Press Release

FDIC Launches Competition to Modernize Bank Financial Reporting

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FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation (FDIC) today announced the start of a rapid prototyping competition to help develop a new and innovative approach to financial reporting, particularly for community banks.

Twenty technology firms from across the country have been invited to participate in the competition. The competitors will develop proposed solutions over the next several months that will be presented to the FDIC for consideration, similar to an extended version of a "tech sprint" or "hackathon." Competing firms represent leaders in the financial services, data management, data analytics, and AI/ML fields.

These modern tools – and lessons learned in future competitions – will help make financial reporting seamless and less burdensome for banks, provide more timely and granular data to the FDIC on industry health, and promote more efficient supervision of individual banks.

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FDIC Chief on Why Call Reports are Getting a Makeover

By Jelena McWilliams
July 1, 2020

More than 150 years ago, Congress mandated that banks provide quarterly reports to supervisors on the financial health of the banking industry.

At the end of each quarter, banks collect between 1,400 and 2,400 data fields, and transfer it to the Federal Deposit Insurance Corp. for aggregation and analysis.

When I began serving as FDIC chairman two years ago, we charted an ambitious course for the development of new technological solutions both at the agency and across the banks we supervise. This agenda includes making these “call reports” obsolete.

Why, one may ask, would a bank regulator want to get rid of quarterly data collection? Because there has to be a better way.

Here is the issue: On June 16, we reported on the health of over 5,000 FDIC-insured financial institutions at the end of the first quarter. The quarter was challenging for banks, but the economic impact of the coronavirus pandemic would continue into the second quarter.

Second quarter results for the vast majority of banks will not come in until the end of July — 120 days after the quarter began. If you were a doctor trying to assess a patient’s health, it would be preposterous to get the lab results four months later. The information gap is particularly acute at community banks.

For our largest banks, the FDIC uses technology to fill the gap between call reports with robust, granular data feeds on liquidity, security exposures and asset quality. This depth of reporting is not necessary for community banks that individually represent little to no systemic risk.

Nevertheless, financial conditions across all community banks can be key indicators of strain in the economy, growing stress across the financial system and emerging risk at individual institutions.

This presents a key challenge for regulators: How to promote more regular reporting from community banks — where technology levels vary greatly — without increasing reporting burdens or costs.

To help answer this question, the FDIC recently invited some of the most advanced technology companies and several core processors that support the financial services industry to participate in a rapid prototyping competition. Similar to an extended tech sprint or "hackathon," this event will challenge the competitors to develop a new approach to financial reporting.

The supervisory technology that the competing teams will develop will be the initial step in a long journey to eliminate call reports.

Targeted data sets from community banks, more frequently available and more granular than current reporting, could reduce the need for cumbersome quarterly reporting. This modernized and automated data system would improve the ability of supervisors to identify bank-specific and systemwide risks sooner and more efficiently, while reducing the compliance burdens on individual institutions.

More timely and targeted data would also promote early supervisory engagement with banks when risks are identified. And these advance warnings would allow banks to take remedial action before issues become irreparable.

The lessons learned from this competition, and future FDIC tech sprints, will promote the safe and sound adoption of these technologies, helping banks and supporting consumers in the process. This reporting system will not come with mandates for community banks to adopt it.

Until this new framework becomes operational, call reports will continue to be an important supervisory tool. As the FDIC works to facilitate and expedite the digital transformation at community banks, we will maintain the public transparency and security that call report information provides.

This transformation will not happen overnight — it may not even happen during my FDIC tenure. But it is critical for our banking system to begin the process now. The future is past due, and the FDIC is lighting the fuse on innovation today.

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