FEDERAL DEPOSIT INSURANCE CORPORATION

DRAFT 2004 – 2009 STRATEGIC PLAN

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OVERVIEW

Mission

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress that contributes to stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions, and managing receiverships.

Vision

The FDIC is a leader in developing and implementing sound public policies, identifying and addressing new and existing risks in the nation's financial system, protecting the rights of depositors and consumers, and cost effectively carrying out its insurance, supervisory, and receivership management responsibilities.

Values

The FDIC and its employees have a long and continuing tradition of distinguished public service. Six core values guide FDIC employees as they strive to fulfill the Corporation's mission and vision:

Integrity. FDIC employees adhere to the highest ethical standards in the performance of their duties and responsibilities.

Competence. The FDIC maintains a highly skilled, dedicated, and diverse workforce.

Teamwork. FDIC employees work cooperatively with one another and with employees in other regulatory agencies to accomplish the Corporation's mission.

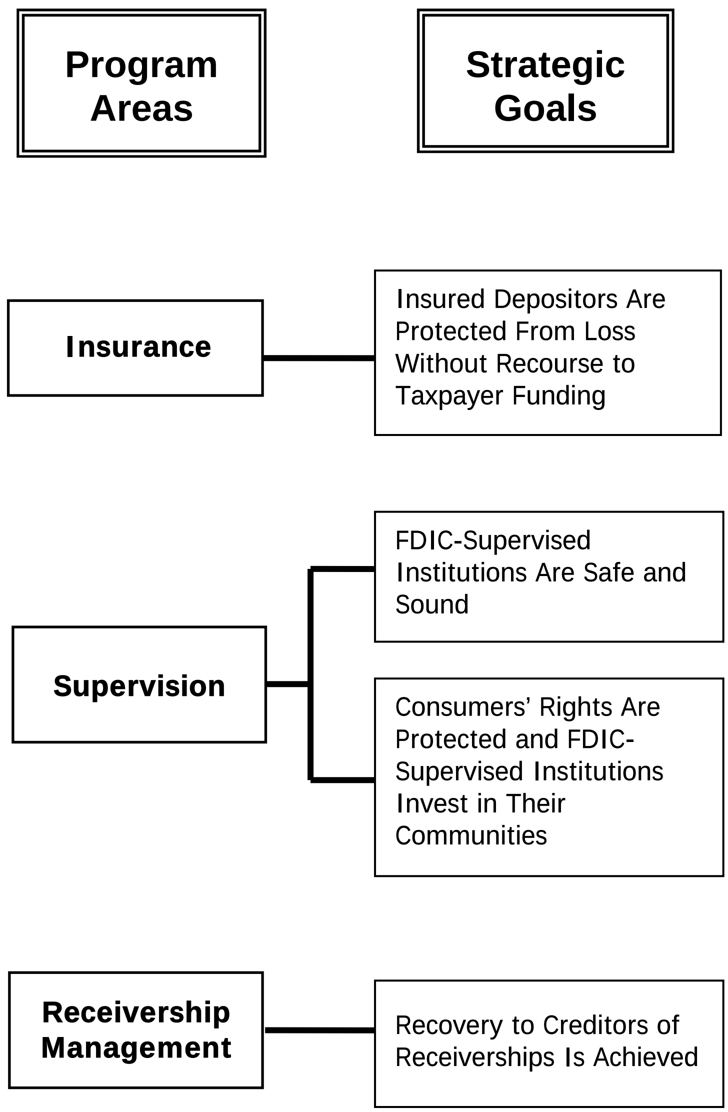
Effectiveness. The FDIC responds quickly and successfully to identified risks in insured financial institutions and in the broader financial system.

Financial Stewardship. The FDIC acts as a responsible fiduciary, consistently operating in an efficient and cost-effective manner on behalf of insured financial institutions and other stakeholders.

Fairness. The FDIC treats all employees, insured financial institutions, and other stakeholders with impartiality and mutual respect.

THE FDIC'S MAJOR PROGRAMS

The following diagram represents the FDIC's major programs and the associated strategic goals:



THE FDIC AND THE BANKING INDUSTRY

Introduction

The Congress created the FDIC in the Banking Act of 1933 to maintain stability and public confidence in the nation's banking system. The intent was to provide a federal government guarantee of deposits in U.S. depository institutions so that customer funds, within certain limits, would be safe and available to them in the event of a financial institution failure. As required by current law, the FDIC maintains and protects separate insurance funds for banks and savings associations. The FDIC shares supervisory and regulatory responsibility[1] for the institutions it insures with other regulatory agencies including the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), and state authorities. 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.

Primary Federal Supervisor	Number of Institutions	Total Assets (dollars in millions)
FDIC	5,321	$1,715,775
OCC	2,031	4,202,114
FRB	949	1,925,959
OTS	936	1,101,886
Total	9,237	$8,945,734

Source: 3rd Quarter 2003 Banking Profile

Perspective and Outlook

Over the next six years, the FDIC will face many challenges as changes in the economy, structure of the financial services industry, and technology affect the financial institution industry. The FDIC will continue to monitor these and other emerging issues as they develop to ensure its readiness to address any challenges the industry may face.

Overview of the economy

The performance of the economy at the national and regional levels directly affects the financial institution industry's business strategies and may affect the industry's performance. Changes in the business cycle of sectors such as agriculture, commercial real estate, and energy, as well as interest rates, inflation, and unemployment, influence the lending and funding strategies of insured depository institutions. An economic downturn could adversely impact the financial institution industry, resulting in slower asset growth, increased loan losses and diminished profitability.

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[1] The terms "FDIC-insured institution" and "insured depository institution" refer to all banks and savings associations insured by the FDIC. The term "FDIC-supervised institution" refers to those banks for which the FDIC is the primary federal regulator, i.e., FDIC insured state-chartered commercial banks that are not members of the Federal Reserve System, state-licensed insured branches of foreign banks, and state-chartered savings banks.

Changes in the financial services industry

Changes in the financial services industry have presented new challenges for financial institutions and their regulators. These changes have been driven by financial modernization, privacy concerns, industry consolidation, applications for new institutions, trends in borrowing and lending, globalization and emerging technology.

The passage of financial modernization legislation by Congress in 1999 (the Gramm-Leach-Bliley Act) removed barriers that restricted providers of financial services from expanding product offerings to include insurance and securities. Such expansion poses new management challenges to financial institutions and new supervisory challenges to regulators.

Protecting the privacy of consumer information is one such challenge that surfaced as a result of financial modernization and technological developments. The ease and speed with which information about individuals can be compiled and shared will continue to create a need to find a balance between information sharing for normal business purposes and the desire to protect individual privacy. Financial institutions will be at the center of these multiple objectives.

Mergers and consolidations, as well as applications for new financial institutions, increased rapidly over the last five years. Larger, more complex institutions present greater risk-management issues. New institutions are more vulnerable to economic volatility in their early years.

Competitive pressure within the industry and with non-bank lenders has induced financial institutions to seek more profitable, possibly riskier lines of business and has resulted in a greater reliance on non-interest income, which may be more volatile. In addition, institutions that have significant concentrations of certain loan products, such as credit card, subprime lending or commercial real estate loans, are potentially more vulnerable to losses in the event of an economic downturn.

An increasing focus on antiterrorism, compliance, and corporate governance issues has resulted in Congress enacting new legislation. The USA PATRIOT ACT (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001) requires financial institutions to implement an identification program to verify the identity of customers opening new accounts. The Sarbanes-Oxley Act of 2003 imposes new reporting, corporate governance, and auditor independence requirements on companies, including insured depository institutions and bank and thrift holding companies, with securities registered under the federal securities laws. Large financial penalties have been assessed against financial institutions for the failure to obey consumer compliance laws or for breeches in corporate governance.

Financial institution supervisors also face increased challenges to coordinate regulations in an industry that is becoming more globalized.

Efforts such as those undertaken by the Basel Committee on Bank Supervision to adopt new international capital standards will take on increasing significance and further emphasize the need for coordination and communication among the international financial services regulatory community.

As financial institutions leverage new technology, risk-management oversight issues will become more complex for both institutions and regulators. For example, emerging technology is introducing new ways for insured depository institutions to deliver and manage traditional products and services and, in some instances, to develop innovative offerings. In addition, new worldwide industry standards are in the process of being developed that could allow financial data to be exchanged more accurately and timely at less cost.

The FDIC continually monitors changes in the financial services industry. As necessary, the FDIC seeks regulatory or statutory amendments or develops improved procedures to respond to these industry changes.

Workforce issues

Like many other government agencies, the FDIC is confronting human capital issues, including how to provide maximum flexibilities for managers to attract, develop, evaluate, reward, and retain a high quality workforce and to manage succession effectively and efficiently as workload demands change in the future. Over the time frame covered by this Strategic Plan, more than 20 percent of current permanent employees will become eligible to retire, including many of the FDIC's most experienced managers and technical experts. This will require strategies for replacing these essential human resources and the expertise that may be lost through retirements. Demands placed on the Corporation by rapidly changing external and internal factors will require effective means for addressing any resource imbalances with minimal disruption to employees and managers. More than any time in the Corporation's history, human capital plans must remain flexible to ensure that the FDIC has the skills and staffing to fulfill its mission and has strategies in place to respond to emergencies.

INSURANCE PROGRAM

Program Description

Deposit insurance is a fundamental part of the FDIC's commitment to maintain stability and public confidence in the U. S. financial system. Promoting industry and consumer awareness of deposit insurance helps the FDIC protect depositors at banks and savings associations of all sizes. When insured depository institutions fail, the FDIC ensures that financial institution customers have timely access to their insured deposits and other services. To keep pace with the evolving banking industry and maintain its readiness to promptly protect insured depositors, the FDIC prepares and maintains contingency plans to address a variety of insured depository institution failures.

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

The FDIC is engaged in a comprehensive review of the deposit insurance system. Statutory requirements constrain the FDIC's ability to charge institutions for the risk they pose to the insurance funds and require potentially high deposit insurance premiums during downturns, when institutions can least afford to pay. In addition, the existing process for adjusting coverage levels to keep pace with inflation is not automatic, unlike other important government programs for which the benefits are indexed to well-understood benchmarks.

Strategic Goal	Strategic Objectives
Insured depositors are protected from loss without recourse to taxpayer funding.	1. Customers of failed insured depository institutions have timely access to insured funds and financial services. 2. The FDIC promptly identifies and responds to potential risks to the insurance funds. 3. The deposit insurance funds and system remain viable.

The means and strategies used to achieve the insurance strategic goal and its associated objectives are described below:

Customers of failed insured depository institutions have timely access to insured funds and financial services

Means & Strategies: When an institution fails, the FDIC fulfills its role as insurer, by either facilitating the transfer of the institution's insured deposits to an assuming institution or by paying insured depositors directly. The FDIC's goal is to provide customers with access to their insured deposits within one to two business days.

The FDIC continually monitors changes in financial institution operations and products to ensure its ability to handle potential financial institution failures. The FDIC develops, tests and maintains contingency plans to be prepared to handle potential failures, including the failure of a large financial institution; simultaneous, multiple failures; and technological failures (for example, an Internet bank failure).

To educate consumers and institutions about deposit insurance coverage, the FDIC maintains a toll-free call center[2] to respond to questions related to deposit insurance. The FDIC provides a list of all FDIC-insured institutions and an Electronic Deposit Insurance Estimator (EDIE), which is an interactive tool to help determine deposit insurance coverage amounts, on its Web site, www.fdic.gov. The FDIC conducts training on various aspects of deposit insurance for financial institution employees. The FDIC also provides financial institutions with educational tools and materials that are designed to assist the institutions in providing their customers with information they need to understand their deposit insurance coverage.

External Factors: The failure of a large, complicated institution or a sudden failure due to fraudulent activities could affect the FDIC's goal of paying insured depositors within one to two business days. However, no depositor would lose any of their insured deposits.

[2] 877-ASK-FDIC (877-275-3342); 800-925-4618 (TDD)

The FDIC promptly identifies and responds to potential risks to the insurance funds

Means & Strategies: The FDIC, in cooperation with the other primary federal regulators, proactively identifies and evaluates the risk and financial condition of every insured depository institution. The FDIC also identifies broader economic and financial risk factors that affect all insured institutions. The availability of timely banking information is critical to ensuring the FDIC's ability to assess risk to insured financial institutions and the deposit insurance funds. The FDIC is committed to providing accurate and timely bank data related to the financial condition of the banking industry. Industry-wide trends and risks are communicated to the financial industry, its supervisors and policymakers through a variety of regularly produced publications and ad hoc reports. Risk-management activities include approving the entry of new institutions into the deposit insurance system, off-site risk analysis, assessment of risk-based premiums, and special insurance examinations and enforcement actions.

Risk management begins with the FDIC's review of applications for deposit insurance to ensure that the applying institution is well-capitalized, possesses a qualified management team, and is capable of operating in a safe and sound manner.

Off-site monitoring activities include reviewing examination reports and using a variety of information system models and tools. The purpose of these activities is to understand the risk profile of individual financial institutions and to identify trends and emerging risks affecting groups of financial institutions and the insurance funds. The information may be used to target institutions for examination or other follow-up activities; focus the scope of an examination; assist in setting risk-based premiums for individual institutions; determine the adequacy of the deposit insurance funds; develop new policy initiatives; and determine corporate strategies for supervision, staffing, communication and other resource decisions.

The FDIC assesses risk-based insurance premiums by assigning a risk classification to each insured institution. The risk classifications are adjusted semiannually to reflect the relative risk posed by institutions. Accordingly, institutions that represent greater supervisory risks to the insurance funds pay higher premiums.

In fulfilling its role as insurer, the FDIC has special insurance examination and enforcement authority over all insured institutions and, at times, participates in examinations with the other federal regulators. In order to prevent or minimize losses to the funds, the primary federal regulator is required to take prompt corrective action when an FDIC-insured institution is determined to have capital problems. Depending on the institution's capital classification, these actions range from imposing restrictions or requirements on an institution's operations to the appointment of a receiver or conservator.

External Factors: A sudden or large fraud perpetrated on a financial institution could result in an unforeseen loss to the insurance funds. Also, natural disasters, public policy changes, and sudden economic financial market crises could cause losses for financial institutions and pose risk to the deposit insurance funds.

The deposit insurance funds and system remain viable

Means & Strategies: The FDIC maintains separate insurance funds for banks and for savings associations. It maintains the viability of each fund by investing the funds, monitoring the reserve requirements, collecting risk-based premiums, and evaluating the deposit insurance system in light of an evolving financial institution industry.

The FDIC analyzes the growth or shrinkage of insured deposits, the current assessment base, loss expectations, interest income earned on the funds and operating expenses. This information is used to estimate the level of assessment revenue necessary to cover projected losses while maintaining the designated reserve ratio (DRR).[3] Assessment revenue is provided through the collection of risk-based deposit insurance premiums assessed on individual institutions by the FDIC.

The FDIC has identified four aspects of the current deposit insurance system that need to be addressed. Deposit insurance is provided by two insurance funds at potentially different prices; deposit insurance cannot be priced effectively to reflect risk; deposit insurance premiums are highest at the wrong point in the business cycle; and the value of insurance coverage does not keep pace with inflation in a predictable fashion. The FDIC solicited and analyzed the input from its stakeholders and developed the following recommendations:

- Merge the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF).

- Eliminate the statutory restriction on the FDIC's ability to charge risk-based premiums to all institutions; the FDIC should charge regular premiums for risk regardless of the level of the fund.

- Eliminate sharp premium swings triggered when the reserve ratio deviates from the DRR. If the fund falls below a target level, premiums should increase gradually. If it grows above a target level, funds should be rebated gradually.

- Base rebates on past contributions to the fund, not on the current

[3] The FDIC Improvement Act of 1991 requires each fund to maintain a designated reserve ratio of 1.25% of estimated insured deposits.

assessment base.

- Index the deposit insurance coverage level to maintain its real value.

External Factors: Industry consolidation presents benefits and risks to the deposit insurance funds. While the risks to the funds are diminished because of the diversification benefits of consolidation (along geographic and product lines), the concentration of deposits in fewer insured depository institutions increases the risks to the funds in the event a large insured depository institution fails.

Implementation of the FDIC's recommendations to revise the deposit insurance system will require legislative action by the Congress.

SUPERVISION PROGRAM

Program Description

As insurer, the FDIC is concerned with the safety and soundness of all insured institutions. However, a distinction is made between the FDIC's role as an insurer and its role as the primary federal supervisor for state non-member banks.[4] Nonetheless, it is important to note that the FDIC's roles as an insurer and as a primary supervisor are complementary and that many activities support both the insurance and supervision programs.

In fulfilling its primary supervisory responsibilities, the FDIC pursues two strategic goals:

- FDIC-supervised institutions are safe and sound; and
- Consumers' rights are protected and FDIC-supervised institutions invest in their communities.

The FDIC promotes safe and sound financial institution practices through examinations, regular communication with industry officials, and the review of applications submitted by FDIC-supervised institutions to expand their activities or locations. When appropriate, the FDIC has a range of informal and formal enforcement options available to resolve problems identified at an FDIC-insured institution.

The FDIC also promotes institution compliance with consumer protection and fair lending laws. The FDIC engages in a variety of activities related to consumer protection and fair lending, including: 1) providing consumers with access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws; and 2) examining FDIC-supervised institutions to determine their compliance with consumer protection and fair lending laws and evaluating their performance under the Community Reinvestment Act of 1977 (CRA).

[4] The FDIC has primary supervisory responsibility for 5,321, (Third Quarter 2003 FDIC Banking Profile) FDIC-insured state chartered commercial banks that are not members of the Federal Reserve System, state-licensed insured branches of foreign banks, and state-chartered banks.

One strategic objective supports the safety and soundness strategic goal;

Strategic Goal	Strategic Objectives
FDIC-supervised institutions are safe and sound.	FDIC-supervised institutions appropriately manage risk.

The means and strategies used to achieve the safety and soundness strategic goal and its associated objective are described below.

FDIC-supervised institutions appropriately manage risk

Means & Strategies: The FDIC performs safety and soundness, trust, and information system examinations of FDIC-supervised institutions. The majority of the states participate with the FDIC in an examination program under which examinations are performed on an alternating basis by the states and the FDIC. The examinations are conducted to assess an institution's overall financial condition, management practices and policies, and compliance with applicable laws and regulations. Through the examination process, the FDIC also assesses the adequacy of management and internal control systems to identify and control risks. Procedures normally performed in completing examinations may disclose the presence of fraud or insider abuse. The FDIC regularly reviews examination methodologies and adjusts them as necessary to remain effective.

If the examination process reveals weaknesses in an FDIC-supervised institution's operations or conditions, the FDIC takes appropriate action. Informal or formal enforcement actions may be issued for FDIC-supervised institutions with significant weaknesses or operating in a deteriorated financial condition. The actions remain in effect until the weakness is corrected. If the problems remain unresolved, the FDIC may take further steps to encourage or compel institutions to comply with the actions. If these efforts are unsuccessful or if other weaknesses are evident, the institution would be instructed to seek additional capital or merger. If problems remain unresolved, the chartering authority might close the institution, and the FDIC would oversee the resolution of the institution.

Informal enforcement actions require the institution's acknowledgement and commitment to correct the problem. Informal actions include board resolutions or memoranda of understanding. Formal enforcement actions are taken when an informal action is ineffective or inappropriate. Formal enforcement actions include written agreements, cease and desist orders, the suspension or removal of officers and directors, and civil money penalties.

Communication is an important component of the FDIC's safety and soundness program. Risks identified during an examination are discussed with the institution's management and its board of directors. In addition to examinations, the FDIC provides information on issues such as technology or underwriting practices through the publication of financial institution letters and financial institution outreach programs.

The FDIC also evaluates an FDIC-supervised institution's ability to manage risk when reviewing applications or notices for new or expanded activities. In order for the FDIC to expedite the review of an institution's application or notice, it must be well-capitalized, possess a qualified management team, be capable of operating in a safe and sound manner, be compliant with applicable laws and regulations, and represent no undue risk to the deposit insurance funds.

External Factors: The development and implementation of effective risk-management policies and practices are the responsibility of individual financial institutions. As institutions enter new lines of business and activities, implement new technologies, or face changing economic conditions, risk-management policies and oversight become increasingly important.

Although the FDIC prepares its examination staff to recognize indicators of fraudulent activity, fraud is often difficult to detect, and losses may occur before the fraudulent activity is detected.

Under the alternate examination program, examinations are conducted in alternate periods by the appropriate state supervisory authority. Constraints outside of the FDIC's control may affect the completion of examinations by state authorities. However, the FDIC will conduct the examination within 60 days if the state is unable to do so.

Two strategic objectives support the consumer rights strategic goal:

Strategic Goal	Strategic Objectives
Consumers' rights are protected and FDIC-supervised institutions invest in their communities.	1. Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws. 2. FDIC-supervised institutions comply with consumer protection, CRA and fair lending laws.

The means and strategies used to achieve the consumer rights strategic goal and its associated objectives are described below.

Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws

Means & Strategies: The FDIC makes available information about consumer protection, fair lending and deposit insurance to help consumers understand their rights. This information is provided in brochures and through other media, including the FDIC's Web site, www.fdic.gov. The FDIC frequently conducts or participates in focus groups, educational seminars and conferences. The FDIC maintains a toll-free call center to respond to questions from consumers related to consumer protection laws and regulations.

External Factors: If a severe economic downturn resulted in an increased number of troubled institutions, the FDIC might have to reallocate staff resources to respond adequately to supervisory issues posed by troubled institutions. This could result in temporary adjustments to the FDIC's various examination programs.

FDIC-supervised institutions comply with consumer protection, CRA and fair lending laws

Means & Strategies: The FDIC provides technical assistance to the institutions it supervises to facilitate their understanding of, and compliance with, CRA and fair lending laws and regulations. The compliance and CRA examination process evaluates FDIC-supervised institutions' practices regarding consumer protection, CRA, fair lending laws and regulations, and consumer privacy. In addition to the examination process, the FDIC investigates consumer complaints about unfair or deceptive practices. Non-compliance with consumer laws can result in civil liability and negative publicity as well as informal or formal enforcement actions by the FDIC to correct the identified violations. An institution's compliance with consumer protection, CRA and fair lending laws and regulations is considered when an institution seeks to engage in new or expanded activities.

External Factors: If a severe economic downturn resulted in an increased number of troubled institutions, the FDIC might have to reallocate its examiner resources to enable the FDIC to respond adequately to supervisory issues posed by troubled institutions. This could result in temporary adjustments to the FDIC's various examination programs, including its compliance and CRA examinations.

RECEIVERSHIP MANAGEMENT PROGRAM

Program Description

The Receivership Management Program is designed to ensure that claims against the receiverships are satisfied consistent with applicable laws and the resources of individual receivership estates. When an institution fails, the FDIC is appointed receiver and assumes responsibility to recover, as quickly as it can, the maximum amount possible on the receivership's claims. Having fulfilled its obligations as deposit insurer, the FDIC is often the largest creditor.

The receiver may have valid claims against former directors, officers, attorneys, accountants or other professionals who may have caused harm to the institution. Funds collected through the pursuit of valid claims and the sale of assets are distributed to the creditors according to priorities set by law. Once the FDIC sells the receivership's assets and resolves its obligations, claims and any legal impediments, the receivership is terminated and a final distribution is made to its creditors.

Three strategic objectives support the receivership management strategic goal:

Strategic Goal	Strategic Objectives
Recovery to creditors of receiverships is achieved.	1. The FDIC resolves failed insured depository institutions in the least-costly manner. 2. Receiverships are managed to maximize net return toward an orderly and timely termination. 3. Potential recoveries, including claims against professionals, are investigated and are pursued and resolved in a fair and cost-effective manner.

The means and strategies used to achieve the receivership management strategic goal and its associated objectives are described below.

FDIC resolves failed insured depository institutions in the least-costly manner

Means & Strategies: When an institution fails, the FDIC facilitates an orderly and least-cost resolution.[5] The FDIC obtains an accurate valuation of the failing institution by valuing and assessing its assets and liabilities. Using this information, the FDIC markets the institution to potential bidders. The FDIC analyzes the bids received, conducts a least-cost test determination and selects the least-cost strategy to pursue.

External Factors: Industry consolidation presents both benefits and risks. While the risks to the deposit insurance funds are diminished because the risks are diversified through consolidation (along both geographic and product lines), the concentration of deposits into fewer insured depository institutions increases the risks to the funds in the event one of these larger insured depository institutions fails. In accordance with law, if a failure threatens serious adverse effects on economic conditions or financial stability, actions other than a least-cost resolution may be taken.

Receiverships are managed to maximize net return toward an orderly and timely termination

Means & Strategies: The oversight and prompt termination of the receivership preserve value for the uninsured depositors and other receivership claimants by reducing overhead and other holding costs. When the FDIC is appointed receiver, the FDIC establishes a unique action plan for each receivership that is executed by a team of asset, marketing, finance and legal staff acting as an advocate for the receivership.

Once appointed receiver, the FDIC immediately works to identify and notify potential creditors of the failed insured depository institution about the failure and the process for submitting claims against the receivership. Receivership liabilities include, for example, secured creditors, unsecured creditors (including general trade creditors), subordinated debt holders and shareholders of the institution. The FDIC reviews the validity of each claim and determines a suitable resolution.

In order to fulfill its responsibilities to creditors of the failed institution, the FDIC, as receiver, manages and sells the assets through a variety of strategies and identifies and collects monies due to the receivership. The FDIC's goal is to expedite the return of assets to the private sector by marketing most of the assets soon after an insured institution fails. Returning assets to the private sector quickly allows the FDIC to maximize net recoveries and to minimize any disruption to the local community. The FDIC uses a number of information technology applications, including Internet auctions, to facilitate the management and marketing of assets. A list of loans and real estate for sale is

[5] In resolving a failing institution, the FDIC calculates the cost of various options and selects the option resulting in the lowest total cost to the insurance funds.

available on the FDIC's Web site, www.fdic.gov.

Receivership staff provides oversight and monitors the execution of individual receivership action plans. Once all assets have been disposed of, all liabilities resolved, and no material financial or legal risks to the FDIC remain, a final distribution to the receivership's creditors is made and the receivership is terminated.

External Factors: A severe economic downturn could lead to an increased number of institution failures, and experienced staff might have to be diverted from other work to handle closings on a priority basis. Such a diversion of staff might affect the pace at which the FDIC markets assets and terminates receiverships.

Economic and other factors could affect the achievement of specific targets expressed in annual performance plans. For example, factors such as litigation and receivership properties being tainted by environmental contamination could delay the termination of a receivership.

Potential recoveries, including claims against professionals, are investigated and are pursued and resolved in a fair and cost-effective manner

Means & Strategies: When an insured depository institution fails, the FDIC, as receiver, acquires a group of legal rights, titles and privileges generally known as professional liability claims. The FDIC's attorneys and investigators work together to assure that valid claims arising from a failure of an insured institution are properly pursued. The team conducts a factual investigation of the events that contributed to losses at the institution as well as legal research and analysis of the facts and potential claims. The team prepares additional analysis to determine the likelihood of a recovery exceeding the estimated costs of pursuing claims. Finally, the team prepares a memorandum recommending that claims be pursued or that an investigation be closed.

The FDIC believes that the prompt investigation and evaluation of potential claims against professionals who may have caused losses to the institution (such as directors, officers, attorneys and accountants) enhance the fairness of the process and lead to more cost-effective results.

External Factors: No external factors were identified that could affect the accomplishment of this objective.

APPENDICES

Corporate Resources

The management of the FDIC's human, financial and information-technology resources is essential for efficiently achieving the FDIC's program goals and objectives.

Human Resources

As the FDIC moves past an era that has been characterized by continual downsizing, the demands placed on the Corporation by a rapidly changing internal environment require a more dynamic and strategic approach to managing the Corporation's human capital. In October 2003, the FDIC established a streamlined, four-step process to address projected future surplus positions to minimize the potential disruption to employees, and to ensure that the FDIC has the skills and staffing necessary to fulfill its mission in the future. In addition, the FDIC is identifying opportunities to provide increased managerial flexibility to improve and enhance operational performance through a comprehensive review of the Corporation's human resources processes.

Cost Management

The FDIC seeks to manage costs and investments to optimize effectiveness and reduce risk. The FDIC regularly reviews how it conducts work and evaluates the cost of performing that work. In addition, the FDIC reviews alternatives to delivering its services more efficiently. The FDIC is also working to reduce its cost of collecting, processing, storing and accessing institution data. These efforts will result in better business planning, including information technology, staffing, budgeting and other resource decisions.

Information Technology

The Corporation is committed to using information technology to improve its business processes. Investments in technology are strategically directed and are judged by their impact on the effectiveness and/or efficiency of the FDIC's mission-critical functions. The FDIC is pursuing the establishment of a corporate Enterprise Architecture (EA) and completed the initial foundation work in 2003. EA is now an integral part of the FDIC strategic IT decision-making process.

A critical component of technological support is the maintenance of an effective security program to ensure the reliability, availability and confidentiality of information. The FDIC's security program is designed to prevent, detect and investigate security threats such as virus attacks and unauthorized intrusion; ensure complete recovery in the event of a disaster; and ensure accountability on the part of every manager in protecting information resources.

Internal Control and Risk Management

A strong internal control and risk-management program is essential for the FDIC to operate efficiently and effectively. The FDIC analyzes various sources of FDIC and industry information to identify emerging internal control and risk-management issues. In addition, the FDIC conducts internal control reviews in order to monitor risks and to verify that completed corrective actions have resolved any previously identified internal weaknesses.

Office of Inspector General

The Office of Inspector General (OIG), an independent office established within the FDIC under the Inspector General Act, promotes the economy, efficiency, effectiveness and integrity of FDIC programs and activities. The OIG has developed a strategic plan that aligns with the FDIC’s strategic goals and objectives and focuses on adding value to FDIC programs and activities.

Corporate Planning Process

The FDIC uses an integrated planning process whereby guidance and direction are provided by senior management and developed 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 institution industry, program evaluations and other management studies, and prior period performance. As described below, the FDIC also solicits input from its external stakeholders in developing its Strategic Plan.

The FDIC's strategic goals and objectives are communicated to its employees via the Internet and internal communications such as newsletters and staff meetings. Employee support of the FDIC’s Strategic Plan is also promoted through the FDIC’s Mission Achievement Award and Corporate Success Award programs, which recognizes individual and team contributions to achieving the FDIC’s mission, goals and objectives.

Linkage to Annual Goals

The FDIC’s Strategic Plan is implemented by the FDIC’s annual performance plans. The annual plans list performance goals for each strategic objective. The performance goals use a mix of output and milestone targets to focus and measure the FDIC’s efforts toward accomplishing its mission. Developing meaningful outcome-oriented measures remains a process to which the FDIC is committed.

Throughout each year, progress reports are prepared for management and staff’s review and action. Each year, an annual performance report is submitted to the Congress and posted on the FDIC’s Web site, www.fdic.gov.

Program Evaluations

The FDIC's Office of Enterprise Risk Management (OERM) has primary responsibility for coordinating and reporting on the evaluations of the Corporation's programs. This role is independent of the program areas; however, program evaluations are interdivisional, collaborative efforts and they involve management and staff from the division(s) and offices(s) responsible for a program. Such participation is critical to fully understanding the program being evaluated. It also gives the division(s) and office(s) a stake in the process.

Program Evaluation Schedule: During the period covered by this Strategic Plan, the FDIC will continue its cyclical schedule of evaluating its programs. To date, evaluations of the Insurance and Receivership Management programs have been completed.

Stakeholder Consultation

Stakeholders were invited to comment on the draft Strategic Plan and a global E-mail to our employees was disseminated as well as correspondence with the Chairman. The FDIC's draft Strategic Plan was posted on the agency's Web site. No contrary views were expressed by the FDIC's stakeholders.

Interagency Coordination

The FDIC works closely with other federal financial institution regulators--principally, the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) – to address issues and programs that transcend the jurisdiction of each agency. Regulations are in many cases interagency efforts, and the majority of supervisory policies are written on an interagency basis. Examples include policies addressing subprime lending, capital adequacy, fraud information-sharing and off-site monitoring systems. The FDIC, FRB, OCC and OTS also work closely with the National Credit Union Administration (NCUA), which supervises and insures credit unions and the Conference of State Bank Supervisors (CSBS), which represents the state regulatory authorities.

In addition, the Comptroller of the Currency and the OTS Director are members of the FDIC Board of Directors, which facilitates crosscutting policy development and regulatory practices among the FDIC, the OCC and the OTS.

Federal Financial Institutions Examination Council

The Federal Financial Institutions Examination Council (FFIEC), comprised of members of each of the five regulators listed above as well as the CSBS, is empowered to prescribe uniform principles, standards and report forms for the federal examination of insured depository institutions and federally insured credit unions. The FFIEC makes recommendations to promote uniformity in the supervision of insured depository institutions and federally insured credit unions, develops standardized software and provides uniform examiner training. The FFIEC chair rotates among the five federal regulators. As a member of the FFIEC, the FDIC participates on task forces to carry out interagency objectives and activities. These task forces focus on Consumer Compliance, Examiner Education, Information-Sharing Reports, Supervision, and Surveillance Systems. In addition, the FDIC participates in the FFIEC's Legal Advisory Group and Appraisal Subcommittee.

Basel Committee on Banking Supervision

The FDIC participates on the Basel Committee on Banking Supervision, a forum for international cooperation on matters relating to financial institution supervision. The committee promotes harmonization by issuing "sound practices" papers and developing supervisory standards to which its members voluntarily adhere. The Basel Committee on Banking Supervision aims to improve the consistency of capital regulations internationally, make regulatory capital more risk sensitive, and promote enhanced risk-management practices among large, internationally active banking organizations.

The Basel II Capital Accord is an effort by international banking supervisors to update the original international bank capital accord (Basel I), which has been in effect since 1988.

Interagency Country Exposure Risk Committee

The Interagency Country Exposure Risk Committee members – the FDIC, the FRB and the OCC – are responsible for providing an objective opinion concerning the degree of transfer risk that is inherent in the cross-border and cross-currency lending by U. S. financial institutions.

Shared National Credit Program

The FDIC participates with other federal financial institution agencies in the Shared National Credit Program, an interagency effort to perform a uniform, credit review of financial institution loans that exceed $20 million and are shared by three or more financial institutions.

Joint Agency Task Force on Discrimination in Lending

The FDIC participates on the Joint Task Force on Discrimination in Lending along with the other federal financial institution agencies, NCUA, the Department of Housing and Urban Development, the Office of Federal Housing Enterprise Oversight, the Department of Justice, the Federal Housing Finance Board, and the Federal Trade Commission. The agencies exchange information about fair lending issues, examination and investigation techniques, interpretations of the statute and regulations, and case precedents.

Antiterrorism, Fraud and Money Laundering

The FDIC works with the Department of Homeland Security (DHS) and the Office of Cyberspace Security (OCS) through the Finance and Banking Information Infrastructure Committee (FBIIC) on efforts to improve the reliability and security of the financial industry's infrastructure. Other members of the FBIIC include Commodity Futures Trading Commission, FRB, NCUA, OCC, OTS, the SEC, Treasury, and the National Association of Insurance Commissioners.

The FBIIC also participates in the Emergency Supervision Communication Group of the FFIEC. This interagency group is a subcommittee of the FFIEC's Supervisory Emergency Communication Protocols that focuses on maintaining our supervisory responsibilities in times of emergency.

The FDIC participates in several other interagency groups to coordinate efforts to combat fraud and money laundering and to implement the USA PATRIOT Act. These groups include:

- National Bank Fraud Working Group sponsored by the Department of Justice;
- National Money Laundering Strategy Steering Committee headed by the Departments of Justice and Treasury;
- National Bank Secrecy Act Advisory Group, a public/private partnership of agencies and organizations that meet to discuss strategies and industry efforts to curb money laundering; and
- Working groups sponsored by Treasury to develop regulations to implement sections of the USA PATRIOT Act that are applicable to insured financial institutions.

Human Resources Development Council	The FDIC participates in this interagency group, headed by the U. S. Office of Personnel Management, which performs research and discusses policy issues related to human resources development.
Government Performance and Results Act Financial Institutions Regulatory Working Group	In support of the Government Performance and Results Act (GPRA), the interagency Financial Institutions Regulatory Working Group, composed of the FDIC, FRB, OCC. OTS, and NCUA, was formed in October 1997. The Office of Federal Housing Enterprise Oversight, which supervises Freddie Mac and Fannie Mae, the SEC and the Federal Housing Finance Board which regulates the Federal Home Loan Banks also participate. This group works to identify the general goals and objectives that cross these organizations and their programs and activities, as well as other general GPRA requirements.
Federal Trade Commission, National Association of Insurance Commissioners, Securities and Exchange Commission	The passage of the Gramm-Leach-Bliley Act in 1999 allows insured financial institutions to expand the products they offer to include insurance and securities. As a result, the FDIC coordinates its activities related to these new products, including privacy issues, with the Federal Trade Commission, the National Association of Insurance Commissioners, and the Securities and Exchange Commission.
Economic Growth and Regulatory Paperwork Reduction Act	The FDIC leads the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) project an interagency initiative established by the Federal financial institution regulatory agencies to review all regulations that impose a burden on the banking industry. Through the Federal Financial Institutions Examination Council (FFIEC) the Federal Reserve System (FRB), the National Credit Union Administration (NCUA), the Office of the Comptroller of Currency (OCC), and the Office of Thrift Supervision (OTS), the FDIC is conducting a review to identify and eliminate any regulatory requirements that are outdated, unnecessary, or unduly burdensome, as mandated by EGRPRA.

FDIC Contacts

Interested parties can contact the FDIC or obtain information through the sources listed below.

FDIC Web Site

In addition to general information about the FDIC, the Web site provides:

- Deposit insurance information, including a calculator to determine insured deposit coverage and a list of insured institutions;
- Industry data;
- Regulation and examination resources;
- Consumer and community affairs information;
- Information on buying from and selling to the FDIC; and
- Publications, press releases and information on conferences.

FDIC Central Call Center

Information specialists answer general questions about the FDIC. For more complex issues, callers are transferred to the FDIC subject matter expert.

877-ASK-FDIC (877-275-3342); 800-925-4618 (TDD)
8:00 a.m. – 8:00 p.m. Eastern Time, Monday – Friday

FDIC Ombudsman

The FDIC Ombudsman is a neutral and confidential resource and liaison to the financial industry and the public on any problem or complaint they may have in dealing with the FDIC. The Ombudsman helps facilitate communication, explores options, and engages in conflict resolution strategies and methods.

Public Information Center

Provides publications to meet the needs of financial institution professionals, researchers, students, reporters and the general public. Individuals and organizations may subscribe to receive announcements of new publications by e-mail.

800-276-6003; 202-416-6940; publicinfo@fdic.gov

OIG Hotline

To report suspected waste, fraud or abuse, call 800-964-3342; or e-mail ighotline@fdic.gov.