



2022-2026

**STRATEGIC
PLAN**

CONTENTS

CHAIRMAN’S MESSAGE	2
MISSION, VISION, AND VALUES	3
<i>Mission</i>	3
<i>Vision</i>	3
<i>Values</i>	3
THE FDIC AND THE BANKING INDUSTRY: PERSPECTIVE AND OUTLOOK	4
Introduction	4
The Impact of the Economy	5
Other Major Strategic Challenges	7
THE FDIC’S MAJOR PROGRAMS	10
Insurance Program	11
Supervision Program	15
Supervision Program – Risk Management	17
Supervision Program – Consumer Protection and Economic Inclusion	21
Supervision Program – Resolution Planning	24
Receivership Management Program	27
Office of Inspector General	29
Appendices	30
Appendix A: The FDIC’s Strategic Planning Process	30
Appendix B: Enterprise Risk Management	32
Appendix C: The FDIC’s Use of Research, Data, and Analysis to Support Evidence-Based Policy Making and Program Management	33

CHAIRMAN’S MESSAGE

The Federal Deposit Insurance Corporation’s *2022–2026 Strategic Plan* will guide our efforts to carry out the agency’s mission, including maintaining stability and public confidence in the nation’s financial system by insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protection, making large and complex financial institutions resolvable, and managing receiverships. This plan was approved by the Board of Directors on December 14, 2021.

This strategic plan comes at a moment of inflection for the agency and for our country as we move into our “new normal” amidst the ever-evolving pandemic. Since FDIC insurance began in 1934, we have protected bank depositors and buttressed trust in our banking system as our nation faced challenges large and small.

In this *2022–2026 Strategic Plan*, we outline our strategic goals and objectives, and the means and strategies we will use to achieve them. We also identify challenges associated with a post-pandemic economy in the years to come. In turn, this strategic plan will be implemented through annual performance plans with goals, indicators, and targets for each strategic objective. Our goals are ambitious and our success is crucial to individuals, households, businesses, and communities across the country.

I want to thank the FDIC workforce for their continued dedication and resilience during the pandemic. Their hard work has allowed the agency to achieve its mission during these unprecedented times and to move forward on important new initiatives, including encouraging innovation, supporting community and mission-driven banks, and fostering a banking system that can meet the needs of business and consumers across our nation.

Jelena McWilliams
Chairman

MISSION, VISION, AND VALUES

Mission

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

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

THE FDIC AND THE BANKING INDUSTRY: PERSPECTIVE AND OUTLOOK

Introduction

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

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

The Insurance Program encompasses the activities undertaken by the FDIC to administer the Deposit Insurance Fund (DIF), which is funded through assessments on IDIs as well as investment income, to resolve failed IDIs in the manner least costly to the DIF, and to provide depositors with timely access to their insured funds when an IDI fails.

The Supervision Program encompasses the activities undertaken by the FDIC to promote safe and sound operations and compliance with fair lending, consumer protection, and other applicable statutes and regulations by IDIs for which the FDIC is the primary federal regulator (in cooperation with state banking agencies). The FDIC also has backup supervisory responsibility for other IDIs for which the Board of Governors of the Federal Reserve System (FRB) and the Office of the Comptroller of the Currency (OCC) are the primary federal regulators.

PRIMARY FEDERAL REGULATOR	NUMBER OF INSTITUTIONS	TOTAL ASSETS (DOLLARS IN MILLIONS)
FDIC	3,171	\$4,206,831
OCC	1,019	\$15,082,333
FRB	724	\$3,962,496
TOTAL	4,914	\$23,251,660

Source: [Quarterly Banking Profile](#). Data as of 9/30/2021.

The FDIC is responsible for monitoring and assessing risks posed by, and planning for the resolution of, large, complex financial institutions (LCFIs) under authority derived from the Federal Deposit Insurance Act (FDI Act) and the Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). As part of this work, the FDIC and the FRB have joint responsibility for reviewing resolution plans submitted by large bank holding companies and designated nonbank financial companies that demonstrate how they would be resolved in a rapid and orderly manner in the event of financial distress; and, under specified circumstances, administer the orderly liquidations of covered financial companies.

The Receivership Management Program encompasses activities undertaken by the FDIC, in its capacity as receiver, to maximize net recoveries to the creditors of receiverships.

Over the next four years, the FDIC will face numerous issues and challenges in each of these major programs associated with a post-pandemic economy and related impacts to the financial services industry and consumer and business preferences. Some of the major issues and challenges are addressed in more detail below.

The Impact of the Economy

The performance of the economy directly affects the performance of individual financial institutions and the overall banking industry. Interest rates, inflation, unemployment, the business cycle, and shocks to specific sectors

like agriculture, energy, housing, or commercial real estate all influence lending and funding strategies of IDIs. Economic and financial conditions abroad also have an impact on the U.S. economy and on the performance of banks.

As of third quarter 2021, the United States had regained the output lost from a deep recession that occurred in early 2020 caused by the Coronavirus Disease 2019 (COVID-19) pandemic. Significant government stimulus for individuals and small businesses in 2020 and 2021 helped support the economy, with most programs ending in third quarter 2021. Restrictions on economic activity eased and vaccination rates improved in 2021, which further contributed to stronger economic growth. Consumer spending remains strong. In aggregate, household balance sheets remained resilient and household wealth increased from rising home prices and stock market valuations. Business investment continued to recover and returned to pre-pandemic levels. However, business and economic activity were constrained by supply chain bottlenecks and shortages. These factors along with stronger consumer demand contributed to higher inflation in 2021. Overall, the economic outlook is for continued moderate growth, although uncertainty remains, as lingering supply chain issues feed into inflationary pressures and businesses and individuals adjust to changes as the pandemic evolves.

Banks generally entered this period of disruption with strong asset quality and capital

and liquidity ratios, and were able to serve as a source of strength for the economy, individuals and small businesses throughout the global health epidemic.

Although loan balances contracted between the first quarter 2020 and the first quarter 2021, the first such annual contraction since the third quarter 2011, financial institutions supported the economic recovery with lending through the first and second rounds of the Paycheck Protection Program and by working with impacted borrowers. The decline in loan volume and the persistent low interest rate environment caused contraction in the average net interest margin, which set three record lows over the past year. In contrast, deposits grew at unprecedented rates over the same period. In third quarter 2021, banks reported modest improvement in the average net interest margin supported by loan growth.

Despite these challenges, the banking industry remains resilient. Strong capital and liquidity levels support lending and help protect against potential losses. Industry-wide profitability (as measured by return on assets) remains strong. The number of problem institutions has fallen dramatically from the post-crisis high and is at its lowest level since 2008.

While the banking industry continues to perform well, the interest-rate environment and economic uncertainty continue to pose challenges for many institutions.

Overall, the industry must manage interest-rate risk, liquidity risk, and credit risk carefully to remain on a long-term, sustainable growth path.

The United States experienced the sharpest economic contraction in the post-WWII period in early 2020 with the sudden onset of the COVID-19 pandemic, and the unemployment rate reached double-digit levels. The resulting recession ended a period of subdued but sustained economic growth since the last recession ended in mid-2009. The subsequent labor market weakness, business closures, and lower interest rates all posed challenges to banks. Conditions improved considerably in 2021, helped by expansive fiscal and monetary policy implemented in 2020 and 2021 to support businesses and consumers, the rollout of vaccines, and reduced pandemic-related restrictions in economic activity. However, this economic environment has posed several key challenges for the banking industry. The economic outlook remains uncertain and depends on the path of the pandemic as well as the outlook for fiscal and monetary policy in their effects on economic activity and interest rates.

As of third quarter 2021, banks generally maintained strong asset quality, capital, and liquidity positions. Annual loan growth slowed in recent quarters; however, remains positive. Industry-wide profitability (as measured by the return on assets ratio) has been trending up, and the majority of banks report year-over-year growth in quarterly net income. The growth in net income is due to reductions in

provisions for credit losses. The number of problem institutions remains near the lowest level since 2008.

Other Major Strategic Challenges

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

Future of Community Banking. The FDIC is the primary federal regulator for most community banks, which make up 91 percent of FDIC-insured bank and thrift charters (up from 87 percent in 1984); hold a majority of deposits in rural and “micropolitan” counties (those with populations up to 50,000 people), including more than 600 U.S. counties where community banks hold 100 percent of all bank deposits; and account for 39 percent of the industry’s small loans to farms and businesses.¹ Despite their long-term resilience and continuing importance as a source of credit to the vital small business sector, community banks continue to face competitive challenges from non-community banks and non-bank financial technology competitors.

Regional Banks

Regional banks have continued to grow in number, assets, and complexity. FDIC supervises a growing percentage of the regional bank universe, as community banks continue to merge and grow organically. FDIC also has both insurance risk monitoring and back-up supervisory responsibilities for the remaining regional banks. Similar to community bankers, regional banks face competitive challenges from large, complex financial institutions and non-bank technology competitors. An increasing number of regional banks have less traditional business models, including for example monoline operations, concentrated lending or funding operations, nationwide lending platforms, and other niche activities.

Large, Complex Financial Institutions (LCFIs). Although the FDIC is not the primary federal regulator for most large, complex IDIs, it has both insurance and back-up supervisory responsibilities for those institutions and acts as receiver for those that fail. The assets within the banking industry are concentrated today in a small number of large, complex banks that have highly diverse business strategies and complex legal and business structures that necessitate ongoing monitoring of their risks. These risks are intertwined among both their insured and

¹ Based on the definition of community banks in the FDIC Community Banking Study, 2012.

uninsured subsidiaries, and the largest and most complex of these companies have significant international operations and interdependent counterparty relationships with one another that increase their complexity and risk.

Innovation, Information Technology, and Cybersecurity. Some banks have responded to the previously discussed economic challenges by investing in innovative technologies to boost profitability through reduced overhead expenses. Others are offering new services to their customers by partnering with technology companies on the front lines of innovation, or by adopting new technologies themselves. Cybersecurity threats continue to pose risks to banks, businesses, consumers, financial markets, and the FDIC. Some institutions are leveraging innovative technology solutions to enhance their resilience to a cybersecurity attack. In addition to addressing cybersecurity threats internally, the FDIC works collaboratively with other federal and state agencies to help ensure that FDIC-insured institutions also take appropriate steps to address this risk.

Economic Inclusion. Based on a 2019 FDIC survey, 5.4 percent of U.S. households did not have an account at an IDI.²

The FDIC recognizes that public confidence in the banking system is strengthened when

households effectively use the mainstream banking system to deposit funds securely, conduct basic financial transactions, accumulate savings, and access credit on safe and affordable terms. The FDIC will continue to promote greater economic inclusion and financial well-being by helping more underserved households and communities benefit from the products and services of FDIC-insured institutions. The FDIC's #GetBanked initiative encourages consumers to start a banking relationship. The FDIC also communicates directly with banks to promote the importance of offering safe and affordable bank accounts, such as checkless checking accounts. FDIC's Money Smart program provides people with practical knowledge, skills-building opportunities, and resources to manage finances with confidence.

This work requires engagement with banks of all sizes, as well as with local governments and community leaders. FDIC facilitates business and partnership opportunities and promotes financial education. By helping to connect banks and communities in new ways, and increasing awareness and use of affordable banking services, the FDIC strengthens the banking system and communities nationwide.

² 2015 *National Survey of Unbanked and Underbanked Households*, October 2016, October 2020. The survey found that 5.4 percent of U.S. households (7.1 million households) did not have a bank or credit union account in 2019.

Workforce Management and

Development. The FDIC depends upon the talents and skills of its employees to accomplish its mission. Much of the FDIC's current workforce is eligible to retire over the next decade, creating an opportunity to transform both the workforce and the manner in which the FDIC meets its mission. To address this workplace reality, the FDIC will continue to enhance its data collection and analysis efforts to inform development and implementation of succession management strategies over the next several years. These efforts will include specific recruitment and development strategies to support a high performing workforce that reflects the communities we serve by optimizing experiences throughout an employee's career. These actions will ensure that the FDIC workplace is inclusive, free from unlawful discrimination, and provides equal opportunity and accessibility in all its employment and business activities. The FDIC has issued a [2021-2023 Diversity, Equity, and Inclusion Strategic Plan](#) that guides its efforts. Strategies also include the modernization of learning and development by transforming the FDIC's use of virtual learning, enhancing learning technology, and modernizing the training center.

THE FDIC'S MAJOR PROGRAMS

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

Program Areas	Strategic Goals
Insurance	FDIC-insured deposits are protected from loss without recourse to taxpayer funding.
Supervision	FDIC-insured institutions are safe and sound.
	FDIC-supervised institutions comply with federal consumer protection laws, including fair lending laws, and the Community Reinvestment Act (CRA).
Receivership Management	Large, complex financial institutions are resolvable in an orderly manner.
	Resolutions are orderly and receiverships are managed effectively.

Insurance Program

Program Description

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

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

Strategic Goal 1

FDIC-insured deposits are protected from loss without recourse to taxpayer funding.

Strategic Objectives

1.1 The FDIC provides customers of failed insured depository institutions (IDIs) timely access to insured funds and financial services.

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

The FDIC continually monitors changes in financial institution operations and innovation within products and delivery channels to ensure the FDIC's ability to handle potential financial institution failures. The FDIC develops, tests, and maintains contingency plans to ensure it is prepared to handle a wide range of potential failure scenarios, including the failure of a large financial institution; simultaneous, multiple failures; the failure of an institution with large international holdings; and the failure of an insured institution that operates primarily through digital channels. The FDIC also looks for ways to clarify deposit insurance regulations to meet industry changes and to expedite the insurance determination process.

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

1.2 The FDIC promptly identifies and responds to potential risks to the Deposit Insurance Fund (DIF).

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

- A risk-based deposit insurance assessment system, whereby institutions that pose greater risk to the DIF pay higher premiums;
- A strong examination and enforcement program;
- Collection and publication of detailed banking data and statistics;
- A vigorous research program;
- An off-site monitoring system that employs sophisticated predictive tools to analyze

and assess changes in banking profiles, activities, and risk factors;

- A comprehensive ongoing analysis of the risks in financial institutions with more than \$10 billion in assets through the Large IDI Program and Institution Monitoring Program for LCFIs, including IDIs with assets above \$100 billion for which the FDIC is not the primary federal regulator;
- Thorough and timely review of deposit insurance applications and other applications from IDIs; and
- A comprehensive framework for continually assessing risks to the banking industry.

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

1.3 The FDIC maintains a strong and adequately financed DIF.

Means and Strategies: The FDIC maintains the viability of the DIF by investing the fund, monitoring and responding to changes in the reserve ratio, collecting risk-based premiums, and evaluating the deposit insurance system in light of an evolving financial services industry.

It regularly analyzes the growth or shrinkage of estimated insured deposits, the current assessment base, loss expectations, interest income earned on the fund, and operating expenses. This information is used to develop a schedule of risk-based assessment rates.

The banking industry remained resilient through 2021, despite the extraordinary challenges of the pandemic. As of September 30, 2021, banks held a higher amount and quality of capital than just prior to the 2008-2013 banking crisis.

The DIF balance has risen every quarter since the end of 2009, and stood at a record \$121.9 billion on September 30, 2021, up from \$117.9 billion at the end of 2020. The reserve ratio stood at 1.27 percent at September 30, 2021, down from 1.29 percent at the end of 2020.

Extraordinary growth in insured deposits during the first and second quarters of 2020 caused the reserve ratio to decline below the statutory minimum. As of June 30, 2020, the reserve ratio stood at 1.30 percent. On September 15, 2020, the Board adopted a Restoration Plan, as required by the FDI Act, to restore the DIF to at least 1.35 percent within eight years. Under the Restoration Plan, the FDIC maintained the schedule of assessment rates in place at the time for all IDIs and is monitoring deposit balance trends, potential losses, and other factors that affect the reserve ratio. Staff must update the Board at least semiannually. The most recent update was provided on June 15, 2021.

The FDIC Board of Directors is statutorily required to establish a Designated Reserve Ratio (DRR) for the DIF that is not less than 1.35 percent. But it may also establish a higher DRR and has set the DRR at 2.0 percent for every year since 2011. The FDIC views the 2.0 percent DRR as a long-term goal and the minimum level needed to withstand future crises of the magnitude of past crises.

External Factors: Projections for the DIF are subject to considerable uncertainty. The FDIC will monitor deposit balance trends, potential losses, and other factors that affect the reserve ratio. The economic outlook has strengthened, and the banking system appears better positioned to withstand losses compared to prior periods of stress. Several factors, such as slower than expected economic growth, market volatility, or additional fiscal and monetary stimulus could result in increased insured deposit growth or losses to the fund.

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

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

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

1.5 The FDIC provides the public and IDIs access to clear and accurate information about federal deposit insurance coverage.

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

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

- Operation of a National Center for Consumer and Depositor Assistance staffed by specialists who respond to questions from depositors and bankers³,
- Training and other educational opportunities to help bank employees better understand the FDIC's deposit insurance rules,
- An array of web-based educational resources for consumers and bankers, and

- A wide range of publications and videos explaining how FDIC deposit insurance works.

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

³ 877-ASK-FDIC (877-275-3342); 800-925-4618 (TDD-for hearing impaired).

Supervision Program

Program Description

The FDIC is the insurer for all IDIs in the United States, and the primary federal supervisor for state-chartered banks and savings institutions that are not members of the Federal Reserve System.⁴ The FDIC's roles as an insurer and primary supervisor are complementary, and many activities undertaken by the FDIC support both the insurance and supervision programs. Through conducting examinations, review of examination reports, use of off-site monitoring tools, and participation in examinations conducted by other federal regulators (either through agreements with these regulators or, in limited circumstances, under the exercise of the FDIC's authority to conduct special (backup) examination activities), the FDIC regularly monitors the potential risks at all insured institutions, including those for which it is not the primary federal supervisor. The FDIC also takes into account supervisory considerations in the exercise of its authority to review and approve applications for deposit insurance from new institutions and other applications from IDIs, regardless of the chartering authority.

In addition, the FDIC has statutory responsibilities for certain bank holding companies and nonbank financial companies that are designated as systemically important.

The FDIC and FRB have joint responsibility for reviewing and assessing resolution plans developed by these companies that demonstrate how they would be resolved in a rapid and orderly manner in the event of financial distress.

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

- FDIC-insured institutions are safe and sound.
- FDIC-supervised institutions are compliant with applicable laws, including federal consumer protection laws, fair lending laws, and the Community Reinvestment Act (CRA).
- Large, complex financial institutions are resolvable in an orderly manner.

The FDIC promotes safe and sound financial institution practices through regular risk management examinations; publication of regulations, guidance and policy; ongoing communication with industry officials; and the review of applications submitted by FDIC-supervised institutions, and in certain cases, non FDIC-supervised institutions, to expand

⁴ This includes state-licensed insured branches of foreign banks. As of 3/31/21, the FDIC had primary supervisory responsibility for 3,209 FDIC-insured, state-chartered commercial banks and savings institutions that are not members of the Federal Reserve System (generally referred to as "state non-member" institutions).

their activities or locations. The FDIC also evaluates deposit insurance applications for de novo institutions, regardless of charter type. When appropriate, the FDIC has a range of informal and formal options available to require management to resolve safety-and-soundness problems identified at troubled institutions. The FDIC also has staff dedicated to administering off-site monitoring programs and to enhancing the agency's ability to timely identify emerging safety-and-soundness issues.

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

The FDIC's assessment of the resolution plans submitted by bank holding companies, other covered companies, and IDIs helps develop

and improve its capabilities to administer large resolutions under any of the available authorities. For example, the actions firms take to address the shortcomings identified by the FDIC and the Federal Reserve Board in their resolution plans are intended to address potential impediments to resolvability under the Bankruptcy Code. That work in turn informs the FDIC's strategic planning to conduct an orderly liquidation under the FDI Act or the Orderly Liquidation Authority (OLA), if necessary, to protect U.S. financial stability.

The FDIC may be called upon to resolve the failure of a large, systemically important financial company if failure under the Bankruptcy Code would threaten U.S. financial stability. In such circumstances, the authority exists to place the failed or failing financial company into an FDIC receivership process if no viable private-sector alternative is available to prevent the default of the company. The OLA is intended to ensure the rapid and orderly resolution of the failure of such a financial company in accordance with statutory mandates. The FDIC actively engages in, and will continue to refine, resolution plans and strategies and operational readiness initiatives to ensure that it is prepared, if necessary, to fulfill this responsibility.

Supervision Program – Risk Management

Strategic Goal 2

FDIC-insured institutions are safe and sound.

Strategic Objective

2.1 The FDIC exercises its statutory authority, in cooperation with other primary federal regulators and state agencies, to promote safe and sound practices at FDIC-insured institutions, including appropriate risk management.

Means and Strategies: As noted above, the FDIC is the primary federal supervisor for all state non-member banks and state-chartered savings institutions. For those institutions, the FDIC performs risk management (safety and soundness), trust, Bank Secrecy Act/Anti-Money Laundering, and Information Technology (IT) examinations in cooperation with state banking regulators. Most state banking agencies participate in an examination program under which certain community bank examinations are performed on an alternating basis by the state agency and the FDIC. The FDIC supervises regional banks jointly with the applicable states under a continuous examination model.

In addition, the FDIC, OCC, and FRB conduct IT examinations of third-party technology service providers that provide a range of services to IDIs. As the threat of cyberattacks continues to be prominent, the FDIC engages with other regulators and the private sector to encourage IDIs and service providers to implement strong

preventive programs and to exercise and refine protocols for addressing cyber events when preventive programs are overcome.

Risk management examinations are conducted according to statutorily established timeframes. Regional bank examinations are conducted on a continuous basis throughout the calendar year. Both community bank and regional bank examinations assess an institution's overall financial condition, management practices and policies, compliance with applicable laws and regulations, and the adequacy of management and internal control systems to identify, measure, and control risks. Examination procedures may also detect the presence of fraud or insider abuse. In addition, the FDIC reviews the risk management capabilities of those FDIC-supervised institutions that apply for permission to engage in new or expanded business activities, including those associated with innovative technologies.

Communication and corrective action are important components of the FDIC's strategy for promoting the safety and soundness of the institutions it supervises. Risks identified during an examination are discussed with the institution's management and board of directors. If an examination reveals serious weaknesses in the operations of the institution or indicates that the institution is operating in a weakened financial condition, the FDIC may issue formal or informal enforcement actions that remain in effect until corrective actions are taken and the identified weaknesses are addressed.

In the case of severe problems, the institution may be instructed to seek additional capital, merge with another institution, or liquidate.

The FDIC monitors individual institutions it supervises between examinations, and emerging trends across institutions, by analyzing Call Report data and examination findings relative to the emerging trends. To perform this analysis, the FDIC uses a combination of traditional analytical tools, and machine learning techniques. The FDIC's statutory authority also gives it a degree of supervisory responsibility in its role as insurer for IDIs for which it is not the primary federal supervisor. The agency has staff in each of its regional offices that regularly review examination reports and other available information from the primary federal regulators for those institutions.

The FDIC also performs off-site monitoring of those institutions on an ongoing basis. In addition, certain larger, more complex institutions are subject to more frequent onsite reviews and more robust off-site and ongoing monitoring. The FDIC also has the authority to conduct special (backup) examination activities for institutions for which is not the primary federal regulator. Under this authority, the FDIC participates in examinations of certain IDIs that present heightened risk to the DIF and designated large, complex IDIs.

Ensuring the safety and soundness of FDIC-insured institutions over the next four years will require an effective supervisory program

that incorporates the lessons learned from past financial crises and the recent health pandemic, identifies potential new risks that emerge, and responds quickly to such issues in an effective manner that maximizes the use of technology. The economic impact of the pandemic and potential longer-term shifts in demand for various property types, products and services create significant uncertainty for the coming period. Government stimulus programs have helped prevent asset quality deterioration, thus far, and have led to significant deposit inflows at institutions of all sizes. The low interest rate environment has negatively impacted institutions' earnings, with net interest margins falling to historic lows. These factors combine to create a challenging operating environment for institutions. The pandemic-related shift to working from home also led to an increase in cybersecurity threats and attacks across all industries. Innovation creates opportunities for managing through these changes, including in creating more resilient information technology infrastructures.

Through regular on-site examinations and interim contacts with state non-member institutions, FDIC staff will actively engage in a constructive dialogue with banks to ensure that their policies to manage financial and operational risks are effective, and, where appropriate, FDIC staff will work closely with institutions that have significant exposure to these risks and encourage them to take appropriate steps to mitigate risks.

The FDIC will use off-site monitoring to help identify institutions with outsized risk exposures and follow up with individual institutions to better understand their risk profiles.

Additionally, the FDIC will continue its efforts to promote offsite examination work where possible, by leveraging technologies used and lessons learned while examining through the pandemic. Cybersecurity is a risk area that will continue to receive particular attention. During this period, the FDIC will refine its IT examination program for insured institutions and major technology service providers, and increase its already robust collaboration with other regulators, law enforcement, and security agencies. In addition, in light of the risks posed to the DIF by large and complex banks and the FDIC's responsibilities for systemically important financial institutions (SIFIs), the agency will continue to enhance its supervisory monitoring program for large and complex banks.

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

inclusion, and consumer protection; and formulating strategy to respond to opportunities and challenges presented by technological innovation to supervised institutions.

The FDIC also dedicates significant resources to developing and implementing supervisory technology (SupTech). Examples of SupTech that will be expanded over the coming years are a machine learning tool that identifies trends across examinations and pertinent weaknesses at individual institutions, an off-site monitoring tool that analyzes Call Report data to identify institutions vulnerable to financial deterioration, and analytical tools derived from a rapid prototyping competition that will allow analysis of more granular bank data on a more regular basis between examinations, supporting earlier identification of any problems at the institutions, across the financial sector, or in particular economic areas.

The FDIC promotes safety and soundness through the development of or modification to regulatory policy. Identification of new or emerging risks may lead to a variety of policy responses depending on the nature and severity of the risk. The FDIC devotes significant resources to both domestic and international policy development and works collaboratively with other regulatory bodies in an effort to bolster the financial resilience of the banking system.

While banks generally performed well through the global health crisis, the period of disruption offers an opportunity to evaluate policy effectiveness while also addressing any identified weaknesses.

The FDIC actively works to fulfill five statutory goals to support the preservation of minority depository institutions (MDIs). In addition to its outreach, technical assistance, and training and education programs, the FDIC facilitates engagement with MDIs and other mission-driven institutions; highlights the role they play in community development; promotes public and private partnerships to provide tools and resources to support these institutions; and explores ways to remove barriers to adoption of innovative technologies by these banks.

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

External Factors: Several factors outside of the FDIC's control could affect the successful achievement of this strategic objective. In accordance with statutorily established time frames, most risk management examinations of well-capitalized and well-managed state non-member institutions are point-in-time

examinations that occur at 18-month intervals. Between examinations, institutions may enter new lines of business, extend their lending programs into riskier areas, or implement new technologies without the knowledge of the FDIC or state regulatory agencies. Major changes in economic conditions could also affect institutions between examinations. The FDIC will continue to improve off-site tools to analyze potential risks that may develop between examinations at individual institutions or across the financial sector.

Supervision Program – Consumer Protection and Economic Inclusion

Strategic Goal 3

FDIC-supervised institutions are compliant with federal consumer protection laws, including fair lending laws, and the Community Reinvestment Act (CRA).

Strategic Objectives

3.1 The FDIC supervises institutions for compliance with applicable federal consumer protection laws, including fair lending laws; the law against unfair and deceptive practices; and the CRA.

3.2 The FDIC provides clear and accessible information to consumers about their rights under federal consumer protection and fair lending laws and regulations, including applicable disclosures.

3.3 The FDIC encourages IDIs to offer affordable checking and savings accounts and loan products that meet the needs of consumers.

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

3.1 The FDIC supervises institutions for compliance with applicable federal consumer protection laws, including fair lending laws; the law against unfair and deceptive practices; and the CRA.

Means and Strategies: The FDIC pursues this strategic objective primarily through compliance and CRA examinations of all FDIC-supervised institutions. CRA examinations are subject to statutory timelines, while compliance examinations are conducted according to timeframes established by FDIC policy. These examinations evaluate institutions' compliance with consumer protection laws, unfair and deceptive acts or practices, CRA, and fair lending laws and regulations.

If an examination reveals violations, the FDIC may implement either formal or informal enforcement actions to correct the identified violations. In unusual cases, non-compliance with consumer laws may subject the institution to significant legal risk, and could result in administrative enforcement actions or private litigation. In addition, when the FDIC has reason to believe that a “pattern or practice” of violations of fair lending laws has occurred at an institution, the FDIC is required by statute to refer the matter to the Department of Justice. An institution's failure to comply with consumer protection, CRA, or fair lending laws and regulations might also affect the application of an FDIC-supervised institution seeking to engage in new or expanded business activities.

The FDIC sponsors or participates in numerous outreach and technical assistance activities designed to facilitate better understanding of and compliance with CRA, consumer protection, and fair lending laws and regulations by FDIC-supervised institutions.

In addition, it actively participates in interagency policy development efforts and issues policy guidance. The FDIC focuses its examinations and other supervisory activities on those industry products, services, and practices that have the highest potential risk for violations of law that may result in potential harm to consumers.

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

3.2 The FDIC provides clear and accessible information to consumers about their rights under applicable federal consumer protection and fair lending laws and regulations, including applicable disclosures.

Means and Strategies: The FDIC provides information about consumer protection and fair lending laws and regulations to help consumers understand their rights. This information is disseminated through brochures and other venues including social media, and the FDIC's website

(<https://www.fdic.gov>). The FDIC Consumer News is a monthly online newsletter for consumers, providing practical guidance on becoming a smarter, safer user of financial services. In addition, the FDIC frequently conducts or participates in educational seminars and conferences on consumer protection and fair lending issues to help both consumers and insured institutions better understand consumer protection, CRA, and fair lending laws and regulations.

The FDIC maintains a National Center for Consumer and Depositor Assistance for investigating and responding to consumer complaints about FDIC-supervised institutions and deposit insurance inquiries under established target timeframes. FDIC also promotes greater financial education and well-being, primarily through its award-winning *Money Smart* curriculum. The FDIC will continue to keep the Money Smart content relevant and research-based, while expanding collaborative relationships that result in its use.

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

3.3 The FDIC encourages IDIs to offer affordable checking and savings accounts and loan products that meet the needs of consumers.

Means and Strategies: The FDIC has played a leadership role in recent years in promoting broader economic inclusion of underserved households within the nation’s banking system through the availability of safe and affordable transaction and saving accounts, as well as the opportunity to build credit profiles and borrow money to meet their needs. Most recently, FDIC Launched #GetBanked, a public awareness campaign encouraging consumers to open an account, harnessing the opportunity for millions of unbanked Americans to receive COVID-19 relief government payments safely and securely. Also, the FDIC’s *Money Smart* financial education curriculum is a key tool for pursuing this objective by helping target populations gain practical knowledge, skills-building opportunities, and resources they can use to manage their finances with confidence. The FDIC also sponsors or conducts research and demonstration projects, develops policy proposals, facilitates partnerships, and participates in targeted outreach and technical assistance activities with both the institutions it supervises and various community-based organizations to further this objective.

The FDIC established and supports the Advisory Committee on Economic Inclusion to inform and support its economic inclusion strategies and to promote sound supervisory and public policies to help ensure that

underserved households have access to mainstream financial products and services that are affordable, easy to understand, and not subject to unfair or unforeseen fees. In addition, on a biennial basis, the FDIC conducts jointly with the U.S. Census Bureau the only comprehensive, nationwide research survey called “How America Banks” regarding the number of banked and unbanked households in the U.S. The FDIC also engages banks; other federal, state and local government agencies; and non-profit organizations serving a broad spectrum of consumers and small businesses in building locally based coalitions to participate in financial education and information sharing. These coalitions promote local economic inclusion opportunities in communities where financial health and well-being has lagged the rest of the country. In each state and territory in the US, at least one FDIC Community Affairs specialist has responsibilities to promote economic inclusion. Some markets also have an Alliance for Economic Inclusion.

The FDIC will continue to pursue multi-year initiatives to support broader economic inclusion such as promoting account opening, strategies to improve financial well-being, build savings and improve credit records, and evaluate new technologies that can be responsibly used to expand banking services to underserved populations. The FDIC also will continue to work with federal and local partners to facilitate community development through affordable housing, small business development, and related initiatives.

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

Supervision Program – Resolution Planning

Strategic Goal 4

Large, complex financial institutions are resolvable in an orderly manner.

Strategic Objective

4.1 Large, complex financial institutions are resolvable under the bankruptcy code or, for covered IDIs, the Federal Deposit Insurance (FDI) Act, as applicable.

4.2 In the event of the failure of a large, complex financial institution, the FDIC carries out the resolution in an orderly manner in accordance with statutory mandates.

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

4.1 Large, complex financial institutions are resolvable under the bankruptcy code or, for covered IDIs, the Federal Deposit Insurance (FDI) Act, as applicable.

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

The FDIC’s review of resolution plans is intended to improve the resolvability of bank holding companies (and other designated financial companies) through the bankruptcy process and their subsidiary IDIs through the FDIC’s traditional resolution processes as deposit insurer. These reviews enhance the FDIC’s ability to prepare for possible large resolutions and its understanding of how the FDIC’s resolution authorities could be best used. The FDIC has established on- and off-site monitoring and risk assessment programs that support the FDIC’s review of the resolution plans submitted by these companies.

In addition, the FDIC employs multidisciplinary teams that include both supervisory and receivership management expertise in the review of these plans. The FDIC also collaborates closely with the primary federal supervisors for the affected IDIs in the review of these plans.

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

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

4.2 In the event of the failure of a large, complex financial institution, the FDIC carries out the resolution in an orderly manner in accordance with statutory mandates.

Means and Strategies: Large, complex financial institutions in the United States historically have been organized under a holding company structure, with a top-tier parent and operating subsidiaries that comprise hundreds, or even thousands, of interconnected entities that share funding and

support services and span legal and regulatory jurisdictions across international borders. Functions and core business lines often are not aligned with individual legal entity structures, and critical operations cross legal entities and jurisdictions, with funding dispersed among affiliates as needs arise. These integrated legal structures present obstacles to the orderly resolution of one part of the company without triggering a costly collapse of the entire company and potentially transmitting adverse effects throughout the financial system.

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

To ensure the FDIC's operational readiness to conduct the resolution of a large, complex financial institution, the FDIC continues to update and refine its firm-specific contingency plans. In addition, the FDIC is developing operational procedures for administration of a receivership, if necessary.

The FDIC conducts simulations and tabletop exercises and undertakes joint contingency planning with other U.S. and foreign regulatory authorities to enhance communications and operational readiness, and it is exploring other opportunities to collaborate with U.S. and foreign authorities to ensure effective coordination and cooperation in a resolution.

In addition, the FDIC, together with other U.S. financial regulatory agencies, continues to develop its relationships with key regulatory authorities in other countries to facilitate closer coordination and cooperation in the event of the failure of a global SIFI. The FDIC also analyzes emerging issues and is enhancing its understanding of the legal and policy structures in other countries that might affect a rapid and orderly resolution.

The FDIC established the Systemic Resolution Advisory Committee to advise on the potential effects the failure of a large, complex financial

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

External Factors: The specific facts surrounding the failure of a large, complex financial institution may affect the FDIC's ability to execute a resolution as planned, especially considering the complex and

interconnected nature and global reach of these firms. As part of its contingency planning efforts, the FDIC will seek to mitigate this risk by collecting and maintaining comprehensive, up-to-date information on these institutions that will support a rapid and orderly resolution, if that becomes necessary.

Receivership Management Program

Program Description

When an IDI fails, the FDIC is ordinarily appointed receiver. In that capacity, it assumes responsibility for efficiently recovering the maximum amount possible from the disposition of assets and the pursuit of claims in the receivership. Funds that are collected from the sale of assets and the disposition of valid claims are distributed to the creditors of the receivership according to priorities set by law.

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

Strategic Goal 5

Resolutions are orderly and receiverships are managed effectively.

Strategic Objectives

5.1 The FDIC manages receiverships to maximize net return and terminates them in an orderly and timely manner.

5.2 The FDIC investigates potential recoveries, including claims against professionals, and pursues them if deemed to be meritorious and expected to be cost-effective.

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

5.1 The FDIC manages receiverships to maximize net return and terminates them in an orderly and timely manner.

Means and Strategies: Under the FDIC Act, the FDIC, in its receivership capacity, manages the assets of failed IDI receiverships to preserve their value and to dispose of them as quickly as possible, consistent with the objective of maximizing the net return on those assets. The oversight and prompt termination of receiverships preserves value for the uninsured depositors and other receivership claimants by reducing overhead and other holding costs. By quickly returning the assets of a failed institution to the private sector, the FDIC maximizes net recoveries and minimizes disruption to the local community.

In fulfilling its responsibilities to creditors of failed institutions, the FDIC, as receiver, manages and sells the receivership assets using a variety of strategies. Given adequate time to prepare for a resolution, the FDIC develops a virtual data room and an asset valuation review to solicit bidders and sell as many of the IDI's assets as possible at closing or shortly thereafter. The FDIC manages the remaining assets in a cost-effective manner to preserve value until they can be marketed and sold. Most of the remaining assets are marketed within 120 days after an IDI fails unless they are identified for an alternative disposition strategy (i.e., joint venture or securitization).

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

5.2 The FDIC investigates potential recoveries, including claims against professionals, and pursues them if deemed to be meritorious and expected to be cost-effective.

Means and Strategies: When an IDI fails, the FDIC, as receiver, acquires a group of legal rights, titles, and privileges generally known as professional liability claims. The FDIC's attorneys and investigators work together to identify and pursue claims arising from the

failure of an IDI that are deemed to be meritorious and expected to be cost-effective. The team conducts a factual investigation of the events that contributed to losses at the IDI as well as legal research and analysis of the facts and potential claims. Innovative data capture and analytics techniques are used to gain efficiencies throughout the investigative process. For each potential claim, the team recommends whether the claim should be pursued based on an assessment of its merits and the likelihood of a recovery exceeding the estimated cost of pursuing the claim. The timely investigation and evaluation of potential claims enables the FDIC to identify opportunities to maximize recoveries to each receivership and to hold accountable directors, officers, and professionals who cause losses to IDIs. This process also enhances industry awareness of sound corporate governance standards.

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

OFFICE OF INSPECTOR GENERAL

The Office of Inspector General

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

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

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

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

Additional information about the OIG, including a copy of the OIG's Strategic Plan, can be found at <https://www.fdicig.gov>.

APPENDICES

Appendix A: The FDIC's Strategic Planning Process

Introduction

The FDIC is subject to the requirements of the *Government Performance and Results Act (GPR)* as modified by the *GPR Modernization Act of 2010* and certain provisions of Title I, Federal Evidence-Building Activities of the *Foundations for Evidence-Based Policymaking Act of 2018*. In accordance with the requirements of these statutes, the FDIC reviews and updates its Strategic Plan every four years, publishes Annual Performance Plans and Performance Reports, and conducts program evaluations to assess whether the agency's programs are achieving their stated purposes.

Annual Performance Plan and Report

The FDIC Strategic Plan is implemented through annual performance plans. The annual plans identify annual performance goals, indicators, and targets for each strategic objective. The FDIC submits an Annual Report to Congress in February of each year that compares actual performance to the annual performance goals for the prior year. This report is also made available to FDIC stakeholders and the public through <https://www.fdic.gov>.

Long-term strategic goals and objectives are expressed in outcome terms, and selected outcome measures are included in the

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

Corporate Planning and Performance Management Process

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

After annual performance goals are established, a proposed annual corporate operating budget is developed, taking into account the financial, human capital, technological, and other resources required to accomplish core mission responsibilities and other annual performance goals.

The budget is typically approved by the Board of Directors in December.

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

Stakeholder Consultation

The FDIC requested comment from stakeholders and the public on a draft of this strategic plan through a posting on the FDIC website for a 14-day period in August 2021. All comments and suggestions were carefully reviewed and changes made to the plan where appropriate.

Appendix B: Enterprise Risk Management

Enterprise Risk Management

Enterprise Risk Management (ERM) is a way to better anticipate, prioritize, and manage risks across an agency. The FDIC's ERM program aims to address the full spectrum of significant internal and external risks facing the agency and the combined impact of those risks as an interrelated portfolio.

The FDIC integrates ERM into its strategic planning and budgeting processes to inform decision-making and resource deployment. Each year, the FDIC develops funding requests and corporate-wide goals that consider identified risks. Higher rated risks may warrant increases to financial or personnel resources.

Key ERM program components include the Risk Appetite Statement, Risk Profile, and Risk Inventory. The Risk Appetite Statement serves as a guide for setting strategic goals and objectives and communicates the Corporation's views about the level of risk taking that is acceptable across various agency programs and operations. The Risk Appetite Statement considers the following eight risk categories: strategic, compliance, reporting, operational, reputational, financial, technological, and external risks.

FDIC's Risk Inventory is a comprehensive, detailed list of risks that could hamper the FDIC's ability to achieve its goals and

objectives. Divisions and offices identify risks through risk assessments, internal reviews, audits and evaluations, risk committees, and ORMIC research and reviews. Divisions and offices assign residual risk level ratings based on the impact and likelihood of the risk occurring, identify risk mitigations for higher-rated risks, and track mitigation activities to completion.

The Risk Profile is a prioritized inventory of the most significant risks identified and assessed through the risk assessment process. ORMIC maps underlying Risk Inventory items to higher-level Risk Profile items then assigns a mitigation coverage level, risk trend, and residual risk level to each Risk Profile item. ORMIC vets this information with the divisions and offices and deputies to the Chairman. The Risk Inventory and Risk Profile are living documents that are updated as needed and formally validated each summer. The CRO presents the Risk Profile to the FDIC Operating Committee—the FDIC's ERM oversight body—for review, discussion, and annual confirmation. The CRO also provides quarterly ERM briefings to the Chairman and Operating Committee and semiannual briefings to the FDIC Audit Committee, a standing committee of the FDIC Board of Directors.

Appendix C: The FDIC's Use of Research, Data, and Analysis to Support Evidence-Based Policy Making and Program Management

The *Foundations for Evidence-Based Policymaking Act of 2018* requires the FDIC to assess as part of its strategic plan the coverage, quality, methods, effectiveness, and independence of the statistics, evaluation, research, and analysis efforts of the FDIC. The FDIC has long recognized that data is one of its most important resources for accomplishing its mission responsibilities, both for internal use and for dissemination to the financial industry and other stakeholders. The FDIC collects and utilizes data from individual financial institutions and other sources to assess risks and establish risk-based insurance premiums for insured depository institutions (IDIs), conduct bank examination and other supervisory activities for FDIC-supervised IDIs, evaluate the resolution plans of large and systemically important IDIs, and resolve IDI failures at the least cost to the Deposit Insurance Fund. It is essential that this information on which the FDIC relies in performing these functions be complete and accurate.

Statistics, Data Collection, and Analysis

The FDIC relies on the collection and analysis of data from FDIC-insured institutions and other sources to carry out virtually all of its

core business processes. These data are aggregated and maintained in multiple systems and databases used by employees throughout the agency to perform their day-to-day duties and responsibilities. The major systems/databases include the following:

- Central Data Repository (CDR), which maintains core financial information collected quarterly from all FDIC-insured institutions for use by all federal bank regulatory agencies.
- Institution Directory (ID), which contains comprehensive, up-to-date financial and demographic data for every FDIC-insured institution.
- Structure Information Management System (SIMS), which holds detailed location and demographic information on offices and branches of FDIC-insured institutions.
- Statistics on Depository Institutions (SDI), which maintains the latest comprehensive financial and demographic data for every FDIC-insured institution.
- Summary of Deposits (SOD), which collects and maintains annually information on branch office deposits for all FDIC-insured institutions, including insured U.S. branches of foreign banks.
- Survey of Household Use of Banking and Financial Services, which collects information biennially from U.S. households (in partnership with the U.S. Bureau of the Census) on bank account ownership, the primary

methods banked households use to access their bank accounts, bank branch visits, use of prepaid cards and nonbank financial transaction services, and use of bank and nonbank credit.

- Small Business Lending Survey, a nationally representative survey of U.S. banks and their small business lending practices.
- Failed Bank Data, a unique research database that contains detailed financial and other information collected by the FDIC during the resolution of FDIC-insured institution failures.
- Enterprise Data Warehouse, which provides FDIC employees a centrally managed, high-quality, and highly secure data platform for corporate and divisional data analysis, reporting, and decision-making.

The FDIC makes its data and risk analysis available to the public through a variety of regular publications, including the *Quarterly Bank Profile*, *FDIC Quarterly*, *Supervisory Insights Journal*, *Consumer Compliance Supervisory Highlights*, and *How America Banks*. It also makes this data available to the public for research and other purposes on its website through *Bank Find Suite*, a database that identifies whether an institution is FDIC-insured and provides detailed historical information on the institution, including past mergers and acquisitions. The FDIC is modernizing its public-facing data and analytical tools to improve functionality and ease of user access.

Research and Evaluation Activities

As a preeminent banking research organization, the FDIC maintains a vigorous research and publications program, managed by its Division of Insurance and Research (DIR), on an array of issues and topics of importance to the banking industry. This includes extensive and ongoing analysis of the economy and potential risks to the banking industry, sectors of that industry, or individual financial institutions. Sound economic analysis is critical to prudently managing the Deposit Insurance Fund and fulfilling the FDIC's deposit insurance mission. It also permits the FDIC to focus its supervisory efforts on the areas of greatest risk and to resolve IDI failures at the least cost to the Deposit Insurance Fund. The FDIC's economic analyses are evaluated and discussed on an ongoing basis through the interdivisional Risk Analysis Center in Washington and interdivisional Regional Risk Committees in each of the FDIC's regional offices.

Much of DIR's formal research program is conducted in collaboration with the academic community through the Center for Financial Research (CFR), which was established in 2004. The purpose of the CFR's research program is to expand knowledge and understanding and to prompt discussion among the FDIC's many stakeholders on issues affecting the banking system. The research focuses on banking industry developments, risk measurement and management methods, regulatory policy, and related topics. Research findings are disseminated through meetings of the

Advisory Committee on Community Banking and the Advisory Committee on Economic Inclusion, *CFR Working Papers*, *FDIC Staff Studies*, survey reports, articles in independent, peer-reviewed professional journals, and presentations at professional and academic conferences and other events. Completed studies can be found on [fdic.gov](https://www.fdic.gov).

Other FDIC divisions and offices also continually perform research, program analysis, and evaluation activities both to assess their organizational performance and to identify program and process improvements that would enhance their effectiveness in meeting strategic and annual goals and objectives, and employee perspectives are collected and analyzed through the annual Federal Employee Viewpoint Survey. Research and analysis are often shared across divisions and offices in a consultative process and are used operationally to inform organizational learning, program management, and performance management. In addition, the Office of Program Audits and Evaluations, in the FDIC's independent Office of Inspector General, conducts program evaluations and performance audits to assess the effectiveness and efficiency of FDIC programs and operations. The Office of Risk Management and Internal Controls also performs independent audits and evaluations of FDIC programs and operations to ensure that they are operating efficiently and effectively and accomplishing their intended objectives. Program evaluations are collaborative efforts that may involve management and staff from multiple divisions and offices.

Data Management and Governance

The FDIC seeks to manage its data as a corporate resource. This is fundamental to empowering FDIC staff at all levels of the organization to perform their responsibilities. In 2020, the FDIC appointed a new Chief Data Officer (CDO) and launched the Enterprise Data Governance Group to develop an enterprise data management strategy and implement a new enterprise data governance framework. In conjunction with that initiative, the CDO is leading a corporate-wide effort to establish a target data architecture for a new cloud data platform, implement a data literacy program, and create an enterprise data catalog. The CDO is also collaborating with the FDIC's Corporate University (CU) to develop training for employees on the use of these new tools. CU provides employees in all disciplines with career-long learning and development opportunities to equip them to meet the Corporation's current and future skills needs, including data analysis skills that are central to each of the FDIC's major business programs.

The FDIC is also pursuing data security initiatives to protect confidential and sensitive data from unauthorized access or misuse. The FDIC's multi-year IT Modernization Program initiated in 2020 includes initiatives intended to mature the Corporation's cybersecurity capabilities to ensure the continued confidentiality, availability, and integrity of FDIC systems and data. 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 generated by the FDIC in the execution of its mission.

Technology and Innovation

The FDIC established the FDIC Tech Lab (FDITECH) in 2019 to promote experimentation with innovative emerging technologies and, where appropriate, accelerate their adoption by both FDIC-insured and supervised institutions and by the FDIC. Many initiatives being pursued by FDITECH in partnership with FDIC business divisions hold the promise of increasing the FDIC's analytical capabilities. For example, the FDIC is experimenting with the application of artificial intelligence and machine learning technologies to its bank examination reports to identify cross-cutting risks. It is also planning to pilot a number of third-party proposals that emerged from a Rapid Phased Prototyping competition completed in 2021 that would provide the FDIC access to supplemental bank information (e.g., loan information) that could facilitate continuous offsite monitoring and analysis of risk in individual institutions.