

A large, faint, circular seal of the Federal Deposit Insurance Corporation is centered in the background. The seal features a shield with a key, scales of justice, and stars, surrounded by the words "FEDERAL DEPOSIT INSURANCE CORPORATION" and the year "1933".

2021 ANNUAL PERFORMANCE PLAN

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CHAIRMAN'S MESSAGE

I am pleased to present the Federal Deposit Insurance Corporation's *2021 Annual Performance Plan* that outlines the Corporation's goals and priorities for this year.

As outlined in the [2020 Annual Report](#), financial markets and the broader economy experienced significant stress and volatility in light of uncertainty from the COVID-19 pandemic and corresponding shutdowns across the globe. Despite such uncertainty, the banking system served as a source of strength throughout the year.

The FDIC stands prepared to respond to the potential economic impact of the COVID-19 pandemic and corresponding shutdowns on FDIC-insured institutions. 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 addition, the FDIC continues to focus on responding to economic risks related to the pandemic, fostering technology solutions and encouraging innovation, and ensuring that banks can meet the needs of business and consumers across the nation.

This *Annual Performance Plan* sets forth annual performance goals for 2021. 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 am honored to lead the FDIC and its dedicated workforce to ensure that the nation's banks remain strong and continue to serve their communities.

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, 2020, the FDIC insured more than 630 million accounts with more than \$9 trillion in depositor funds at 5,001 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 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

¹ As described more fully in 12 U.S.C. § 1813(q), an institution's charter and its Federal Reserve System membership status determine which federal banking agency is the institution's primary federal supervisor.

When an IDI fails and the FDIC is appointed as receiver, 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 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 set a designated reserve ratio of 2.0 percent and a strategy for establishing assessment rates and dividends to meet that goal. The plan 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 To meet this requirement, in October 2010 the FDIC adopted a revised Restoration Plan to ensure that the DIF reserve ratio would reach 1.35 percent by September 2020. To achieve the minimum ratio, the FDIC imposed surcharges on large banks (generally those with \$10 billion or more in assets), which ended after the reserve ratio exceeded 1.35 percent in the third quarter of 2018.

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.

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(n)).

The FDIC applied these small bank credits to offset quarterly deposit insurance assessments beginning in the second quarterly assessment period of 2019 (ending June 30, 2019), when the reserve ratio first reached or exceeded 1.38 percent, and ending in the second quarterly assessment period of 2020 (ending June 30, 2020).³

The DIF balance has risen for 11 years and reached \$117.9 billion at the end of 2020. Notwithstanding this historic balance in the DIF, extraordinary growth in insured deposits during 2020 caused the reserve ratio to decline below the statutory minimum of 1.35 percent, to 1.30 percent as of June 30, 2020, and 1.29 by December 31, 2020. However, the DIF balance grew and did not experience material losses over this period. Cumulatively, the DIF balance has risen by more than \$138.8 billion from its negative \$21 billion low point at the end of 2009. The number of problem banks remains well below the peak of 888 in March 2011. Four banks failed in 2020, marking the sixth year in a row with few or no failures.

Because of the drop in the reserve ratio during the first half of 2020, the FDIC adopted on September 15, 2020, a new Restoration Plan to restore the reserve ratio to at least 1.35 percent within eight years, as required by statute. Under the newly adopted Restoration Plan, the FDIC will monitor deposit balance trends, potential losses, and other factors that affect the reserve ratio, and will provide updates on loss and income projections at least semiannually to the FDIC Board. The Restoration Plan maintains the current schedule of assessment rates for all IDIs. Based on a range of reasonable estimates of future losses and assuming a return to normal insured deposit growth, under the Plan, the reserve ratio would return to the statutory minimum level of 1.35 percent without further action by the FDIC before the statutory deadline of September 30, 2028.

³ See 81 Fed. Reg. 16069, 16066 (Mar. 25, 2016). Under a final rule approved by the FDIC Board in November 2019, the FDIC applied credits to reduce banks' quarterly assessments up to the entire amount of the assessment, as long as the reserve ratio was at least 1.35 percent, for up to four assessment periods. After applying the small bank credits for four assessment periods, the FDIC would remit the remaining balance of any small bank credits in lump-sum payments to each bank holding such credits. See 84 Fed. Reg. 65269. On September 15, 2020, the Board waived the provision of the FDIC's assessment regulations requiring that the reserve ratio must be at least 1.35 percent for the FDIC to remit the full nominal value of an IDI's remaining assessment credits. This Board action enabled the FDIC to remit to IDIs the full nominal value of remaining credits in the deposit insurance assessment period that ended on June 30, 2020, with an invoice payment date of September 30, 2020.

2021 Annual Performance Plan

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 failures and related emerging issues. (1.1-1)
	The FDIC promptly identifies and responds to potential risks to the DIF.	Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders on an ongoing basis. (1.2-1)
	The DIF and the deposit insurance system remain strong and adequately financed.	Monitor the status of the DIF reserve ratio and analyze the factors that affect fund growth. Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2028. (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 <i>de novo</i> deposit insurance applications. (1.3-3)
	The FDIC resolves failed IDIs in the manner least-costly to the DIF.	Market failing IDIs to all qualified and interested potential bidders. (1.4-1)
	The public and IDIs 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 failures and related emerging issues.

Indicators and Targets

1. Number of business days after an IDI 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 an IDI 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 one that could potentially fail, the FDIC develops an operational plan to handle its resolution. The resolution process begins with an assessment of the IDI's assets and liabilities. An information package is prepared as a marketing tool for qualified bidders that are interested in acquiring the failing IDI. After conducting due diligence, bidders 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 IDI 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 the depositors of the failed IDI and all 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 2021, the FDIC's Division of Resolutions and Receiverships has authorized staffing of 355 permanent employees dedicated to handling the failure of IDIs and the management of ensuing receiverships. The number of open receiverships continues to decline. The FDIC expects to be able to fully manage the residual receivership management workload 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 IDIs. For every failing IDI, 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 also used to determine the amount of insured deposits. For all failures, CAS is the system of record for the deposits of the failed IDI and subsequent claims processing and tracking.

Verification and Validation

If insured deposits are transferred to an assuming IDI, 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 assuming IDI opens for business and makes insured funds available to the failed IDI'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 insured funds are disbursed to depositors.

2020 Performance Results

The FDIC successfully met the performance targets for this annual performance goal for each of the four IDI failures that occurred in 2020. This annual performance goal and its associated performance indicators and targets are substantively unchanged for 2021.

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 robust and comprehensive 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 (ComeE-IN), *CFR Working Papers*, *FDIC Staff Studies*, articles in professional journals, and presentations at conferences and other events. The FDIC also disseminates information and analyses on industry risks through periodic reports and publications (e.g., the *FDIC Quarterly Banking Profile* and the *FDIC Quarterly*), Financial Institution Letters, participation in industry events, and other outreach activities.

The FDIC published eight *CFR Working Papers* in 2020, two of which received best paper awards when CFR economists presented them at academic conferences. The FDIC also published six *FDIC Staff Studies* in 2020 on topics such as risk-based deposit insurance pricing, measurement of small business lending, banking crises, and the community bank leverage ratio. In October 2020, the CFR published *How America Banks: Household Use of Banking and Financial Services*, which staff presented to the members of ComeE-IN at their October meeting. In 2020, the FDIC published *FDIC Quarterly* articles on Paycheck Protection Program lending at community banks and highlights of the Summary of Deposits. In addition, the FDIC published the *2020 Community Banking Study*. The study reviews several areas covered in the 2012 study on the same topic, including community bank financial performance, trends in community bank consolidation, and community bank lending strategies. The 2020 study also includes a discussion of demographic changes affecting community banks, the adoption of new technologies, and the effect of regulatory changes.

As part of its research program, the FDIC is conducting research related to the potential impact of climate change on the financial sector. In 2021, the FDIC will perform such research, and consider additional outside research, including potential effects relating to the cost and availability of credit, particularly to low- and moderate-income communities, the cost and availability of mandatory insurance (e.g., flood, homeowners, disaster), and the ability of banks to provide credit and banking services to small businesses that support impacted industries.⁴

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 community 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 laws, regulations, or emerging risks.

⁴ The FDIC also participates on the Task Force on Climate-related Financial Risks of the Basel Committee on Banking Supervision.

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. 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 (<https://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 publishes performance metrics, such as turnaround times for examinations and bank applications, call center usage and response times, and data on the status of supervisory and assessment appeals. This data is 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.

2020 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2020. This annual performance goal and its associated performance indicator and targets are unchanged for 2021.

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, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2028.

Indicators and Targets

1. Updated fund balance projections and recommended changes to assessment rates
 - Provide updated fund balance projections to the FDIC Board of Directors semiannually.
 - Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors, as necessary.
2. Update progress on the Restoration Plan and adjust the plan as necessary
 - Provide progress reports to the FDIC Board of Directors semiannually, in accordance with the Restoration Plan.

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC's Financial Risk Committee (FRC) 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, the FDIC continues to enhance the techniques and methodologies used to analyze the nature of risk exposure, including scenario analysis and stress testing.

Human Resources (staffing and training): FDIC staff perform the analytical work associated with deposit insurance pricing and analysis of fund adequacy.

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 2021, 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 at least semiannually to the FDIC Board of Directors on progress made in meeting the goals of the Restoration Plan.

2020 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2020. This annual performance goal and its associated performance indicator and targets have been updated to reflect the adoption of the Restoration Plan in 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, and information to governmental banking, deposit insurance, and resolution 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 Capacity Building 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. The FDIC also chairs the Training Committee of ASBA. In 2021, the FDIC will continue to support the governance, training, and other activities of IADI and ASBA.

The FDIC also will support visits and technical assistance for foreign counterparts in order to strengthen financial institution supervision and regulation and promote the adoption of sound deposit insurance and resolution frameworks through bilateral and multilateral engagement with foreign counterparts and through participation in IADI. 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 The World Bank in providing technical assistance to foreign authorities by making available subject matter experts for deposit insurance program reviews and resolution-related matters.

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 2021, 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 visitors, and international leadership development programs, as well as associations with international bodies, including IADI and ASBA, is communicated through the FDIC's public website (<https://www.fdic.gov>).

With the onset of the COVID-19 pandemic, the provision of on-site technical assistance and visits has been suspended; however, the FDIC has adjusted by developing virtual technical missions that have allowed the continuation of this work in a streamlined format.

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.

2020 Performance Results

The FDIC successfully met the performance targets for this goal in 2020. This annual performance goal and its associated performance indicators and targets are unchanged for 2021.

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 being accepted as substantially complete.

Means and Strategies

Operational Processes (initiatives and strategies): As the sole federal agency with authority to grant deposit insurance, the FDIC seeks to ensure its application processes and review requirements are clear and efficient, and that deposit insurance applications are given timely consideration. Proposed new depository institutions apply for federal deposit insurance by filing an Interagency Charter and Federal Deposit Insurance Application with the appropriate FDIC regional office. In considering an application for deposit insurance, the FDIC evaluates the statutory factors enumerated in Section 6 of the Federal Deposit Insurance (FDI) Act: the institution's financial history and condition; the adequacy of its capital structure; its future earnings prospects; the general character and fitness of its management; the risk presented by the institution to the DIF; the convenience and needs of the community to be served by the institution; and whether the institution's corporate powers are consistent with the purposes of the FDI Act.

An application is accepted when it is considered substantially complete, which occurs when the FDIC has the necessary information to fully consider each of the applicable statutory factors and any other regulatory requirements. In general, an application is deemed substantially complete if an applicant has provided the information required in the application form, and the submitted information does not raise significant follow-on questions.

If the application is substantially complete, a field investigation is conducted.

During the field investigation, a commissioned examiner evaluates the statutory factors based on interviews with proposed directors and officers, community groups, and other local institution management, and a review of the proposed institution's application materials. The examiner's Report of Investigation is submitted for a second level review to the applicable case manager, who reviews the investigating examiner's findings and prepares a Summary of Investigation recommending to regional or Washington management a disposition on the application. The regional office case manager serves as the applicant's point of contact throughout the application evaluation process.

Most deposit insurance applications can be approved at the regional office level, but certain deposit insurance applications must be forwarded to the Washington office for final review and processing. The FDIC Board of Directors has retained the authority to act on certain deposit insurance applications, including deposit insurance applications involving industrial banks, and all recommended denials. The FDIC has recently updated the procedural manuals that guide regional and Washington office staff reviews. It has also issued supplemental information regarding nonbank and noncommunity bank deposit insurance proposals, as well as an updated handbook to aid organizers.

Human Resources (staffing and training): Available resources include case managers, who evaluate applications; examiners who conduct field investigations of applications; and application subject matter experts in each regional office and in Washington, who are available to provide any needed support. The FDIC maintains instructions for case managers to follow in evaluating applications for deposit insurance and conducts periodic training for case managers. The FDIC also maintains a specialized guide that provides instructions for examiners who may be assigned to conduct field investigations. These instructions are available in the *Risk Management Manual of Examination Policies*, which is available on the FDIC's public website, <https://www.fdic.gov/regulations/safety/manual>.

Underlying these resources are the relevant training and supervisory experience of the professional staff charged with reviewing and processing applications. All such staff is commissioned in risk management and experienced in the supervision of insured institutions.

The knowledge and competencies necessary to assess risk management are equally applicable to assessing the statutory factors and regulatory requirements relevant to deposit insurance applications. Newly appointed staff assigned to review and process applications are supported by designated applications subject matter experts.

Information Technology: Information about the FDIC's deposit insurance application processes, pending applications, actions taken, and average processing timeframes is communicated through the FDIC's public website at <https://www.fdic.gov/transparency/bankapplications.html>.

Verification and Validation

Performance against this goal will be based on applications acted on in 2021 that were carried over from 2020 or were received in 2021. Progress in meeting the goal will be reported through established management reporting processes. This goal does not cover applications for nonbank and noncommunity bank proposals.

2020 Performance Results

The FDIC did not achieve the performance target for this annual performance goal in 2020, although only two applications received during 2020 were accepted as substantially complete and subject to this goal. The annual performance goal and its associated performance indicator and target are substantively unchanged for 2021.

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 IDIs 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 IDIs 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 IDI, 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 to assess the failing IDI's assets and liabilities before determining whether to submit bids.

Human Resources (staffing and training): The marketing of failing IDIs 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, non-permanent employees, and employees temporarily assigned from other divisions to meet heightened workload demands and mission responsibilities in this area.

Information Technology: The FDIC documents its 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 resolution 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. The Resolution Information Tracking Application (RITA) is being developed in 2021 to replace FMS.

Verification and Validation

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

2020 Performance Results

The FDIC successfully met the performance target for this annual performance goal for each of the four IDI failures that occurred in 2020. This annual performance goal and its associated performance indicator and target are unchanged for 2021.

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 virtual 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 appropriately.

- Maintains educational and informational resources on its public website (<https://www.fdic.gov/resources/deposit-insurance>).
- 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, including social 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 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 (<https://edie.fdic.gov/index.html>).

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.

2020 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2020. This annual performance goal and its associated performance indicators and targets are substantively unchanged for 2021.

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 consumers, and promotes community development and investment initiatives by FDIC-supervised institutions.

Risk Management

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), including the largest, global systemically important banks. The FDIC's roles as insurer and primary regulator are complementary, and many activities undertaken by the FDIC support both the insurance and supervision programs.

The FDIC monitors and evaluates the potential risks at all insured institutions, including those for which it is not the primary federal regulator. This is accomplished through examinations, off-site monitoring tools, participation in examinations conducted by other federal regulators, and inter-divisional risk monitoring activities.

As the primary federal regulator of all insured state nonmember banks and state-chartered savings associations, the FDIC performs periodic risk management examinations to assess institutions' overall financial condition, risk 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.

Through the examination process, the FDIC also assesses the adequacy of an institution's management and effectiveness of its internal control systems in identifying and controlling risks. In addition to on-site examinations, the FDIC uses several off-site monitoring programs to promptly identify emerging safety-and-soundness issues between examinations.

If unsafe or unsound practices or breaches of fiduciary duty are identified through the examination process, the FDIC promptly takes appropriate supervisory action. Formal and informal enforcement actions may be taken to address an institution's unsafe or unsound practices or conditions as well as an individual's actionable misconduct. These enforcement actions remain in place until the condition is remedied, and the FDIC determines that the enforcement action may be amended or terminated.

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 also consider an institution's compliance with consumer protection and fair lending laws and regulations, as well as performance under the Community Reinvestment Act (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 2021, the FDIC will continue to identify risks that are not well managed, recommend improvements to bank management, and track management's corrective actions.

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.

The FDIC, along with the other members of the Federal Financial Institutions Examination Council (FFIEC),⁵ maintain the *FFIEC IT Examination Handbook*, which provides examination guidelines and procedures to equip examiners to evaluate risk management practices related to information technology and operations. The FDIC, in concert with other agencies, also assesses cyber risks horizontally at large, complex financial institutions to understand the level of risk in the financial system.

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

Consumer Compliance and Consumer Affairs

The FDIC's consumer compliance examination program promotes compliance with federal consumer protection laws, fair lending statutes (e.g., the Equal Credit Opportunity Act and the Fair Housing Act), the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973 (as revised), the 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 statutes and 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.

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.

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.

The FDIC is developing comprehensive plans to modernize its technology for managing the supervision program through its Business Process Modernization project. Through this project, the FDIC will replace software applications with business processes on a cloud-based platform that ultimately will host end-to-end supervision processes.

The FDIC initiated a Rapid Phased Prototyping (RPP) competition in 2020 to develop new technologies that would support more timely and granular data reporting to the FDIC on the health of the banking industry while also making such reporting less burdensome for individual banks, particularly community banks. The final phase of the competition will be completed in 2021.

In 2021, the FDIC Tech Lab, or FDiTech, will develop a five-year Research and Development Roadmap, incorporating additional RPP competitions, tech sprints, and other public/private efforts to develop technologies to foster innovation at financial institutions and enhance FDIC supervision tools.

Though delayed due to the COVID-19 pandemic, the final report of the Supervision Modernization Subcommittee of the Advisory Committee on Community Banking is also expected to be issued in 2021.

More information about the FDIC’s supervisory program, including laws, regulations, and supervisory guidance, is available at <https://www.fdic.gov/regulations/examinations>.

Large, Complex Financial Institutions (LCFIs)

The FDIC is responsible for monitoring and assessing risks posed by, and planning for the resolution of, LCFIs under authority derived from the Dodd-Frank Act and the FDI Act. In carrying out these responsibilities, the FDIC performs the following tasks:

- Identifies and evaluates risks to U.S. financial stability and assesses the efforts of LCFIs to mitigate those risks.
- Assesses resolution plans submitted by certain LCFIs to reorganize or liquidate under the U.S. Bankruptcy Code in the event of material financial distress or failure.
- Prepares to conduct an orderly liquidation of such institutions, if necessary, under the applicable resolution regime.

Ongoing risk analysis and monitoring is conducted by resident FDIC teams at LCFIs and off-site analytical teams composed of quantitative experts and complex financial institution specialists with resolution and supervision backgrounds. The resident on-site teams perform firm-specific independent risk analysis focused on key and emerging risks that pose, or may potentially pose, risk to the vulnerability of the firm. The FDIC's off-site teams develop holistic views of key risks and emerging risks throughout the LCFI portfolio and the financial industry by analyzing industry and market conditions and trends and participating in supervisory examinations to support individual institution monitoring and the consideration of broader policy issues.

The FDIC has implemented and continues to expand upon various off-site monitoring systems, including the Systemic Monitoring System (SMS). SMS provides an individual risk profile and assessment for LCFIs (including large foreign banking organizations) by evaluating the level and change in metrics that serve as important indicators of overall firm-specific risk. SMS supports the identification of emerging and outsized risks within individual firms and the prioritization of supervisory and monitoring activities.

The FDIC and the FRB are jointly responsible for reviewing the resolution plans filed by bank holding companies (BHCs) and designated nonbank SIFIs under Section 165(d) of the Dodd-Frank Act 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. Each resolution plan, commonly known as a “living will,” submitted under Section 165(d) must describe the firm’s strategy for rapid and orderly resolution under the U.S. Bankruptcy Code in the event of material financial distress or failure of the company.

The FDIC also engages in resolution planning under Section 360.10 of the FDIC Rules and Regulations (the “IDI rule”). The IDI rule requires covered IDIs to submit a resolution plan that would allow the FDIC, as receiver, to resolve the institution under Sections 11 and 13 of the FDI Act in an orderly manner that enables prompt access to insured deposits, maximizes the return from the sale or disposition of the failed IDI’s assets, and minimizes losses realized by creditors (including the DIF) in the resolution.

2021 Annual Performance Plan

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, ensure IDIs 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)
		Increase engagement and collaboration to preserve and promote FDIC-insured minority depository institutions (MDIs) and mission-driven institutions. (2.1-6)

2021 Annual Performance Plan

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, ensure IDs 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 IDs 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)

2021 Annual Performance Plan

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
LCFIs are resolvable in an orderly manner under bankruptcy.	LCFIs are resolvable under the Bankruptcy Code.	Identify and address risks in LCFIs, 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, ensure IDIs promptly implement appropriate corrective programs and follow up to ensure that identified problems are corrected.

Indicators and Targets

1. Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy
 - Conduct all required risk management examinations within the timeframes prescribed by statute and FDIC policy.
2. Follow-up actions on identified problems
 - For at least 90 percent of 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.

Means and Strategies

Operational Processes (initiatives and strategies): Risk management examinations assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised 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 2021, 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 2021 will 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, increase the number of required examinations, or require a shift to a continuous exam program.

The FDIC follows a risk-focused approach to examinations, allowing examiners to focus on areas with the greatest potential risk. The FDIC has several analytical tools to aid examiners in risk-focusing examination plans. The analytical tools consider several factors, such as the institution's business model and complexity, rapid growth, fluctuating earnings, and concentrations in various industry sectors. These tools can identify the need for further analysis or an on-site visit 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 communicates examination findings to the institution. The report may identify deteriorated financial condition or risk management practices that, if left uncorrected, could result in deterioration in financial condition. In those instances, the FDIC may ask the institution to report on the corrective measures taken to address the findings. If the findings are of significant concern, the FDIC may enter into an informal or formal enforcement action to address the findings. The FDIC evaluates an institution's progress in addressing the provisions of the enforcement action by analyzing the institution's regular progress reports, conducting on-site visitation(s), or by conducting a regular examination.

Human Resources (staffing and training): In 2021, the FDIC has 1,484 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 examiners 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 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 is unable to meet the provisions of the agreement, the FDIC will work with the state supervisor to satisfy the statutory examination requirement.

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 track the findings of risk management examinations and outcomes of applications. 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 institutions rated 3, 4, and 5.

The FDIC is engaged in a multi-year process to replace and enhance ViSION's functionality using more modern tools, such as an application built on a business process management cloud-based platform.

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.

2020 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2020. This annual performance goal and its associated performance indicators and targets are unchanged for 2021.

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 BSA/AML compliance program, 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 direct resources to those areas with the greatest potential money laundering and other illicit financial activity risk.

Guidance is provided to risk management staff through written memoranda, the *FFIEC BSA/AML Examination Manual*, and the FDIC's *Risk Management Manual of Examination Policies*. Training (as described below) was delivered via FFIEC examiner webinars, the FFIEC BSA/AML Examination Workshop, the FFIEC Advanced BSA/AML Specialists Conference, FDIC-sponsored foundational AML training, and other FDIC-hosted BSA-related calls.

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. The FDIC continued the development of a formal on-the-job training program to strengthen higher-level proficiencies in the BSA/AML and OFAC examination specialty area. Work on this program will continue into 2021. During 2020, all supervision-related staff completed a web-based foundational AML/Countering the Financing of Terrorism training program. The FDIC moderated an examiners' webinar related to the 2020 updates to the *FFIEC BSA/AML Examination Manual*, many examiners attended the FFIEC Examination Workshop and FFIEC Advanced BSA/AML Specialists Conference, and several sessions were held to discuss BSA-related Coronavirus Aid, Relief, and Economic Security (CARES) Act examination activities and other BSA-specific supervision matters.

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.

2020 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2020. This annual performance goal and its associated performance indicator and target are unchanged for 2021.

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 Target

1. U.S. implementation of internationally agreed capital standards and other capital standards for large institutions
 - Issue a Notice of Proposed Rulemaking (NPR) to implement the final Basel III standards into the U.S. regulatory capital framework.

Means and Strategies

Operational Processes (initiatives and strategies): 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 2021 to address these issues.

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 2020, 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.

2020 Performance Results

The FDIC successfully met two of the three performance targets for this annual performance goal in 2020. The issuance of an NPR to implement the final Basel III standards into the U.S. regulatory capital framework is expected to be completed during 2021. This annual performance goal and its associated performance indicator are unchanged, but the performance target has been updated for 2021.

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 institutions and service providers.
 - Continue to use the Cybersecurity Examination Program for service provider examinations, including the most significant service provider examinations.
 - Implement a computer security incident notification final rule.

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' abilities 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 service provider examinations, including the most significant technology service provider examinations.

Also, on April 30, 2020, the FDIC, as a member of the FFIEC, issued a statement to address risks when deploying cloud services and the use of cloud computing services and security risk management principles in the financial services sector. In October 2020, the FDIC conducted a webinar for all banks on Business Continuity Planning and Heightened Cybersecurity Risks.

In 2020, the FDIC, OCC, and FRB issued an interagency NPR that would require supervised banking organizations to promptly notify their primary federal regulator in the event of a computer security incident. In particular, alerts would be required for incidents that could result in a banking organization's inability to deliver services to a material portion of its customer base, jeopardize the viability of key operations of a banking organization, or impact the stability of the financial sector. In 2021, the FDIC intends to issue a final rule.

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 88 dedicated IT examiners, 146 (127 intermediate and 19 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, 23 specialized IT Examination Analysts, and 25 IT and Cyber Risk Management 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.

2020 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2020. This annual performance goal and its associated performance indicator are unchanged, but its associated performance targets have been updated for 2021.

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 related to the exemption for Suspicious Activity Reports (SARs).
2. Revise and clarify FDIC policies, procedures, and guidance
 - Issue a final interagency rule on the use of supervisory guidance.
 - Clarify the use of Model Risk Management Guidance related to systems or models used by banks to assist in complying with the BSA/AML 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 2020, the FDIC issued an NPR that would amend the agency's SAR regulation. The proposed regulation would permit the FDIC to issue additional, case-by-case, exemptions from SAR filing requirements to FDIC-supervised institutions. The FDIC expects the amendments to the SAR regulation will reduce regulatory burden on financial institutions and encourage technological innovation in the banking sector. In 2021, the FDIC intends to issue a final rule.

During 2021, the FDIC will also continue its review of existing FDIC policies, procedures, and guidance.

In October 2020, the FDIC approved an interagency NPR to clarify the role of guidance. The FDIC's proposal would codify with amendments the interagency statement the banking agencies issued in 2018 on the role of guidance. The agencies plan to issue a final rule in 2021.

The FDIC continues to engage proactively in ongoing interagency processes, and expand interagency cooperation with law enforcement, to provide enhanced information and streamlined supervisory processes, examiner guidance, and policy to financial institutions on BSA/AML and SAR reporting requirements. In 2021, the FDIC will clarify how the principles described in the Model Risk Management Guidance relate to systems or models used by banks to assist in complying with the BSA/AML requirements.

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 (<https://www.fdic.gov>).

Verification and Validation

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

2020 Performance Results

The FDIC successfully met five of the six performance targets for this annual performance goal in 2020. The FDIC postponed the issuance of revised stress testing guidance to refocus resources due to the COVID-19 pandemic. This annual performance goal is unchanged, but its associated performance indicators and targets have been updated for 2021.

Annual Performance Goal 2.1-6

Increase engagement and collaboration to preserve and promote FDIC-insured minority depository institutions (MDIs) and mission-driven institutions.

Indicators and Targets

1. Enhance outreach and collaboration with FDIC-insured MDIs
 - Convene meetings of the MDI Subcommittee of the Advisory Committee on Community Banking (CBAC) to gain insight into industry needs, seek input on program operations, and share best practices.
 - Establish the Mission-Driven Bank Fund as an independent funding source for FDIC-insured MDIs and Community Development Financial Institutions (CDFIs).
 - Conduct a media campaign to promote the visibility and benefits of FDIC-insured MDIs and other mission-driven institutions.
2. Preserve and encourage minority ownership of insured financial institutions
 - Promote creation of new MDIs.

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC supports five statutory goals to preserve and promote MDIs that were established in the 1989 Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), which recognized that minority banks play an important role in serving the financial needs of historically underserved communities and minority populations. As a result, FIRREA established the following goals related to MDIs: to preserve the number of MDIs; to preserve the minority character in cases involving merger or acquisition of an MDI; to provide technical assistance to help prevent insolvency of MDIs; to promote and encourage creation of new MDIs; and to provide training, technical assistance, and educational programs for MDIs.

Compared to other banks, FDIC-insured MDIs and CDFIs commit a larger portion of their portfolios to minority, low- or moderate-income (LMI), and rural communities. Such banks are commonly known as mission-driven banks because they play a role in transforming the lives of underserved citizens and communities by making loans and providing other vital banking products and services. Many mission-driven banks are small, and building capacity and scale are critical to growing their operations and expanding services to their communities. Capital access is a perennial challenge for many of these institutions given the communities they serve and difficulty producing higher returns on assets at their current size and scale. The FDIC regularly works to create opportunities for FDIC-insured MDIs and CDFIs to build partnerships with other banks or private companies for financial support, lending, and other services, including technical assistance.

As the COVID-19 pandemic continues to disrupt the daily lives of all Americans, minority communities have suffered disproportionately, from both a health and economic perspective. As the nation's deposit insurer and primary supervisor of community banks, including supervising more than two-thirds of FDIC-insured mission-driven banks, the FDIC plays an important role in helping these institutions meet the needs of their customers and communities – especially minority, LMI, and rural communities. Mission-driven banks are often the financial lifeblood of the communities they serve, enabling individuals and minority small businesses to securely build savings and obtain credit in challenging economic environments.

In 2020, the FDIC engaged the FDIC's MDI Subcommittee of CBAC to serve as a source of feedback on the updated Statement of Policy Regarding Minority Depository Institutions that was approved by the Board of Directors in August and issued for public comment in September. The FDIC intends to issue the updated Statement of Policy in 2021.

In addition, the FDIC began work on a proposed vehicle through which private sector investors' funds would be channeled to make investments in or with FDIC-insured MDIs and CDFIs, including direct equity, structured transactions, funding commitments to loan participations, or potential loss-share arrangements.

This initiative seeks to accomplish several objectives, including maximizing the benefits to mission-driven banks, and the communities they serve, by providing capital preservation and growth, and providing a minimal return to investors. In mid-November, the FDIC solicited assistance from a financial services advisory firm to help create the Mission-Driven Bank Fund. The FDIC is standing up the framework for the Fund, but will not be an investor. The Fund will engage an independent fund manager and investment committee, and the FDIC will not make investment decisions. The FDIC also published a resource guide, “Investing in Mission-Driven Banks: A Guide to Facilitating New Partnerships,” and an interactive mapping system, the MDI and CDFI Bank Locator, to support potential partnerships between private sector investors and mission-driven banks.

The FDIC also supported MDIs in 2020 by engaging with these institutions in Washington, D.C., and throughout the FDIC’s six regions with technical assistance and banker roundtables, and followed up on networking events conducted in 2019 to connect MDIs and non-MDIs for potential business partnerships. In 2020, the FDIC began recording and publishing videos sharing “origin stories” of MDIs, highlighting the reasons for their formations, and illustrating how they have served their communities over time. In addition, the FDIC undertook a media campaign including social media, podcasts, and speaking engagements to emphasize the important role this sector plays in the U.S. financial system.

In 2021, the FDIC will complete steps to establish the Mission-Driven Bank Fund. The FDIC will also continue to engage the MDI Subcommittee for feedback and showcase MDI best practices, highlight the role these institutions play in their communities, and continue to promote the visibility and benefits of mission-driven banks through a media campaign. The FDIC will build upon its efforts to promote new MDIs through outreach and education with entrepreneurs regarding *de novo* bank formation, and the technical assistance the FDIC provides during this process.

Human Resources (staffing and training): The FDIC MDI program includes a National Director of Minority and Community Development Banking and a team in Washington, D.C. and MDI coordinators in each of its six regional offices. The National Director reports to the Directors of the Division of Risk Management Supervision and the Division of Depositor and Consumer Protection to leverage resources and expertise in the two divisions.

The National Director advises the FDIC Chairman on MDI activities and initiatives, provides overall direction and guidance, and consults with other FDIC divisions to provide appropriate resources across the agency to support program initiatives. The FDIC MDI program is fully integrated into the supervision, consumer protection, insurance, and receivership business lines. In 2021, the FDIC will provide training to examiners of mission-driven banks to reinforce the application of exam standards to the unique risks and business models of these institutions.

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

Verification and Validation

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

2020 Performance Results

The MDI program was previously reported under annual performance goal 3.3-1, and the FDIC successfully met the performance target in 2020. This annual performance goal and its associated performance indicators and targets are new for 2021.

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, ensure IDIs promptly implement appropriate corrective programs and follow up to ensure that the violations 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 2021, 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 so that transaction testing can be strategically focused on areas that pose the greatest risk for consumer harm, creating a more efficient and effective use of examination resources, especially in financial institutions with high compliance risk profiles.

Compliance management system deficiencies and violations of laws and regulations are identified primarily through the examination process. While discussions with bank management are usually sufficient to correct these deficiencies and violations, the FDIC has broad enforcement powers to correct unsafe or unsound practices, conditions, or violations of consumer protection and fair lending laws or regulations.

Institutions that are subject to enforcement actions because of violations of consumer protection and fair lending laws and regulations or unsafe and unsound practices are closely monitored by regional office officials. A follow-up examination or on-site visit is conducted to review compliance with such enforcement actions. Additional follow-up action is taken when the initial enforcement action is determined to have been insufficient in addressing the identified violations and/or unsafe or unsound practices. 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 434 authorized permanent consumer compliance examiner positions in its field examination workforce in 2021. 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 engaged in a multi-year process of replacing the functionality provided by SOURCE with the Framework for the Oversight of Compliance and CRA Activities User Suite (FOCUS), an application built on a business process management cloud-based platform. FOCUS is planned for implementation in 2022.

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.

2020 Performance Results

The FDIC successfully met the performance targets for the annual performance goal in 2020. This annual performance goal and its associated performance indicators and targets are unchanged for 2021.

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 public website (<https://www.fdic.gov>) 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 contacts 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 the Enterprise Public Inquiry and Complaint System (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 consumers who have filed 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.

2020 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2020. This annual performance goal and its associated performance indicator and targets are unchanged for 2021.

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
 - Field the 2021 Survey of Household Use of Banking and Financial Services and begin analysis to support publication of the report in 2022.
 - Launch “How Money Smart Are You?” an online, interactive learning game.
 - Complete a public awareness campaign to encourage unbanked individuals to establish sustainable banking relationships in two markets.

Means and Strategies

Operational Processes (initiatives and strategies): In 2021, the FDIC will undertake several research and consumer/community affairs initiatives to promote economic inclusion.

Research

In October 2020, the FDIC published *How America Banks: Household Use of Banking and Financial Services*, which reports the results of the 2019 FDIC Survey of Household Use of Banking and Financial Services, conducted jointly with the U.S. Census Bureau. It also began to plan for the 2021 administration of this survey. A record 95 percent of U.S. households had a checking or savings account at a bank or credit union in 2019, according to the report. The report also highlighted ongoing opportunities to further support economic inclusion in the banking system.

While an estimated 5.4 percent of all U.S. households were “unbanked” in 2019, higher shares of African American (13.8 percent) and Hispanic (12.2 percent) households lacked a bank or credit union account compared with White households (2.5 percent). In addition, survey results indicated that many households obtained financial services from nonbank providers, with 17.2 percent of households obtaining money orders, check cashing or bill payment services from nonbanks and 4.8 percent of households obtaining a variety of credit products from nonbank sources. In 2021, the FDIC will field the 2021 Survey of Household Use of Banking and Financial Services and begin analysis to support publication of the report in 2022.

Consumer/Community Affairs

To help fulfill aspects of the *FDIC Economic Inclusion Strategic Plan*, the FDIC will lead initiatives to advance financial education, support small business development, and launch a campaign to promote greater public awareness of the value of a banking relationship.

Money Smart

In 2020, the FDIC developed site content for “How Money Smart Are You?”, a set of interactive online learning tools, including self-paced games in a gameshow format, to help consumers build financial skills and knowledge, with an option to receive certificates of completion. The 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. Due to project delays, this effort was not launched by year-end as intended. The FDIC plans to launch “How Money Smart Are You?” in 2021. In addition, the FDIC expects to highlight opportunities for greater usage of *Money Smart* with specific audiences, such as people located in disproportionately unbanked geographic areas, persons with disabilities, and 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.

In 2021, through training and technical assistance, the FDIC will encourage IDIs and their partners to prudently serve the financial needs of emerging entrepreneurs and small businesses. 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.

Public Awareness Campaign

In 2021, the FDIC will launch a new campaign to encourage unbanked consumers in two metropolitan statistical areas (MSAs) to join the banking system, including the Atlanta-Sandy Springs-Alpharetta MSA in Georgia and the Houston-The Woodlands-Sugar Land MSA in Texas. The campaign is based on a review of research from the FDIC and others that helped identify promising messaging, define the target audience, and select the best means to reach this audience. This campaign will leverage other relationships and initiatives to promote greater economic inclusion, including by working through coalitions focused on promoting greater bank account access and usage.

Advisory Committee on Economic Inclusion (ComE-IN)

ComE-IN will continue to support research, demonstration projects, and pilots, and promote sound supervisory and public policies to improve the “appropriate engagement” of households with mainstream financial institutions. Appropriate engagement means that households are able to obtain financial products and services that are affordable, easy to understand, and not subject to unforeseen fees. ComE-IN’s work will support the expanded availability of safe, low-cost transaction and savings accounts (Safe Accounts) and the responsible use of technology, including mobile banking, to expand banking services to the population.

ComE-IN may recommend to the FDIC specific actions, which may represent national objectives that require the participation and cooperation of multiple stakeholders, including other federal agencies; federal, state, and local policymakers; the financial services industry; nonprofit and philanthropic groups; and consumer groups.

During 2021, FDIC working groups will continue to facilitate partnerships and conduct outreach to expand affordable account access and build awareness to mainstream banking services for consumers. The FDIC may present these proposals to ComE-IN for advice and recommendations.

Human Resources (staffing and training): This annual performance goal will be carried out largely by existing staff in the FDIC's Consumer 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.

Information Technology: Existing technology will be used to accomplish this goal. The FDIC broadcasts ComE-IN's public meetings on its public website (<https://www.fdic.gov/about/comein>).

Verification and Validation

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

2020 Performance Results

The FDIC successfully met three of the five performance targets for this annual performance goal in 2020. Two performance targets were not achieved, including the issuance of a final rule to modernize CRA and the launch of the “How Money Smart Are You?” learning tool. This annual performance goal is unchanged from 2020, but the performance indicators and targets have been updated for 2021.

STRATEGIC GOAL 4:

Large, Complex Financial Institutions (LCFIs) are resolvable in an orderly manner under bankruptcy.

STRATEGIC OBJECTIVE 4.1

LCFIs are resolvable under the Bankruptcy Code.

Annual Performance Goal 4.1-1

Identify and address risks in LCFIs, including those designated as systemically important.

Indicators and Targets

1. IDI resolution planning
 - Publish further information on the approach to IDI resolution planning.
2. Compliance with the statutory and regulatory requirements under Title I of the Dodd-Frank Act
 - 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.
3. Compliance with the statutory and regulatory requirements under Section 360.10 of the FDIC Rules and Regulations
 - Review any resolution plans submitted pursuant to the requirements of Section 360.10 of the IDI rule to ensure their conformance to regulatory requirements.

4. Risk monitoring of LCFIs, BHCs, and designated nonbanking firms

- Conduct ongoing risk analysis and monitoring of LCFIs to better understand and assess their structure, business activities, risk profiles, and resolution and recovery plans.

Means and Strategies

Operational Processes (initiatives and strategies): In 2021, the FDIC will undertake several initiatives to identify and address risks in LCFIs, including those designated as systemically important

IDI Resolution Planning

In April 2019, the FDIC Board approved an Advanced Notice of Proposed Rulemaking (ANPR) seeking comments on potential changes to the IDI rule requirements and adopted a resolution extending the due date for future plan submissions pending completion of the rulemaking process.

In May 2020, the FDIC issued a statement announcing plans to carry out targeted engagement and capabilities testing with certain IDIs on an as-needed basis. The statement noted the approach was consistent with both the requirements of the FDIC's existing IDI rule and the approach envisioned under the ANPR.

In January 2021, the FDIC announced plans to resume requiring resolution plan submissions from IDIs with \$100 billion or more in total consolidated assets. In 2021, the FDIC also intends to publish further information on the approach to IDI resolution planning.

Compliance with Statutory and Regulatory Requirements

In 2021, 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 agency's ability to analyze and respond to risks in these institutions is particularly important, as they comprise a significant share of banking industry assets and deposits.

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 triggering severe adverse consequences for the financial system or the U.S. economy. The FDIC, jointly with the FRB, will review the resolution plans submitted in 2021.

Ongoing Risk Analysis and Monitoring of LCFIs

In 2021, the FDIC will conduct ongoing risk analysis and monitoring of LCFIs by participating on targeted examinations and horizontal reviews conducted by the OCC and FRB covering key risks within the FDIC portfolio, preparing written analyses of the condition of each insured bank and their parent company (including the completion of quarterly CAMELS Verification and SIFI Risk Reports), and preparing risk-specific reports with both firm-specific and horizontal analysis and the overall market view on key risks facing LCFIs.

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 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 they 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 LCFIs.

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.

Verification and Validation

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

2020 Performance Results

The FDIC successfully met two of the four performance targets for this annual performance goal in 2020. The FDIC did not issue an NPR amending the IDI rule. One performance target was not applicable since there were no IDI plans due in 2020. This annual performance goal is unchanged, but the performance indicators and targets have been updated for 2021.

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 assets from the receivership. These recoveries 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 IDI to determine its current market value. This information is used by the FDIC to market and sell the IDI in whole or in part to qualified bidders. The FDIC markets failed IDIs broadly, ensuring that all qualified bidders are given an opportunity to present bids. Bids are evaluated and compared to the estimated cost of liquidation to determine the least-costly resolution.

In the event an assuming institution cannot be found, the FDIC uses other resolution transactions including a Payout, where insured funds are paid directly to depositors; a Deposit Insurance National Bank (DINB), where a temporary national bank is established with limited life to assume the insured deposits of a failed IDI which allows depositors time to move their insured accounts to other institutions; or a Bridge Bank, where a temporary national bank is established and operated by the FDIC on an interim basis to acquire the assets and assume the liabilities of a failed IDI until final resolution can be accomplished. 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 should that become necessary.

Any assets not purchased by an assuming institution at the time of resolution are retained in the receivership; various strategies are then used to sell the assets as quickly and efficiently as possible in order to maximize the recovery to all proven claimants, including the DIF.

Additionally, FDIC staff identifies and investigates claims against directors, officers, and other professionals, and pursues those claims on behalf of the receivership, when the claims are both meritorious and expected to be cost effective. Potential income tax refunds can be another significant asset of the receivership, and the effort is focused on maximizing refunds and expediting recovery of tax refunds from taxing authorities. The FDIC also notifies likely claimants of the failed institution and provides them with instructions for filing a timely claim in order to ensure that legitimate claims against the receivership are satisfied fairly. 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 proven claims against the receivership pursuant to the FDI Act.⁶

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 statutorily preferred option, would threaten U.S. financial stability. In 2021, the FDIC will continue to pursue planning and operational readiness initiatives to bolster its ability to administer the resolution of LCFIs, including those designated as systemically important.

⁶ Federal depositor preference law, 12 U.S.C 1821(d)(11)(A).

2021 Annual Performance Plan

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

Strategic Goal	Strategic Objectives	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 IDIs 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 an LCFI is carried out in an orderly manner in accordance with statutory mandates.	Ensure the FDIC's operational readiness to administer the resolution of LCFIs, 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 IDIs and their subsidiaries in a timely manner to maximize net return.

Indicator and Target

1. Percentage of the assets marketed for each failed IDI
 - For at least 95 percent of IDI failures, market at least 90 percent of the book value of its 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 IDI, 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 IDI and to inform the marketing and disposition plan. The failed IDI'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 IDI 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 IDI fails.

The SAVE methodology uses standard assumptions and market information to ensure consistency in the valuation of assets. The 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 2021, the FDIC has 355 permanent authorized positions to carry out its resolutions and receivership management functions. If resolution activities increase, the FDIC may add non-permanent staff and contractor resources to help with the additional workload.

Contractors are used, as necessary, to manage and sell the assets of failed IDIs. 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, law firms, and investors 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.

2020 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2020.

This annual performance goal and its associated performance indicator and target are unchanged for 2021.

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 2020, four new receiverships were added to the FDIC's inventory of receiverships and 18 were terminated, leaving 234 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) tracks FDIC receiverships throughout the termination process and is used to identify impediments to termination.

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.

2020 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2020. This annual performance goal and its associated performance indicator and target are unchanged for 2021.

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 IDI 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 IDI's failure to meet statute of limitations requirements.

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 IDI failure dates, potential statute of limitation expiration dates, and other pertinent information.

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.

2020 Performance Results

The FDIC successfully met the performance target for this annual performance goal in 2020. This annual performance goal and its associated performance indicator and target are unchanged for 2021.

STRATEGIC OBJECTIVE 5.3

Resolution of the failure of a LCFI 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 LCFIs, including those designated as systemically important.

Indicators and Targets

1. Refinement of resolution plans and strategies
 - Continue to refine plans and strategic options to ensure the FDIC's operational readiness to administer the resolution of LCFIs.
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 triggering 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 the 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 an LCFI— 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 were 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 significant 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.

The FDIC will engage bilaterally and multilaterally in 2021 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 engagement includes, among other things, participation in staff-level working groups with foreign authorities, such as the Bank of England's Resolution Directorate and Prudential Regulation Authority, the Single Resolution Board, European Commission, and European Central Bank's Banking Supervision Directorate, tabletop exercises, principal-level events, and joint papers or other resolution planning-related publications, and more generally, participation in programs with foreign authorities and standard-setting bodies involved in supervision and resolution planning for G-SIFIs.

The FDIC, jointly with the FRB, or with the Commodity Futures Trading Commission (CFTC) or Securities and Exchange Commission (SEC), as applicable, also will convene meetings of Crisis Management Groups (CMGs) for U.S. G-SIFIs, attend meetings of CMGs for non-U.S. G-SIFIs with significant U.S. operations or nexus. The FDIC will also participate in other activities intended to advance cross-border cooperation in furtherance of resolution planning by firms and authorities. Such activities will take account of 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 core elements 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 is a member of the Financial Stability Board's (FSB's) Resolution Steering Group (ReSG) and its constituent cross-border crisis management working groups for banks, financial market infrastructures, and insurers. The FDIC will continue its work with the FSB, and its member authorities, which increasingly has progressed from Key Attributes policy development to implementation and related crisis management preparedness initiatives.

Human Resources (staffing and training): This annual performance goal will be carried out by existing and newly onboarded FDIC staff, with contractor support for certain functions. 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 2021.

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 LCFIs. 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.

2020 Performance Results

The FDIC successfully met the performance targets for this annual performance goal in 2020. This annual performance goal and its associated performance indicators and targets are substantively unchanged for 2021.

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 2021 initiatives to enhance the FDIC's management of its key strategic resources is provided below.

Financial Resources Management

For 2021, the total proposed operating budget is 12.9 percent higher than the 2020 FDIC Operating Budget, largely due to the establishment of contingency reserves to address a potential increase during 2021 in supervision or resolution workload resulting from the ongoing COVID-19 pandemic. The total authorized staffing level for 2021 reflects a net increase of 65 positions from 2020. If needed to address any impact of pandemic-related economic deterioration on the banking industry, these authorized staffing levels could be increased during 2021 through the release of funds from the proposed contingency reserves. More information on the 2021 FDIC Operating Budget is found in Appendix A.

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).

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 2021, 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 2021, 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.

Diversity, Equity, and Inclusion

The FDIC is committed to fostering a diverse workforce and inclusive work environment, both at the agency and across the financial services industry, and continues its comprehensive, integrated, and strategic focus on diversity, equity, and inclusion (DEI). A new *Diversity, Equity, and Inclusion Strategic Plan* will be issued in early 2021 to comprehensively encompass and implement the FDIC's DEI objectives and replace the current *FDIC Diversity and Inclusion Strategic Plan*.

Like past plans, the new plan will be overseen by the FDIC Diversity and Inclusion Executive Advisory Council (D&I EAC), composed of key senior executives. The D&I EAC provides advice on the FDIC's DEI goals, initiatives, and progress, and council members serve as ambassadors for DEI throughout the agency.

The *Diversity, Equity, and Inclusion Strategic Plan* is designed to advance the FDIC's progress in achieving greater workforce diversity, and will include tangible, measurable actions to achieve the Chairman's initiatives to further improve DEI at the FDIC. These specific initiatives are designed to increase diversity in the FDIC workforce and leadership, create a culture of excellence that supports and sustains high performance, educate all employees on the importance of DEI, and identify and eliminate barriers to successfully meeting our strategic DEI objectives. The plan will create a new DEI vision and mission, and also establish a DEI Statement of Principles. The overarching goals of the plan will address vital DEI concepts to include:

- Recruiting, hiring, and developing a high-performing workforce reflective of the communities the FDIC serves;
- Ensuring that leaders at all levels of the organization promote the vision and business case for DEI by taking actions needed to increase workforce diversity and build an inclusive workplace;
- Developing messaging that encourages all employees to see the importance of DEI to both their individual success and the FDIC's success; and
- Maturing the DEI model to improve outcomes by strengthening policies and procedures, utilizing technology, and enhancing training.

With the new plan in place, the FDIC will be very well-positioned to continue the DEI transformation of the workforce and workplace. Recruitment and retention efforts have already produced results, and the new initiatives and actionable strategies in these areas will further strengthen diversity, equity, and inclusion going forward.

Examiner Recruiting, Hiring, and Training

A key component of the FDIC's long-term workforce development strategy continues to be developing the examiner workforce. For the last decade, examiners were hired into the FDIC's Corporate Employee Program and were not assigned to either the risk management or consumer protection disciplines until they completed a one-year rotational program to become familiar with each of the FDIC's major business programs. Beginning in 2020, new examiner trainees were hired directly into either the Division of Risk Management Supervision or the Division of Depositor and Consumer Protection and immediately began 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. In 2021, the FDIC will use a small cadre of entry-level loan review analysts and IT and cybersecurity analysts to perform certain aspects of risk management examinations. These analysts should require less intensive training than noncommissioned and commissioned examiners, which will reduce training time and costs. The FDIC will continue to periodically assess the impact of these changes on the examiner workforce, including time to hire, time to commission, retention, and workforce diversity.

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.

TEAM FDIC, an important employee engagement initiative that supports the Chairman's priorities of Transparency, Empowerment, Accountability, and Mission (TEAM), encourages active participation in short-term Integrated Project Teams to positively impact the FDIC workplace and support the FDIC mission. In 2020, the TEAM FDIC Advisory Group reviewed more than 100 employee project ideas, and selected 10 to implement. More than one-third of the ideas submitted were already being addressed through ongoing corporate initiatives, and all reviewed ideas received a written response if they were not selected. Three projects, engaging more than 40 diverse employees, were completed in early 2020. The three projects focused on enhancing the examination scheduling process, improving employee empowerment, and assisting employees with disabilities when they transition from one supervisor to another.

The TEAM FDIC Advisory Group adopted a new approach in September that allowed employees to continue working on projects while balancing mission-critical priorities due to mandatory telework and the COVID-19 pandemic. Under this approach, the Advisory Group facilitates open-invitation virtual sessions to discuss a specific project idea, gather information, brainstorm options, and develop recommendations. The first two sessions, focused on employee Health and Wellness, included nearly 400 employees. The FDIC will continue to look for creative ways to increase employee engagement in 2021.

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 2021, the FDIC, through its 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 2021, 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 reflects recent regulatory changes and expands the use of distance-learning methods to provide field staff with easier 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 2021, the FDIC will continue to deliver training when and where it is needed, building upon the successful conversion of many core training courses to virtual delivery as required during the period of mandatory telework in 2020. The FDIC also will contribute to agency-wide crisis readiness through its Strategic Simulations Program (SSP). In 2021, SSP will continue its role in agency-wide crisis readiness that includes 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.

Emergency Preparedness and Readiness

In early 2021, the FDIC established the Emergency Preparedness and Readiness Section (EPRS) within the Division of Administration's Management Services Branch. EPRS works with Divisions and Offices in developing, coordinating, testing, and implementing crisis readiness and response planning across the Corporation. The section provides important capabilities and oversight to ensure the FDIC has the organizational processes, resources, and integration necessary to effectively respond to any crisis.

Management of Information Technology Resources

The FDIC relies on modern and secure IT to achieve its mission. Technology trends like real-time collaboration and artificial intelligence and machine learning (AI/ML), have significant potential to transform how the FDIC conducts 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. Additionally, the FDIC will seek opportunities to streamline operational processes outside the IT organization, especially those requiring external business interactions. 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 gaps through targeted training and recruiting efforts.

IT Modernization Plan and Roadmap

In 2020, the FDIC focused on the implementation of application and data modernization initiatives defined in its *2020-2024 IT Modernization Plan and Roadmap*. The plan guides the FDIC's technology activities and spending priorities over five years, and aligns with the updated *IT Strategic Plan*, which sets the vision and direction of the FDIC's information management and technology programs. The plan further aligns with the accomplishment of the FDIC's core mission responsibilities and the needs of its business lines. Lastly, the plan depicts 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.

Planned 2021 initiatives include projects to support crisis preparedness, modernize the examination process, support streamlined interactions with financial institutions, improve FDIC acquisition and financial management, redesign public-facing applications, and optimize the way data is used by the FDIC and its stakeholders.

In 2020, the FDIC completed the data processing and validation solution that supports the FDIC's mission when closing large banks. In addition, the FDIC assessed emerging technologies to meet the evolving needs of the Corporation's mission. For example, the FDIC completed an assessment of the introduction and implementation of AI/ML, as well as the FDIC AI/ML Vision and Strategy, and a multi-year roadmap to help prioritize investments in AI.

A driver of the *IT Modernization Plan and Roadmap* is Digital Workforce, which seeks to establish an environment where staff can perform work unencumbered by limitations related to technology, geography, or manual processes. In 2020, this was particularly useful as advanced improvements to the FDIC's telecommunications and collaboration tools minimized the impact of the COVID-19 pandemic on daily operations, and facilitated the transition to a mandatory telework environment. In 2021, the FDIC will continue to enhance IT tools and processes to facilitate the return to on-site facilities, when appropriate, and on several projects that will further foster collaboration, modernize training, and expand communication capabilities.

Information Security

Cybersecurity risk management will remain a priority as cybersecurity threats proliferate and information system vulnerabilities become more complex. 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 and privacy capabilities and ensure the continued confidentiality, availability, and integrity of FDIC information systems and data. In 2021, the FDIC will continue to partner with other federal agencies to provide monitoring and detection information to the federal community, 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.

Privacy

Privacy risk management continues to be a priority to the FDIC, where privacy by design is being integrated with FDIC business operations to ensure privacy considerations are built into policies, processes, contracts, and systems. A mature program is necessary in order to fulfill, preserve, and anticipate privacy needs, and to collaborate with other agencies via the Federal Privacy Council and the Financial Regulator Privacy Community of Practice to promote best practices. The FDIC continues to build out privacy continuous monitoring with a focus on privacy risk management through the use of Privacy Impact Assessments and compliance with National Institute of Standards and Technology (NIST) guidance. In 2021, the FDIC will continue to implement current and emerging privacy regulations, policies, and practices to protect individuals from risks posed by the processing of their personally identifiable information.

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 organization is central to fulfilling the FDIC's 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 that enables sound, evidence-based decisionmaking. 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 2021, the FDIC will continue to leverage the established enterprise data governance framework to acquire and operationalize a corporate-wide data catalog solution, implement the long-term strategic plan to manage data necessary for development and testing purposes, and implement the AI/ML platform as part of the target data ecosystem (identified in 2020). Additionally, the FDIC will enhance its enterprise data management capabilities to include a disciplined approach to support all development and maintenance projects that is integrated with the FDIC's overarching data intake governance.

Enterprise Risk Management and Internal Controls

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 2021, the FDIC will continue to identify and implement risk-mitigation activities to address risks in the FDIC's corporate Risk Inventory, enhance the ERM program with active collaboration among all FDIC divisions and offices, and perform management-directed or self-initiated program evaluation work. The FDIC will also continue to deliver corporate-wide ERM training and report to the Chairman, Operating Committee, and Audit Committee on a routine basis.

The FDIC's internal control program includes the plans, methods, policies, 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 that the FDIC follows applicable laws and regulations. In 2021, 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 on controls related to information security management, physical and personnel security, contractor oversight, succession management, supply chain risk management, crisis readiness, systems development efforts, 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 2021 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 2021 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	\$1,180,533,860
Insurance	\$373,070,791
Receivership Management	\$421,553,061
Corporate Expenses	\$303,390,179
Total	\$2,278,547,891

In addition, the FDIC has a total authorized 2021 staffing level of 5,793 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 (<https://www.fdic.gov/about/financial-reports/report/index.html>), compares actual results to the performance targets for each annual performance goal. For 2020, the FDIC assessed the reliability of the performance data contained in the *2020 Annual Report*. The FDIC found no material inadequacies, and the data are considered to be complete and reliable.

APPENDIX C

Program Evaluation

The Office of Risk Management and Internal Controls performs management-directed or self-initiated evaluation work of FDIC 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 (i.e., annual assurance statements).

In 2021, the FDIC will continue to identify opportunities to perform program evaluations to mitigate risks to division and office operations and identify opportunities for program improvements.

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, quantitative liquidity ratios, credit risk retention, appraisals, and Call Reports. In addition, the Comptroller of the Currency is a member of the FDIC Board of Directors, which facilitates cross-cutting policy development and consistent regulatory practices between the FDIC and the OCC. The FDIC also work closely with the National Credit Union Administration (NCUA), which supervises and insures credit unions.

The FDIC also works closely with the CFPB to address consumer protection issues. Under the Dodd-Frank Act, the CFPB has interpretative authority over an enumerated list of designated consumer financial laws. As a result, the CFPB is responsible for issuing rules and regulations regarding these consumer financial laws. However, the CFPB is required to consult with the FDIC, FRB, and OCC on these matters. Supervisory examination and enforcement jurisdiction for the designated consumer financial laws for insured, state nonmember banks with assets of \$10 billion or less remains with the FDIC.

The FDIC retains examination and enforcement jurisdiction for the nontransferred consumer laws (such as for the CRA, the Fair Housing Act, and the Federal Trade Commission Act) for insured, state nonmember banks with more than \$10 billion in assets. The CFPB Director is also a member of the FDIC Board of Directors, which facilitates cross-cutting policy development and consistent regulatory practices among the FDIC, CFPB, and OCC.

The FDIC, FRB, and OCC also work closely with CSBS, which represents the state regulatory authorities, and individual state regulatory agencies. The FDIC also collaborates with the Federal Housing Finance Agency (FHFA), which is the rule-writer and supervisor for the government-sponsored enterprises and the Federal Home Loan Banks. Finally, the FDIC coordinates with the SEC and CFTC on issues such as central counterparty (CCP) recovery and resolution planning.

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 provides 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 provides 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 global 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 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 semiannual 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 Farm Credit Administration.

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 (FinCEN), 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 nonprofit 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.

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 cosponsoring 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.

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 CMG, 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. The FDIC recently co-chaired the Cross-Border CMG for financial market infrastructures and worked on standards and implementation. The FDIC also worked on the FSB's report Evaluation of the Effects of Too Big to Fail Reforms.

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.

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 Individual Retirement Arrangement (IRA) accounts.

Financial Stability Oversight Council (FSOC)

The FDIC works closely with the FSOC and its member agencies, including the FRB, CFTC, FHFA, NCUA, OCC, SEC, Treasury, and CFPB, in carrying out the FSOC's responsibility for identifying risks to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the stability of the United States' financial system. The FDIC Chairman is one of ten voting members, along with the Secretary of the Treasury, the heads of the other Federal financial regulators, and an independent insurance expert.

President's Working Group (PWG) on Financial Markets

The PWG conducts various studies regarding financial markets. The PWG is chaired by the Secretary of the Treasury and its member agencies, including the FRB, SEC, and CFTC. While not a member of the PWG, the FDIC convenes for relevant sessions and may participate as appropriate in preparing analyses relevant to the U.S. financial system.

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 fell in the first half of 2020 as the pandemic and stay-at-home orders pushed the U.S. economy into a recession. While the economy began to recover in the second half of the year, gross domestic product (GDP) growth was negative 3.5 percent for the year. In March and April, the U.S. lost more than 22 million jobs. Employment improved each month from May through November then fell again in December. At year end 2020, nonfarm employment remained 9.8 million jobs below pre-pandemic levels. Consumer spending contracted sharply in the second quarter, but began to recover through the second half of the year with goods spending returning to pre-pandemic levels and services spending remaining weak. Business investment declined in the first half of 2020 as the pandemic curtailed, delayed, or canceled projects, but improved during the second half of the year. Financial market conditions remain stable, in part because of significant fiscal and monetary policy support. The Federal Open Market Committee reduced interest rates by 150 basis points to the zero lower bound in two emergency meetings in March 2020 and introduced several emergency lending facilities, though takeup in those facilities has been modest. Both short- and long-term interest rates declined during the onset of the pandemic and remain low.

Despite improvements, the momentum of the economic recovery slowed late in 2020. Further spread of the coronavirus could lead to reduced economic activity. Risks for banks include low interest rates, credit quality deterioration, and weak economic conditions.

Insured institutions' capital and liquidity remain strong despite a sharp decline in net income in 2020. The 5,001 FDIC-insured commercial banks and savings institutions that filed financial results in fourth quarter 2020 reported annual net income of \$147.9 billion, down \$84.9 billion (36.5 percent) from a year ago. The decrease in net income was largely due to an increase in provisions for credit losses. Net interest income decreased 3.7 percent to \$526.6 billion during 2020.

The average return on assets ratio was 0.72 percent for 2020, down 57 basis points from year-end 2019. Net operating revenue was \$806.9 billion, down \$4.2 billion from a year earlier. A lower and flatter yield curve was the primary contributor to a contraction in net interest margins as yields on assets declined more than funding costs.

Noninterest expenses were \$32.0 billion (6.9 percent) higher than 2019. Key drivers of the increase in noninterest expense include higher salaries, and write-downs of intangible assets such as mortgage servicing assets and goodwill.

Provisions for credit losses were higher in 2020 than in 2019. Insured institutions set aside \$132.2 billion in provisions for credit losses in 2020, a \$77.1 billion (140 percent) increase from a year earlier.

Asset quality indicators for the banking industry deteriorated modestly during 2020. The total noncurrent loan rate increased 27 basis points since fourth quarter 2019 to 1.18 percent in fourth quarter 2020. Noncurrent loan balances increased by \$33.1 billion (34.7 percent) between December 31, 2019 and December 31, 2020. During 2020, noncurrent 1-to-4 family residential mortgage loans rose by \$17.1 billion (43.8 percent), noncurrent nonfarm nonresidential real estate loans rose by \$7.9 billion (102 percent), and noncurrent commercial and industrial loans increased by \$6.8 billion (38.9 percent). However, noncurrent credit card balances fell \$4.2 billion (30.7 percent) during the year.

Net charge-offs of loans and leases totaled \$54.1 billion in 2020, up \$1.9 billion (3.7 percent) from 2019. Net loan charge-offs increased in several portfolios, including commercial and industrial loans (\$5.2 billion, or 65.3 percent) and nonfarm, nonresidential mortgages (\$1.4 billion, or 239 percent). Credit card loan net charge offs declined during 2020 (\$4.7 billion or 13.7 percent).

Asset growth was strong in 2020 due to strong deposit growth. As of December 31, 2020, total assets of insured institutions were \$3.2 trillion (17.4 percent) higher than a year earlier. Total loan and lease balances increased by \$345.0 billion (3.3 percent), led by a \$232.8 billion (10.6 percent) increase in commercial and industrial loans. Growth in real estate loans also contributed to the overall increase, including loans secured by nonfarm nonresidential properties (up \$52.4 billion, 3.5 percent) and construction and development loans (up \$24.3 billion, 6.7 percent). Banks' investment securities portfolios increased by \$1.1 trillion (28.4 percent) from a year ago, driven by an increase in holdings of mortgage-backed securities of \$650.0 billion (27.2 percent). Insured institutions increased balances at Federal Reserve Banks by \$1.2 trillion (140 percent).

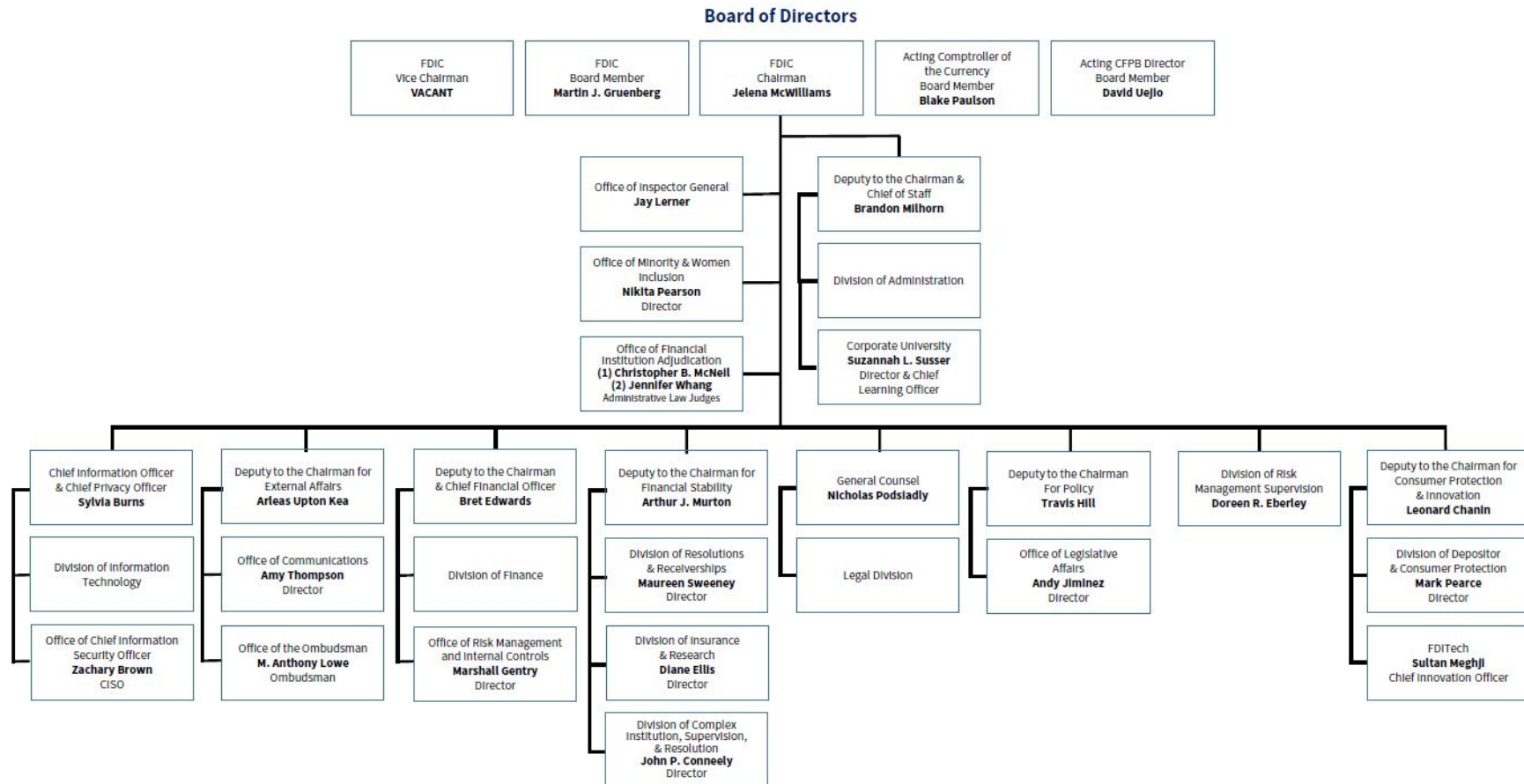
Increased deposit balances funded much of the growth in assets. Deposits in domestic offices increased by a record \$3.1 trillion (23.2 percent) from fourth quarter 2019 to fourth quarter 2020. Equity capital rose by \$114.3 billion (5.4 percent).

As of December 31, 2020, 56 insured institutions were on the FDIC's "Problem Bank List," up slightly from 51 institutions at year-end 2019. Total assets of institutions on the FDIC's Problem Bank List also increased during the year from \$46 billion at year-end 2019 to \$56 billion as of December 31, 2020. Problem banks are those institutions with financial, operational, or managerial weaknesses that threaten their viability.

Four banks failed in 2020. The DIF balance increased to a record \$117.9 billion at year-end 2020 up from \$110.3 billion at year-end 2019. However, record insured deposit growth in the banking industry resulted in a decline in the reserve ratio to 1.29 percent on December 31, 2020, 12 basis points lower than the previous year.

APPENDIX F

Organizational Chart



A current listing of the FDIC Board of Directors and Senior Executives can also be found on the FDIC's public website (<https://www.fdic.gov/about/leadership/index.html>).