Division of Finance coordinates the evaluation of the FDIC's programs to ensure that programs are operating efficiently and effectively and accomplishing intended objectives. Program evaluations are collaborative efforts that may involve management and staff from multiple divisions and offices. Division and Office directors use the results of the program evaluations to support their annual assertions to the Chairman that operations are effective and efficient, financial data and reporting are reliable, laws and regulations are followed, and internal controls are adequate (assurance statements).

In 2020, FDIC will continue to identify opportunities to perform program evaluations to mitigate risks to division and office operations and identify opportunities for program improvement.

APPENDIX D

Interagency Relationships

The FDIC has productive working relationships with agencies at the federal, state, 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 the FDIC has built with other agencies and entities, 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 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, interagency rules have been developed to address implementation of EGRRCPA; Basel III; revisions to risk-based and leverage capital requirements; the liquidity coverage ratio; credit risk retention; appraisals, Call Reports; and supervisory guidance, including policy statements, advisories, and statements addressing capital adequacy, IT and cybersecurity risks, leveraged lending, and liquidity risk management. In addition, the Comptroller of the Currency 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 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, FRB, and 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, which facilitates crosscutting policy development and consistent regulatory practices among the FDIC, CFPB, and OCC.

The FDIC, FRB, and OCC also work closely with the National Credit Union Administration (NCUA), which supervises and insures credit unions; the CSBS, which represents the state regulatory authorities; and individual state regulatory agencies. The FDIC also collaborates with the FHFA, which is the rule-writer and supervisor for the government-sponsored enterprises and the Federal Home Loan Banks. Finally, the FDIC coordinates with the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) on issues related to central counterparty (CCP) recovery and resolution planning.

The Federal Financial Institutions Examination Council (FFIEC)

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

Advisory Committee of State Regulators (ACSR)

On November 19, 2019, the FDIC Board approved the establishment of ACSR. The Committee will provide advice and recommendations to the FDIC on a broad range of policy issues regarding the regulation of state-chartered financial institutions throughout the United States, including its territories. The Committee will provide a forum where state regulators and the FDIC can discuss a variety of current and emerging issues that have potential implications regarding the regulation and supervision of state-chartered financial institutions.

Basel Committee on Banking Supervision (BCBS)

The FDIC is a member of the 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, ensure that the regulatory capital framework for internationally active institutions is risk-sensitive and includes appropriate constraints on the use of financial leverage, 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. The FDIC and the other federal banking agencies have 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.

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 G-20 and FSB.

The group is heavily involved in assuring international consistency on the development of trade repositories and CCP clearing. It 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 (ICERC)

The ICERC was established by the FDIC, FRB, and 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 (IADI)

The FDIC has played a leading role in developing IADI into a global standard setter and the world's premier provider of technical assistance and training for deposit insurance since the association was formed in 2002. 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, 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 (ASBA)

The FDIC plays a leadership role in the ASBA and 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 contributing to ASBA's research and guidance initiatives, technical training and cooperative endeavors, and leadership building programs.

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 twice annually of financial institution loans that exceed $100 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 are published in December of each year and include findings from both semi-annual reviews to 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 (i.e., the FRB, OCC, and NCUA) along with the CFPB, the Department of Housing and Urban Development, the FHFA, the Department of Justice, and the Federal Trade Commission (FTC). The agencies exchange information about fair lending issues, examination and investigation techniques, and interpretations of statutes, regulations, and case precedents.

European Forum of Deposit Insurers

The FDIC and the European Forum of Deposit Insurers share similar interests, and the FDIC supports the organization's mission to contribute to the stability of financial systems by promoting European cooperation in the field of deposit insurance. The FDIC openly shares its expertise and experience in 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).

Financial and Banking Information Infrastructure Committee (FBIIC)

The FDIC works with the Department of Homeland Security and the Office of Cyberspace Security through the FBIIC to improve the reliability and security of the financial industry's infrastructure. Other federal government members of the FBIIC include the CFPB, FHFA, FRB, NCUA, OCC, CFTC, SEC, Department of the Treasury, and the FCA.

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

The FDIC participates in several interagency, public-private, and intergovernmental groups, described below, to help combat money laundering, terrorist financing, and fraud.

- The BSA Advisory Group 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: rulemaking related to the BSA/AML Compliance Program, Customer Identification Program requirements, and suspicious activity reporting requirements; a possible examination pilot program that would consider possible changes to the referenced rules; innovative approaches to suspicious activity and currency transaction filing requirements; vendor-developed technology to help meet BSA compliance requirements including suspicious activity monitoring; and other emerging risks.

- The FFIEC BSA/AML Working Group, in consultation with the Financial Crimes Enforcement Network, coordinates BSA/AML policy matters and training and to improve communications among the agencies. The BSA/AML working group builds on existing activities and works to strengthen the ongoing initiatives of other formal and informal interagency groups that oversee various BSA/AML issues. This working group meets monthly and invites other agencies, such as the SEC, CFTC, Treasury, Internal Revenue Service (IRS), and 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 is responsible for monitoring AML/CFT issues that have a bearing on banking supervision, coordinating with the FSB, and serving as a forum for AML/CFT experts from banking supervisory agencies.

- The Financial Action Task Force (FATF) is an intergovernmental body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system.

- The Fraud Risk-Management Interagency Working Group is composed of representatives from the federal banking agencies to strengthen relationships and better understand the fraud threat environment to depository institutions. The group also provides a forum for developing consistent interagency programs for combating financial institution fraud.

Financial Literacy and Education Commission (FLEC)

The FDIC is a member of FLEC, which was established by the Fair and Accurate Credit Transactions Act of 2003. The FDIC actively supports FLEC's efforts to improve financial literacy in America by assigning experienced staff to provide leadership and support for FLEC initiatives, including leadership of FLEC workgroups emphasizing integrating financial education into youth programs and those engaged in workforce development initiatives.

Financial Education Partnerships

The FDIC collaborates with other federal, state, and local government agencies to promote financial education and capability initiatives for consumers and small businesses. These include the CFPB, SBA, and other federal and state agencies. The FDIC also promotes initiatives combining youth accounts and financial education through collaboration with local financial institutions, governmental entities, workforce development and education organizations, and other non-profit organizations.

Alliance for Economic Inclusion (AEI)

The FDIC established and leads the AEI, a national initiative to bring 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 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 (FTC), National Association of Insurance Commissioners (NAIC), and the Securities and Exchange Commission (SEC)

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, SEC, and NAIC to develop industry research and guidelines relating to these products.

GLBA also requires the SEC to consult and coordinate with the appropriate federal banking agencies 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 (SBA) Strategic Alliance Memorandum (SAM)

The FDIC partners with the SBA to encourage financial institutions to prudently serve entrepreneurs and small business owners. Through a 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.

Internal Revenue Service (IRS)

The FDIC works with high-ranking officials at the IRS primarily to simplify the failed bank receivership federal tax filing process and to ensure efficient audit examinations. Gaining a mutual understanding of each agency's tax compliance procedures has reduced the amount of resources needed to accurately process and file timely receivership federal tax returns. Similarly, establishing joint federal tax audit procedures has increased uniformity and significantly reduced regulatory burden for both agencies. Ongoing collaboration with the IRS also remediates ad-hoc, unintended tax consequences that arise during a bank failure, such as protecting the depositors' interests in the event of a payout of IRA accounts.

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 and household activity tends to be cyclical and influences loan growth and credit performance for the banking industry. Business conditions and macroeconomic policies combine to determine the rate of inflation, domestic interest rates, equity market valuations, and the exchange value of the dollar. These, in turn, influence the lending, funding, and off-balance-sheet activities of IDIs.

U.S. economic growth moderated in 2019 and global developments pose downside risks to the economic and banking outlook. The U.S. economy entered its tenth year of expansion in 2019 and economic growth moderated to its trend rate, after temporary factors boosted economic growth in 2018. Consumer spending remained strong and continued to support the economy, helped by a strong labor market with the unemployment rate at its historic low. Business investment slowed in 2019 and manufacturing declined, particularly in export dependent sectors, reflecting the slowdown in international trade and the uncertainty of its outlook. Financial market conditions were generally supportive to the economy. Both short and long-term interest rates declined and the yield curve steepened towards the end of the year. The FRB reduced interest rates three times in 2019, reversing a rate-hike cycle that started in 2015. Lower interest rates helped support the housing market, which contributed to economic growth during the second half of the year. However, lower interest rates continued to challenge the banking sector. Risks to the economic and banking outlook are primarily from global developments. Financial markets remain sensitive to adverse economic or policy developments, and may continue to encounter periods of volatility, which may adversely affect bank profitability.

Insured institutions' fundamentals remain strong despite a decline in net income in 2019. The 5,177 FDIC-insured commercial banks and savings institutions that filed financial results in fourth quarter 2019 reported annual net income of $233.2 billion, down $3.6 billion (1.5 percent) from a year ago. The decrease in net income was largely due to an increase in both noninterest expenses and provisions for loan and lease losses. Net interest income increased modestly during the year.

The average return on assets ratio was 1.20 percent for 2019, down 13 basis points from 2018. Net operating revenue was $811 billion, up $3.8 billion from a year earlier. Declines in interest rates caused net interest margins to contract as yields on assets declined more than funding costs.

Noninterest expenses were $6.6 billion (1.4 percent) higher, than in 2018, as salary expenses increased by $6.0 billion (2.8 percent). Noninterest expense also increased due to write-downs of intangible assets, such as mortgage servicing assets and goodwill, rising merger and acquisition costs, and litigation costs at some banks.

Loan loss provisions were higher in 2019 than in 2018. Insured institutions set aside $55 billion in provisions for loan and lease losses in 2019, a $5.0 billion (9.9 percent) increase from a year earlier.

Asset quality indicators continued to improve in 2019 for the banking industry overall. The total noncurrent loan rate declined 8 basis points during the last year to 0.91 percent in 2019. Noncurrent loan balances declined by $4.8 billion (4.8 percent) between 2018 and 2019. Noncurrent 1-to-4 family residential mortgage loans fell by $4.7 billion (10.7 percent) and noncurrent nonfarm nonresidential real estate loans declined by $574 million (6.9 percent). However, noncurrent commercial and industrial loans increased by $2.8 billion (19.2 percent) and noncurrent construction and development loans rose by $25 million (1.6 percent).

Net charge-offs of loans and leases totaled $52.1 billion as of year-end 2019, up $4.6 billion (9.7 percent) from a year earlier. Net loan charge-offs increased in several portfolios, including credit card loans ($2.1 billion, or 6.5 percent), commercial and industrial loans ($1.9 billion, or 32.9 percent), and other consumer loans ($474 million, or 6.1 percent). Conversely, aggregate recoveries exceeded charge-offs for the 1-to-4 family residential mortgage and construction and development portfolios.

Asset growth was relatively strong in 2019. As of year-end 2019, total assets of insured institutions were $702 billion (3.9 percent) higher than a year earlier. Total loan and lease balances increased by $366 billion (3.6 percent), led by a $95 billion (5.4 percent) increase in consumer loans. Growth in real estate loans also contributed to the overall increase, including loans secured by one-to-four family residences (up $82 billion, 3.9 percent) and nonfarm nonresidential properties (up $69 billion, 4.8 percent). Banks' investment securities portfolios increased by $259 billion (6.9 percent) from a year ago, driven by an increase in holdings of mortgage-backed securities of $207 billion (9.5 percent). Insured institutions decreased FRB balances by $814 million (0.1 percent).

Increased deposit balances funded much of the growth in assets. Deposits in domestic offices increased by $607 billion (4.8 percent) from year-end 2018 to year-end 2019. Equity capital rose by $91.9 billion (4.6 percent).

As of December 31, 2019, 51 insured institutions were on the FDIC's "Problem Bank List," down from 60 institutions at year-end 2018. Total assets of institutions on the FDIC's Problem Bank List increased slightly during the year from $48 billion to $49 billion. Problem banks are those institutions with financial, operational, or managerial weaknesses that threaten their viability, although historical analysis shows that most institutions on the Problem Bank List do not fail.

Four banks failed in 2019. The DIF balance stood at $110.3 billion with a reserve ratio of 1.41 percent on December 31, 2019, up from $102.6 billion and a reserve ratio of 1.36 percent at year-end 2018.

APPENDIX F

Organizational Chart