I.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

During 2020, the FDIC continued to fulfill its mission-critical responsibilities while also addressing unprecedented challenges related to the COVID-19 pandemic. In addition, the agency worked to further strengthen the banking system, modernize its approach to supervision, and increase transparency surrounding its programs. The FDIC also continued to engage in several community banking and community development initiatives.

Cybersecurity remained a high priority for the FDIC in 2020; the agency worked to strengthen infrastructure resiliency, manage information security risks, enhance data governance, help financial institutions mitigate risk, and respond to cyber threats. This *Annual Report* highlights these and other accomplishments during the year.

DEPOSIT INSURANCE

As insurer of bank and savings association deposits, the FDIC must continually evaluate and effectively manage how changes in the economy, financial markets, and banking system affect the adequacy and the viability of the Deposit Insurance Fund (DIF).

Long-Term Comprehensive Fund Management Plan

Nearly a decade ago, the FDIC developed a comprehensive, long-term DIF management plan to reduce the effects of cyclicality and achieve moderate, steady assessment rates throughout economic and credit cycles, while also maintaining a positive fund balance, even during a banking crisis.

Under the long-term DIF management plan, to increase the probability that the fund reserve ratio (the ratio of the fund balance to estimated insured deposits) would reach a level sufficient to withstand a future crisis, the FDIC Board set the Designated Reserve Ratio (DRR) of the DIF at 2.0 percent. 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. In November 2020, the Board voted to maintain the 2.0 percent ratio for 2021.

Additionally, as part of the long-term DIF management plan, the FDIC suspended dividends indefinitely. In lieu of dividends, the plan prescribes progressively lower assessment rates that will become effective when the reserve ratio exceeds 2.0 percent and 2.5 percent.

State of the Deposit Insurance Fund

Extraordinary growth in insured deposits during the first and second quarters of 2020 caused the reserve ratio to decline below the statutory minimum to 1.30 percent as of June 30, 2020. The decline in the reserve ratio during the first half of 2020 was solely a result of extraordinary insured deposit growth, as the DIF balance grew and did not experience material losses over this period. Assessment revenue was the primary contributor to the increase in the fund balance, and four institutions with total assets of approximately $455 million failed during 2020. The fund reserve ratio was 1.30 percent at September 30, 2020, down from 1.41 percent a year earlier.

Restoration Plan

As of June 30, 2020, the DIF reserve ratio was 1.30 percent, below the statutory minimum of 1.35 percent. In September, as required by the Federal Deposit Insurance Act (FDI Act), the FDIC adopted a Restoration Plan to restore the reserve ratio to at least 1.35 percent within eight years, absent extraordinary circumstances, as required by the FDI Act. The Restoration Plan maintains the current schedule of assessment rates for all insured depository institutions (IDIs), and directs the FDIC to monitor deposit balance trends, potential losses, and other factors that affect the reserve ratio and provide semiannual updates to the FDIC Board. While subject to considerable uncertainty, based on a range of reasonable estimates of future losses, and assuming a return to normal insured deposit growth, the Plan forecasts that the reserve ratio will return to the statutory minimum level of 1.35 percent without further action by the FDIC within the eight-year period.

Conclusion of Small Bank Assessment Credits

FDIC regulations provided assessment credits to small banks for the portion of their regular assessments that contributed to growth in the reserve ratio between 1.15 percent and 1.35 percent, the new minimum reserve ratio as mandated by the Dodd-Frank Act. Upon achieving this minimum reserve ratio as of September 30, 2018, the FDIC applied small bank assessment credits to offset assessment invoices for four quarterly assessment periods, starting with second quarter 2019 deposit insurance assessments through first quarter 2020 deposit insurance assessments.

As noted above, the reserve ratio declined to 1.30 percent as of June 30, 2020, below the 1.35 percent required for remittance of remaining assessment credits. Nevertheless, in September 2020, the Board waived the provision of the FDIC's assessment regulations requiring that the reserve ratio must be at least 1.35 percent for the FDIC to remit the full nominal value of an IDI's remaining assessment credits. In so doing, the FDIC was able to remit to IDIs the full nominal value of remaining credits in the deposit insurance assessment period that ended on June 30, 2020, with an invoice payment date of September 30, 2020. This remittance eliminates the small bank assessment credits.

SUPERVISION

Supervision and consumer protection are cornerstones of the FDIC's efforts to ensure the stability of, and public confidence in, the nation's financial system. The FDIC's supervision program promotes the safety and soundness of FDIC-supervised financial institutions, protects consumers' rights, and promotes community investment initiatives.

Examination Program

The FDIC's strong bank examination efforts are at the core of its supervisory program. As of December 31, 2020, the FDIC was the primary federal regulator for 3,230 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System (generally referred to as "state nonmember" institutions). Through risk management (safety and soundness), consumer compliance, CRA, and other specialty examinations, the FDIC assesses an institution's operating condition, management practices and policies, and compliance with applicable laws and regulations.

During the course of 2020, the FDIC conducted 1,345 statutorily required risk management examinations, including reviews of BSA compliance, and all required follow-up examinations for FDIC-supervised problem institutions, within prescribed time frames. The FDIC also conducted 1,029 CRA/consumer compliance examinations (805 joint CRA/consumer compliance examinations, 221 consumer compliance-only examinations, and three CRA-only examinations). In addition, the FDIC performed 3,025 specialty examinations (which include reviews for BSA compliance) within prescribed timeframes.

The table on the following page illustrates the number of examinations by type, conducted from 2018 through 2020.

Risk Management

All risk management examinations have been conducted in accordance with statutorily-established timeframes. As of September 30, 2020, 56 insured institutions with total assets of $53.9 billion were designated as problem institutions (i.e., institutions with a composite CAMELS[2] rating of 4 or 5) for safety and soundness purposes. By comparison, on September 30, 2019, there were 55 problem institutions with total assets of $48.8 billion. This represents a 2 percent increase in the number of problem institutions and a 10 percent increase in problem institution assets.

For the 12 months ended September 30, 2020, 13 institutions with aggregate assets of $1.5 billion were removed from the list of problem financial institutions, while 14 institutions with aggregate assets of $3.4 billion were added to the list. The FDIC is the primary federal regulator for 40 of the 56 problem institutions, with total assets of $5.3 billion.

In 2020, the FDIC's Division of Risk Management Supervision (RMS) initiated 87 formal enforcement actions and 66 informal enforcement actions. Enforcement actions against institutions included, but were not limited to 18 actions under Section 8(b) of the FDI Act (one of which was a notice of charges), 3 civil money penalties (CMPs), 65 memoranda of understanding (MOUs), and one Section 39 Compliance Plan. Of these enforcement actions against institutions, 11 consent orders, one adjudicated cease and desist order, 3 CMPs, and 11 MOUs were based, in whole or in part, on apparent violations of BSA and anti-money laundering (AML) laws and regulations. In addition, enforcement actions were also initiated against individuals. These actions included, but were not limited

[2] The CAMELS composite rating represents an institution's adequacy of **C**apital, quality of **A**ssets, capability of **M**anagement, quality and level of **E**arnings, adequacy of **L**iquidity, and **S**ensitivity to market risk, and ranges from "1" (strongest) to "5" (weakest).

FDIC EXAMINATIONS

	2020	2019	2018
Risk Management (Safety and Soundness):			
State Nonmember Banks	1,219	1,310	1,333
Savings Banks	125	148	159
State Member Banks	0	0	0
Savings Associations	0	0	0
National Banks	1	0	0
Subtotal–Risk Management Examinations	1,345	1,458	1,492
CRA/Consumer Compliance Examinations:			
Consumer Compliance/Community Reinvestment Act	805	933	876
Consumer Compliance-only	221	210	337
CRA-only	3	4	2
Subtotal–CRA/Compliance Examinations	1,029	1,147	1,215
Specialty Examinations:			
Trust Departments	308	313	308
Information Technology and Operations	1,345	1,466	1,503
Bank Secrecy Act	1,372	1,491	1,523
Subtotal–Specialty Examinations	3,025	3,270	3,334
TOTAL	**5,399**	**5,875**	**6,041**

to, 37 removal and prohibition actions under Section 8(e) of the FDI Act (33 consent orders and 4 notices of intention to remove/prohibit), 2 actions under Section 8(b) of the FDI Act, and 13 CMPs (9 orders to pay and 4 notices of assessment), including one CMP related to BSA.

The FDIC continues its risk-focused, forward-looking supervision program by assessing risk management practices during the examination process to address risks before they lead to financial deterioration. Examiners make supervisory recommendations, including Matters Requiring Board Attention (MRBA), in their Reports of Examination to address these risks. The FDIC's RMS met its goal of following up on at least 90 percent of these supervisory recommendations within six months of transmittal of the Report of Examination. RMS additionally established a new tracking system to gather more information about the subject of MRBA supervisory recommendations, which will aid supervisory planning going forward.

While mindful of the unique challenges the pandemic presented to both institutions and examination staff, during the year, RMS implemented enhanced monitoring procedures to assess pandemic-related impacts on financial institutions. Initial efforts focused on institutions' ability to adapt to the operational challenges of working off-site while continuing to meet customers' needs and their ability to withstand the effects of the economic shock caused by the pandemic. As financial markets calmed and financial institutions were able to implement modified operating plans, the focus shifted, and RMS adopted new procedures to better understand the challenges being faced by institutions of all sizes.

RMS is also engaged in a business process modernization initiative to move its technology systems from an applications-based environment to a business-process environment. This effort will allow RMS to expand its use of machine learning technology to identify emerging trends from examination activities, among other improvements.

Consumer Compliance

As of December 31, 2020, 36 insured state nonmember institutions (collectively, with total assets of $21 billion), about 1 percent of all supervised institutions, were problem institutions for consumer compliance, CRA, or both. All of the problem institutions for consumer compliance were rated "4" for consumer compliance purposes, with none rated "5." For CRA purposes, the majority were rated "Needs to Improve;" only two were rated "Substantial Noncompliance." As of December 31, 2020, all follow-up examinations for problem institutions were performed on schedule.

As of December 31, 2020, the FDIC conducted and achieved all required consumer compliance and CRA examinations and, when violations were identified, completed follow-up visits and implemented appropriate enforcement actions in accordance with FDIC policy. In completing these activities, the FDIC achieved its internally established time standards for the issuance of final examination reports and enforcement actions.

As of December 31, 2020, the FDIC's Division of Depositor and Consumer Protection (DCP) initiated eight formal enforcement actions and 16 informal enforcement actions to address consumer compliance examination findings. This included two consent orders to strengthen consumer compliance management systems, and one cease and desist order to take corrective action in a number of areas, one notice of assessment, four CMPs, and 11 MOUs. The CMPs were issued against institutions to address violations of the Flood Disaster Protection Act. The CMP orders totaled in excess of $63,400. In addition to the consumer refunds resulting from the assistance provided by the FDIC's Consumer Response Center (see discussion under the Consumer Complaints and Inquiries section), consumer compliance examination findings resulted in banks making voluntary restitution of approximately $7.4 million to more than 67,300 consumers and Truth-in-Lending Act (TILA) reimbursements of approximately $575,000 to more than 2,600 consumers.

Large Bank Supervision

For state nonmember banks with assets exceeding $10 billion, the FDIC generally employs a continuous risk management examination program, whereby dedicated staff conduct targeted examinations and ongoing institution monitoring based on a comprehensive annual supervisory planning process. Consumer protection and CRA examinations are generally conducted on a point-in-time basis, although DCP initiated a pilot program during 2020 to employ a continuous supervision model.

The Large Insured Depository Institution (LIDI) Program remains the primary instrument for off-site monitoring of these institutions. The LIDI Program provides a comprehensive process to standardize data capture and reporting for large and complex institutions nationwide, allowing for quantitative and qualitative risk analysis. The LIDI Program focuses on institutions' potential vulnerabilities to asset, funding, and operational stresses, and supports effective large bank supervision by using individual institution information to focus resources on higher-risk areas, determine the need for supervisory action, and support insurance assessments and resolution planning. In 2020, the LIDI Program covered 106 institutions with total assets of $3.7 trillion.

The Shared National Credit (SNC) Program is an interagency initiative administered jointly by the FDIC, OCC, and FRB to promote consistency in the regulatory review of large, syndicated credits, as well as to identify risk in this market, which comprises a large volume of domestic commercial lending. In 2020, outstanding credit commitments in the SNC Program totaled over $5 trillion. The FDIC, FRB, and OCC report the results of their review in an annual joint public statement.

Information Technology and Cybersecurity

The FDIC examines information technology (IT) risk management practices, including cybersecurity, at each bank it supervises as part of the risk management examination. Examiners assign an IT rating using the FFIEC Uniform Rating System for Information Technology (URSIT). The IT rating is incorporated into the management component of the CAMELS rating, in accordance with the FFIEC Uniform Financial Institutions Rating System.

During 2020, the FDIC conducted 1,319 IT examinations at state nonmember institutions, issuing 24 enforcement actions.

The FDIC also examines the services provided to institutions by bank service providers. In addition to routine examination procedures, this year the FDIC, FRB, and OCC horizontally reviewed services provided by a sample of service providers to understand system capabilities for a potential zero interest rate environment, to assess readiness for the transition from LIBOR as the standard reference rate, and to obtain a high-level understanding of their ability to manage applicable aspects of the CARES Act.

The FDIC also continued to build its IT examination workforce. Following the creation of an entry-level IT and Cyber Risk Management Analyst (ITCA) position in 2019, the first 26 ITCAs were hired in 2020. The ITCAs will focus only on IT (including cybersecurity) examinations, and are expected to reach proficiency at those tasks more quickly than entry level examiners who have broader responsibilities.

The FDIC actively engages with both the public and private sectors to assess emerging cybersecurity threats and other operational risk issues. The information obtained from these engagements is shared with financial institutions and examiners, when appropriate. FDIC staff meet regularly with the Financial and Banking Information Infrastructure Committee, the Financial Services Sector Coordinating Council for Critical Infrastructure Protection, the Department of Homeland Security (DHS), the Financial Services Information Sharing and Analysis Center, other regulatory agencies, and law enforcement to share information regarding emerging issues and to coordinate responses. For example, in January 2020, the FDIC, FRB, OCC, and CSBS sent a DHS cybersecurity alert to all FDIC-insured institutions highlighting the need to defend against a rise in malicious cyber activity directed at the United States. Additionally, in October 2020, in order to improve the analysis and sharing of cybersecurity threat information with financial institutions, the FDIC and other FFIEC members conducted a webinar on heightened cybersecurity risks. Finally, in response to the SolarWinds compromise discovered in December 2020, the FDIC with other agencies communicated with banks to point them to authoritative government sources for related information, and with examiners to help them evaluate the impact on banks and service providers.

Bank Secrecy Act/Anti-Money Laundering

The FDIC examines institutions' compliance with the requirements of the BSA and the FDIC's implementing regulations at each bank it supervises as part of the risk management examination. The FDIC also examines BSA compliance during examinations conducted by State banking authorities if the State is unable to do so. During 2020, the FDIC conducted BSA examinations at 1,372 state nonmember institutions.

Throughout 2020, the FDIC, FRB, OCC, NCUA, and the Department of the Treasury (including the Financial Crimes Enforcement Network (FinCEN)), continued to focus on improving the efficiency and effectiveness of the BSA/AML regime. In August 2020, the Federal banking agencies issued an updated joint statement on the enforcement of BSA/AML requirements, describing circumstances in which an agency will issue a mandatory cease and desist order to address noncompliance. The FDIC, FRB, NCUA, OCC, and FinCEN also issued a statement on BSA due diligence requirements for customers whom banks may consider to be politically exposed persons. Additionally, in October 2020 the FDIC, FRB, OCC, and NCUA — with the concurrence of FinCEN — granted an exemption from the requirements of the customer identification program rules for loans extended by banks and their subsidiaries to all customers to facilitate purchases of property and casualty insurance policies.

The FFIEC further updated the FFIEC BSA/AML Examination Manual in 2020. In April 2020 updates were published to sections on scoping and planning, BSA/AML risk assessment, assessing the BSA/AML compliance program, developing conclusions, and finalizing the examination. The FFIEC conducted examiner and industry outreach webinars in April and June 2020, respectively, to discuss the 2020 updates to the FFIEC BSA/AML Examination Manual. The FFIEC expects to release the next set of updates in 2021. Revised sections of the manual reinforce instructions to examiners regarding depository institutions' reasonably designed policies, procedures, and processes to meet the requirements of the BSA and safeguard institutions from money laundering, terrorist financing, and other illicit financial activity. The manual emphasizes that examiners should tailor the BSA/AML examination scope and planned procedures consistent with the money laundering and terrorist financing risk profile of the depository institution.

Cyber Fraud and Financial Crimes

The FDIC has undertaken a number of initiatives in 2020 to protect the banking industry from criminal financial activities. These include preparing to host a financial crimes-focused conference in 2021 for examiners, lawyers, and others from federal banking and law enforcement agencies; helping financial institutions identify and shut down "phishing" websites that attempt to fraudulently obtain an individual's confidential personal or financial information; and publishing a number of *Consumer News* articles that offer tips consumers can use to protect themselves from imposter scams and phishing.

Examiner Training and Development

In 2020, the FDIC continued to emphasize the importance of delivering timely and effective examiner training programs. While on-the-job training remained the most significant portion of developmental activities, the historical mix of classroom, virtual instructor-led, and asynchronous (such as computer-based) training was modified in response to the pandemic. The inability to offer classroom-based instruction beginning in mid-March led to a significant effort to convert the entire curriculum of pre-commissioned examiner core training to a virtual delivery format, resulting in the successful conversion of 10 courses and rescheduling of 58 sessions. By year-end 2020, RMS and DCP, in partnership with FDIC's Corporate University, were able to deliver all pre-commissioned examiner training originally scheduled for the year.

All training and development activities are overseen by senior and mid-level management to ensure that FDIC staff and state regulatory partners receive training that is effective, appropriate, and current. The FDIC works in collaboration with partners across the organization and at the FFIEC to ensure emerging risks and topics are incorporated and conveyed timely. FDIC courses are mostly developed internally and delivered by a tenured and knowledgeable examiner instructor pool. Training and development activities are targeted for all levels of examination staff. As an additional informal component to development, the FDIC acknowledges the essential role that peer-to-peer knowledge transfer plays in skills enhancement and the preservation of institutional knowledge.

London Inter-bank Offered Rate (LIBOR) Transition

In 2020, the FDIC, in coordination with the FFIEC, participated in industry outreach and monitored community and regional bank readiness for the transition from LIBOR to alternative reference rates. FDIC monitoring includes interdisciplinary supervision coordination by risk management, capital markets, policy, technology, and consumer compliance to conduct banker outreach and communication to stay abreast of the latest LIBOR transition developments. The FDIC gathers information on LIBOR transition readiness during examinations and other contacts with FDIC supervised institutions. The data are evaluated across institutions to identify trends and inform the supervisory process for areas that may require increased oversight and supervisory attention.

On July 1, 2020 the FFIEC issued a statement highlighting the risks that will result from the transition away from LIBOR and encouraging banks to continue their efforts to transition to alternative reference rates. On November 6, 2020, the FDIC, FRB, and OCC issued a statement reiterating that they are not endorsing a specific replacement rate for LIBOR for loans and that a bank may use any reference rate for its loans that a bank determines to be appropriate for its funding model and customer needs; however, banks should include robust fallback language in its lending contracts to mitigate the risks associated with the discontinuation of LIBOR. The banking agencies issued an additional statement on November 30, 2020, encouraging banks to transition away from LIBOR as soon as practicable as the administrator of LIBOR had announced its intention to cease the publication of key LIBOR rates beginning on December 31, 2021.

During 2020, the Alternative Reference Rates Committee (ARRC), continued the development of the Secured Overnight Financing Rate (SOFR) as a replacement for LIBOR. To address concerns related to the lack of a credit spread for loan products, on February 25, 2020, the banking agencies, the Federal Reserve Bank of New York, and the Department of the Treasury established a Credit Sensitivity Group (CSG) comprised of representatives from a number of U.S. banks to discuss ways to support the transition of loan products away from LIBOR. During the year, the CSG held a series of working sessions to explore the development of a credit risk sensitive spread to SOFR.

Appeals of Material Supervisory Determinations

Section 309(a) of the Riegle Community Development and Regulatory Improvement Act of 1994 required each of the federal banking agencies to establish an independent intra-agency appellate process to review supervisory determinations. To satisfy this requirement, the FDIC established a Board level committee, the

Supervision Appeals Review Committee (SARC), and adopted related guidelines for appeals. In 2019, the FDIC explored potential improvements to the current supervisory appeals process. As part of this review, the FDIC Ombudsman hosted a webinar and in-person listening sessions in each FDIC Region, which offered bankers and other interested parties an opportunity to provide input and recommendations.

After considering all of the feedback received, on September 1, 2020, the FDIC published in the *Federal Register*, a Notice and Request for Comment on proposed changes to its Guidelines for Appeals of Material Supervisory Determinations. The proposal would establish an independent office, which would be known as the Office of Supervisory Appeals (Office) that would generally replace the existing Supervision Appeals Review Committee. As proposed, the Office would report to the Office of the FDIC Chairman and would have delegated authority to independently consider and resolve intra-agency supervisory appeals. The Office would be fully independent of the Divisions that have authority to issue supervisory determinations. The Office would be staffed with individuals who have bank supervisory or examination experience (e.g., retired bank examiners). These individuals would be hired as FDIC employees and may serve staggered terms.

Under the proposed process, the FDIC would continue to encourage institutions to make good-faith efforts to resolve disagreements with examiners and/or the appropriate Regional Office. If these efforts are not successful, the institution could submit a request for review to the appropriate Division Director. Upon receiving a request for review, the Division Director would have the option of issuing a written decision or sending the appeal directly to the Office of Supervisory Appeals. If the Division Director issues a decision, institutions that disagree with the decision could appeal to the Office. The comment period for this proposal closed on October 20, 2020, and the FDIC issued final procedures on January 25, 2021.

Improvements to Regulatory Framework

In addition to the Covid-19-related rulemakings described above, the FDIC finalized a number of key rulemakings in 2020 to improve the regulatory framework applicable to insured banks.

Brokered Deposits

At its December 2020 meeting, the FDIC Board approved a final rule that makes significant revisions to the brokered deposit rules applicable to IDIs that are less than well capitalized. The final rule represents the first meaningful update to the brokered deposits regulations since the rules were first put in place approximately thirty years ago. The new framework reflects the dramatic changes in technology, law, business models, and financial products over that time period.

The final rule creates a more transparent and consistent regulatory approach by establishing bright line tests for the “facilitation” component of the deposit broker definition and a formal process for application of the primary purpose exception. The final rule is intended to encourage innovation in how banks offer services and products to customers by reducing obstacles to certain types of partnerships. And it would continue to protect the Deposit Insurance Fund by ensuring that certain types of funding, including the specific types of deposits Section 29 was intended to address, continue to be treated as brokered deposits.

Interest-Rate Restrictions

In December 2020, as part of the brokered deposit rulemaking described above, the FDIC Board approved modifications to the calculation of interest rate restrictions applicable to banks that are less than well capitalized. Under the final rule, the national rate cap will generally be the higher of (1) the average rate paid on deposits (including credit unions), plus 75 basis points, or (2) 120 percent of U.S. Treasury obligations, plus 75 basis points. This combines the FDIC’s original methodology for interest rate restrictions, in effect from 1992 through 2009, and the current methodology, in effect since 2010, with slight modifications. While neither methodology proved durable on its own through a range of interest rate environments, the methodology adopted by the final rule is designed to more accurately reflect rates offered in both high- or rising-rate environments and low- or falling-rate environments.

The rule also amends the calculation of the local rate cap, which is defined by the rule as 90 percent of the highest offered rate in the institution’s local market area for a specific deposit product. A less than well-capitalized institution is generally permitted to offer a rate that is above the national rate cap on new deposits if the rate is below the local rate cap.

Federal Interest Rate Authority

In June 2020, the FDIC Board approved a final rule that clarifies the law governing the interest rates that state-chartered banks and insured branches of foreign banks may charge. The final rule codifies longstanding legal interpretations of the FDI Act and provides that a permissible interest rate on a loan, as permitted by the law where the bank is located, would not be affected by subsequent events, such as a change in state law, a change in the relevant commercial paper rate, or the sale/assignment/transfer of the loan.

Parent Companies of Industrial Banks

In March 2020, the FDIC Board issued a final rule to establish a framework to approve filings for deposit insurance, mergers, and changes in bank control involving industrial banks. The rule requires each industrial bank and its parent company to enter into one or more written agreements with the FDIC to ensure the safe and sound operation of the industrial bank. Through the written agreements and restrictions, the rule imposes certain conditions and commitments, and prohibits the industrial bank from taking certain actions without the FDIC's prior written approval. This includes a requirement that a parent company commit to maintaining the capital and liquidity of a subsidiary bank at such levels as the FDIC deems appropriate. The rule generally codifies existing practices utilized by the FDIC and ensures that a parent company can serve as a source of strength for a subsidiary industrial bank. The rule provides important safety and soundness protections to the industrial bank and the DIF without imposing undue costs and provides transparency to interested parties concerning the FDIC's determinations on filings involving industrial banks.

Volcker Rule

In June 2020, the FDIC, FRB, OCC, SEC, and Commodity Futures Trading Commission approved a final rule to modify regulations implementing the Volcker Rule's general prohibition on banking entities investing in or sponsoring hedge funds or private equity funds – known as "covered funds." The final rule was broadly similar to a notice of proposed rulemaking issued in January 2020. The rule aims to improve and streamline the covered funds portion of the rule, address the treatment of certain foreign funds, and permit banking entities to offer financial services and engage in other permissible activities that do not raise concerns that the Volcker Rule was intended to address. The rule is intended to facilitate capital formation by enabling banking entities to provide credit through fund investments that will increase the availability of capital for businesses. The final rule became effective in October 2020.

Net Stable Funding Ratio

In October 2020, the FDIC, FRB, and OCC approved a final rule to implement the net stable funding ratio (NSFR), a one-year liquidity standard that examines the stability of a bank's funding profile. The NSFR complements the liquidity coverage ratio rule, which requires large banking organizations to hold a minimum amount of high-quality liquid assets that can be easily and quickly converted into cash to meet net cash outflows over a 30-day stress period. The NSFR requirement is designed to reduce the likelihood that disruptions to a banking organization's regular sources of funding will compromise its liquidity position, as well as to promote improvements in the measurement and management of liquidity risk. Consistent with the agencies' tailoring rule, issued in November 2019, the NSFR would apply based on a bank's size, risk profile, and systemic footprint.

Total Loss-Absorbing Capacity Requirement

In October 2020, the FDIC, FRB, and OCC issued a final rule to limit the interconnectedness of the largest banking organizations and mitigate the impact on financial stability from failure that could arise from the largest banking organizations holding the total loss-absorbing capacity (TLAC) debt of a global systemically important bank holding company (G-SIB). The final rule is substantially similar to the proposal issued in 2019 and complements other measures the agencies have taken to limit interconnectedness among the largest banking organizations.

U.S. G-SIBs, as well as U.S. intermediate holding companies of foreign G-SIBs, are required to issue debt with certain features under the Federal Reserve Board's TLAC rule. That debt could be used to recapitalize the holding company during bankruptcy or resolution if it were to fail. To discourage the largest banking organizations from purchasing TLAC debt, the final rule prescribes a more stringent regulatory capital treatment for such banks' holdings of TLAC debt. This rulemaking also will require G-SIBs to report publicly their outstanding TLAC debt. The final rule is effective on April 1, 2021.

Swap Margin Rule

In June 2020, the FDIC, FRB, OCC, Farm Credit Administration, and Federal Housing Finance Agency issued a final rule amending the agencies' swap margin rule to facilitate the implementation of prudent risk management strategies at banks and other entities with significant swap activities, among other purposes. Under the final rule, a depository institution is no longer required to hold a specific amount of initial margin for uncleared swaps with affiliates so long as the depository institution's total exposure to all affiliates does not exceeds 15 percent of its Tier 1 capital. Inter-affiliate swaps typically are used for internal risk management purposes by transferring risk to a centralized risk management function within the firm. The final rule will give firms additional flexibility to allocate collateral internally and support prudent risk management and safety and soundness. Under the final rule, inter-affiliate swaps will still remain subject to variation margin requirements.

To help transition from LIBOR to alternative reference rates, the final rule allows swap entities to amend legacy swaps to replace the reference to LIBOR or other reference rates that are expected to end without triggering margin exchange requirements. The final rule also clarifies that swap entities may conduct risk-reducing portfolio compression or make certain other non-substantive amendments to their legacy swap portfolios without altering their legacy status. For smaller swap market participants, the agencies finalized as proposed the additional phased compliance period for the smallest covered swap entities and financial end-user counterparties.

Simultaneously with the final rule, the agencies issued an interim final rule that extend the compliance date of the initial margin requirements of the swap margin rules to September 1, 2021 for swap entities and counterparties with average annual notional swap portfolios of $50 billion to $750 billion. This interim final rule also extends the initial margin compliance date to September 1, 2022, for counterparties with average annual notional swap portfolios of $8 billion to $50 billion.

Final Basel III Standards

The FDIC continues to work with the other federal banking agencies to develop a proposed rulemaking that would seek comment on the implementation of the revised Basel III standards in the U.S. and expect to issue the proposed rulemaking in 2021. The final Basel III standards to be implemented in the United States for the largest and most complex institutions would address concerns regarding excessive variability in the measurement of risk-weighted assets (RWAs) across large internationally active banking institutions. These revisions are designed to reduce RWA variability by enhancing the robustness and risk sensitivity of the standardized approach for credit risk and operational risk and constraining the use of internal models. In addition, the Basel III revisions will enhance the market risk framework by introducing: a clearer boundary between the trading book and the banking book, an internal models approach that relies upon the use of expected shortfall models, separate capital requirements for risk factors that cannot be modeled, and a risk-sensitive standardized approach that is designed and calibrated to be a credible fallback to the internal models approach.

Codification of Section 19 Statement of Policy

In July 2020, after considering public comments, the FDIC approved a final rule to revise and codify the FDIC's existing Statement of Policy for Section 19 of the FDI Act regarding individuals with a record of certain criminal offenses who seek employment in the banking industry. The final rule is intended to enhance transparency and accountability concerning the FDIC's Section 19 application process and reduce burden for financial institutions and individuals impacted by Section 19. The changes narrow the circumstances under which the FDIC's written consent is required for a financial institution to hire individuals with minor criminal offenses. The final rule became effective on September 21, 2020, superseding existing policy.

Rulemaking on Guidance

On November 5, 2020, the FDIC, FRB, OCC, CFPB, and NCUA issued a proposed rule describing the agencies' use of supervisory guidance and codifying a statement, as amended, issued in 2018 that, among other things, clarified the differences between regulations and guidance. The codified Statement includes provisions stating that supervisory guidance does not create binding, enforceable legal obligations; that the agencies do not issue supervisory criticisms (which includes, in the FDIC's case, matters requiring board attention (MRBAs)) for "violations" of or "non-compliance" with supervisory guidance; and describes the appropriate use of supervisory guidance. The FDIC finalized the proposal in January 2021.

Statements of Policy on National Historic Preservation Act and National Environmental Policy Act

In October 2020, the FDIC adopted amendments to its regulations regarding the establishment and relocation of branches and offices, including the establishment of branches in connection with deposit insurance applications. The amendments removed historic preservation and environmental policy requirements that were previously addressed in application procedures and related statements of policy. These actions reduced the burden on proposed and existing institutions and ensure consistency with the application procedures for national banks and insured state member banks supervised by the OCC and FRB, respectively.

Office of Thrift Supervision Regulations

Throughout 2020, the FDIC continued to streamline FDIC regulations and eliminate unnecessary and duplicative regulations applicable to state savings associations in order to improve the public's understanding of the rules, to improve the ease of reference and to promote parity between state savings associations and state nonmember banks. The FDIC removed rules transferred from the Office of Thrift Supervision relating to application processing procedures, non-discrimination requirements, requirements for subordinate organizations, and directives to take prompt corrective action, and made conforming amendments to its existing regulations to reference state savings associations as appropriate. Upon removal of these transferred regulations, all FDIC-supervised institutions would be subject to the same set of regulations.

Supervision Policy

The goal of supervision policy is to provide clear, consistent, meaningful, and timely information to financial institutions and examiners.

Examination Documentation Modules

In late 2019, RMS updated the Risk Management Manual of Examination Policies by inserting Part VI, Appendix: Examination Processes and Tools, Examination Documentation Modules. The Examination Documentation Modules were developed in 1997 by the FDIC, FRB, and the state banking supervisors to provide examiners with common tools to identify and assess the range of matters considered during safety and soundness examination activities. The modules direct examiners to use a risk-focused approach in conducting examination activities, thereby facilitating an efficient and effective supervisory program.

In 2020, the FDIC updated its documentation processes to establish completion of the Core Analysis Decision Factors within the primary Examination Documentation Modules as the national standard for documenting a full-scope examination for FDIC-supervised institutions. The FDIC adopted this policy to promote nationwide consistency in documentation standards, to promote consistency in examination practices of state chartered institutions, to support the eventual migration to a more modern "end-to-end" supervision process as part of a business process modernization initiative, and to serve as an internal control for examination practices during the period when all examination activity has been conducted off-site.

Risk Management Manual of Examination Policies

In January 2020, the FDIC memorialized more robust examination planning procedures in a new section of the Risk Management Manual of Examination Policies titled "Examination Planning." Additionally, various updates were undertaken to address recent changes to accounting standards and capital rules, reinforce instructions to examination staff regarding the conduct of interim contacts and director involvement, and make various other technical edits.

Management of Credit Risk, Liquidity Risk, and Interest-Rate Risk

Financial institutions showed resiliency in 2020 despite economic stress related to the COVID-19 pandemic. Institutions entered the period of stress with low loan portfolio delinquency rates. Loan deferrals, made to assist borrowers as segments of the economy closed, kept delinquency rates low.

The system also saw loan growth that was primarily driven by banks of all sizes supporting their customers and communities by originating Small Business Administration (SBA)-guaranteed PPP loans. The PPP provided businesses with low-cost funds to pay employees and support operations during the slowdown in business or temporary closures related to stay-at-home orders. Financial institutions facilitated the PPP, generating fee income and in many cases using the FRB's PPP Liquidity Facility to provide the loans.

Temporary and permanent business closures caused by physical-distancing requirements and consumer reaction to the pandemic are impacting borrower balance sheets. The continued economic strains, uncertainty about asset quality when loan deferral periods end, and behavioral shifts caused by the pandemic create a challenging environment for managing credit risk.

As individuals and businesses sought safety during the uncertain economic environment, banks experienced record new deposit growth. These inflows demonstrate public confidence in the banking system in what could become a "low for long" interest rate environment. Notwithstanding the banking industry's strengthened liquidity, the retention rate of these new deposits remains unclear.

Supervisory Guidance

Regulatory Relief - Areas Affected by Severe Storms

During 2020, the FDIC issued 16 advisories through FILs to provide guidance to financial institutions in areas affected by hurricanes, tornadoes, flooding, wildfires, and other severe storms, and to facilitate recovery. In these advisories, the FDIC encouraged banks to work constructively with borrowers experiencing financial difficulties as a result of natural disasters, and clarified that prudent extensions or modifications of loan terms in such circumstances can contribute to the health of communities and serve the long-term interests of lending institutions.

Allowance for Credit Losses

In June 2020, the FDIC, OCC, FRB and NCUA, with input from CSBS, released the Final Interagency Policy Statement on Allowances for Credit Losses (Final ACL Policy Statement) in response to CECL, to replace the agencies' December 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL) and the July 2001 Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions (collectively, the 2006 and 2001 ALLL Policy Statements).

The new policy statement addresses most of the topics covered in the 2006 and 2001 ALLL Policy Statements, but in the context of CECL. Thus, the Final ACL Policy Statement describes:

- The measurement of expected credit losses under CECL and the accounting for impairment on available-for-sale (AFS) debt securities in accordance with the new credit losses accounting standard;
- Principles related to designing, documenting, and validating expected credit loss estimation processes, including the internal controls over these processes;
- Maintaining appropriate ACLs;
- The responsibilities of boards of directors and management; and
- Examiner reviews of ACLs.

The principles outlined in the Final ACL Policy Statement will become applicable to an institution upon the institution's adoption of CECL. Once CECL is effective for all institutions, the agencies will rescind the 2006 and 2001 ALLL Policy Statements. The agencies may individually issue additional information to provide clarification beyond what is presented in the final policy statement as deemed necessary.

Credit Risk Review

In May 2020, the FDIC, FRB, OCC, and NCUA, issued *Interagency Guidance on Credit Risk Review Systems* (credit risk review guidance), which updates, replaces, and issues as a standalone document, guidance that was previously codified in *Attachment 1 - Loan Review Systems* - to the 2006 *Interagency Policy Statement on the Allowance for Loan and Lease Losses.*

The guidance articulates a broad set of practices, which include a system of qualified, independent, ongoing credit risk review and communication to management and the board of directors regarding the performance of the institution's loan portfolio. The guidance also reflects current industry practices and terminology associated with the CECL methodology. It describes principles to be considered when developing and maintaining a credit risk review system, including the qualifications and independence of credit risk review personnel; the frequency, scope, and depth of reviews; and the review, follow–up, communication, and distribution of results. The expectations for effective credit review systems are scalable to an institution's size, risk profile, loan type, and risk management practices; and the principles are consistent with the *Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A of Part 364 of FDIC Rules and Regulations.*

Stress Testing Guidance

The FDIC staff worked with staff from the other banking agencies to update the interagency stress testing guidance, which was issued in 2012. Revisions were delayed to refocus resources during the pandemic.

RESEARCH

Center for Financial Research

The FDIC's Center for Financial Research (CFR) encourages, supports, and conducts innovative research on topics that inform the FDIC's key functions of deposit insurance, supervision, and the resolution of failed banks. CFR researchers have published papers in leading banking, finance, and economics journals, including the American Economic Review, Review of Economic Dynamics, and The Journal of Law and Economics. In addition, CFR researchers presented their research at major conferences, regulatory institutions, and universities.

The CFR also developed and maintained many financial models used throughout the FDIC, including off-site models that inform the examination process. CFR economists also provided ongoing support to RMS through on-site examinations.

In October 2020, the CFR hosted the 10th Annual Consumer Research Symposium virtually using virtual conferencing technology. FDIC Chairman McWilliams opened the conference by highlighting the importance of scholarly research in providing a solid foundation on which to make good public policy. Discussion sessions focused on the puzzle presented by the coexistence of high cost credit and low yield savings on consumer balance sheets, behavioral household finance, consumer credit under distress, consumption and credit, and financial decision-making in mortgage markets, among other topics. Each session included presentations by leading researchers from academia and the public sector. The symposium was attended by more than 200 researchers and practitioners from academia, government, and private-sector organizations.

Chairman Jelena McWilliams delivered opening remarks at the 10th Annual Consumer Research Symposium.

How America Banks: Household Use of Banking and Financial Services

Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 mandates that the FDIC regularly report on unbanked populations and bank efforts to bring individuals and families into the mainstream banking system. In response, since 2009, the FDIC has conducted biennial surveys to measure the banked and unbanked populations in the U.S. and study household use of banking and financial products and services. This efforts is the most comprehensive analysis of its kind. The information it generates informs the FDIC, as well as the public, financial institutions, policymakers, regulators, researchers, academics, and others.

The most recent survey was conducted in 2019 and reached more than 33,000 U.S. households. Results were reported in October 2020, in *How America Banks: Household Use of Banking and Financial Services*. The report provided updated banked and unbanked rates for

U.S. households at the national and state levels and for more than 100 Metropolitan Statistical Areas (MSAs). The report also analyzed the methods used by households to access their bank accounts, households' visits to bank branches, and their use of prepaid cards, nonbank financial services, and bank and nonbank credit.

Results of the most recent survey — and all previous surveys — are available at the FDIC's website at https://economicinclusion.gov. In addition, this public website provides users with the ability to generate custom tabulations and access a wide range of pre-formatted information, including five-year estimates that provide additional granularity for state and MSA results.

The FDIC will be implementing several revisions to the survey questionnaire for the 2021 survey. These revisions were discussed in a November 2020 notice in the *Federal Register*.

National and Regional Risk Analysis

The FDIC's National and Regional Risk Analysis Branch identifies, analyzes, monitors, and communicates developments and key risks in the economy, financial markets, and banking industry that may impact FDIC-insured institutions and the DIF. As part of this work, the Branch publishes the Quarterly Banking Profile — a comprehensive summary of financial results for all FDIC-insured institutions. This report card on industry status and performance includes written analyses, graphs, and statistical tables.

In addition, the branch publishes topical quarterly articles. In 2020, this included "2019 Summary of Deposits Highlights," which highlights trends in bank deposit and branch growth and "The Importance of Community Banks in Paycheck Protection Program Lending," which describes the role that community banks played in supporting small businesses through the SBA's Paycheck Protection Program.

INNOVATION/FINANCIAL TECHNOLOGY

The FDIC continuously monitors developments in technology to better understand how it may affect the financial industry.

FDiTech and FDIC Emerging Technology Steering Committee

In 2020, the FDIC's Office of Innovation — or FDiTech — continued its work to encourage innovation and partnerships at community banks. FDiTech was announced and established by Chairman McWilliams in 2019, with the following mission:

- Engage bankers, fintechs, technologists, and other regulators on innovations that will lay the foundation for banking's future;
- Conduct "tech sprints" and pilot projects to test emerging technologies in cooperation with states and affected federal regulators;
- Support and promote the adoption of new technologies by financial institutions, particularly at community banks; and
- Expand banking services to the unbanked, underbanked, and individuals in underserved communities through new technologies.

FDiTech took the following steps in 2020 toward fulfilling that mission:

- In February 2020, FDiTech released a guide to help financial technology companies and others partner with banks. *Conducting Business with Banks: A Guide for Third Parties* is designed to help third parties understand the environment in which banks operate and navigate the requirements unique to banking.
- In June 2020, the FDIC announced a rapid prototyping competition, a type of procurement process tech sprint, to develop a new and innovative approach to real-time financial reporting, particularly for community banks. More than 30 technology firms were invited to participate in the competition, representing leaders in the financial services, data management, data analytics, and artificial intelligence/machine learning fields. Competitors developed proposed solutions that were presented to the FDIC for consideration. The competition is intended to lead to the development of modern tools that 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. In October, 14 competitors advanced to the second phase of the competition.

- In July 2020, as part of the FDiTech initiative, the FDIC issued a Request for Information to seek the public's input on the potential for a public/private standard-setting partnership and voluntary certification program to promote the efficient and effective adoption of innovative technologies, such as models, at FDIC-supervised financial institutions and to create efficiencies in the due diligence process of on-boarding third-party service providers of technological products and services. Given rapid technological developments and evolving consumer behavior, this public/private partnership model program has the potential to help promote innovation across the banking sector and streamline a costly and often duplicative system for both banks and technology firms. The FDIC is considering the comments received and the next steps with regard to the formation, structure and utility of establishing a standard setting organization and certification organization and program.

In addition to FDiTech, the agency has dedicated significant resources to identify and understand emerging technology and ensure the agency is prepared to address the changing landscape in financial services. Since 2016, these efforts have been led by the FDIC's Emerging Technology Steering Committee, which is supported by two staff-level working groups. The committee is comprised of the Directors of RMS, DCP, Division of Insurance and Research (DIR), Division of Resolutions and Receiverships (DRR), and Division of Complex Institution Supervision and Resolution (CISR), as well as the General Counsel, the Chief Financial Officer, the Chief Risk Officer, and the Chief Information Officer.

In 2020, the Emerging Technology Steering Committee continued work on its established objectives:

- Comprehend, assess, and monitor the current emerging technology activities, risks, and trends;
- Evaluate the projected impact of emerging technology on the banking system, the deposit insurance system, effective regulatory oversight, economic inclusion, and consumer protection;
- Oversee internal working groups monitoring particular aspects of emerging technology;
- Recommend follow-up actions, as appropriate, and monitor implementation; and
- Help formulate strategies to respond to opportunities and challenges presented by emerging technology, and to ensure developments align with regulatory goals.

The FDIC also participates on several working groups related to financial technology:

- The Basel Committee on Banking Supervision's Task Force on Financial Technology, which focuses on the impact of financial technology on banks' business models, risk management, and implications for bank supervision;
- The Financial Stability Oversight Council (FSOC) Digital Assets Working Group, which is examining potential policy areas as they relate to digital assets and the application of distributed ledger technology;
- An interagency fintech discussion forum, which focuses on issues related to consumer compliance;
- The Global Financial Innovation Network;
- The US-UK Financial Innovation Partnership; and
- The Financial Stability Board Financial Innovation Network.

In 2020, the Legal Division formed the Financial Technology and Innovation Group within the Office of the General Counsel. That group houses the FinTech Innovation Team of attorneys, which focuses on legal issues facing both the FDIC and its supervised and insured banks and savings associations arising from emerging forms of technology, innovative banking products and services, new approaches to the business of banking, and adapting relationships with third-parties. The Team's mission focuses on not only providing direct legal services and support to the other Divisions and FDiTech, but also advising on legal policy in an area of law that is dynamic and still developing.

In addition, the FDIC Supervision Modernization Subcommittee considered how the FDIC can leverage technology and refine processes to make the examination program more efficient, as well as manage and train a geographically dispersed workforce.

COMMUNITY BANKING RESEARCH PROGRAM

Community banks provide traditional, relationship-based banking services in their local communities, and as the primary federal supervisor for the majority of community banks, the FDIC has a particular responsibility for the safety and soundness of this segment of the banking system.

As defined for FDIC research purposes, community banks made up 91 percent of all FDIC-insured institutions at September 30, 2020. While these banks hold just 12 percent of banking industry assets, community banks are of critical importance to the U.S. economy and local communities across the nation. They hold 39 percent of the industry's small loans to farmers and businesses, making them the lifeline to entrepreneurs and small enterprises of all types. They hold the majority of bank deposits in U.S. rural counties and micropolitan counties with populations up to 50,000. In fact, as of June 2020, community banks held more than 75 percent of deposits in 1,152 U.S. counties. In more than 600 of these counties, the only banking offices available to consumers were those operated by community banks.

Community Banking Research

The FDIC pursues an ambitious, ongoing agenda of research and outreach focused on community banking issues. Since the 2012 publication of *the FDIC Community Banking Study*, FDIC researchers have published more than a dozen additional studies on topics ranging from small business financing to the factors that have driven industry consolidation over the past 30 years. The FDIC published a study of community banks in 2020, that updates the 2012 study on the same topic. The 2020 study reviews several areas covered previously, including community-bank financial performance, trends in community-bank consolidation, and community-bank lending strategies. The 2020 study also includes a discussion of demographic changes affecting community banks, adoption of new technologies, and the effect of regulatory changes.

The FDIC Quarterly Banking Profile includes a section focused specifically on community bank performance, providing a detailed statistical picture of the community banking sector that can be accessed by analysts, other regulators, and bankers themselves. The most recent report shows that net income at community banks declined 1.9 percent on a merger-adjusted basis in the first nine months of 2020 compared with the first nine months of 2019, in the face of the recession which began in the first quarter. The decline in net income during the first nine months of 2020 was due to a sharp rise in provisions for credit losses as a result of the economic and financial uncertainty associated with the COVID-19 pandemic.

The long-term trend of consolidation has done little to diminish the role of community banks in the banking industry. Just over 75 percent of the community banks that merged between September 2019 and September 2020, were acquired by other community banks. On a merger-adjusted basis, loan growth at community banks exceeded growth at noncommunity banks in every year between 2012 and 2020. (See the chart on the following page.) From June 2019 to June 2020, on a merger-adjusted basis noncommunity banks reduced the number of offices they operate by 2.5 percent. In contrast, the number of offices operated by community banks increased slightly on a merger-adjusted basis.

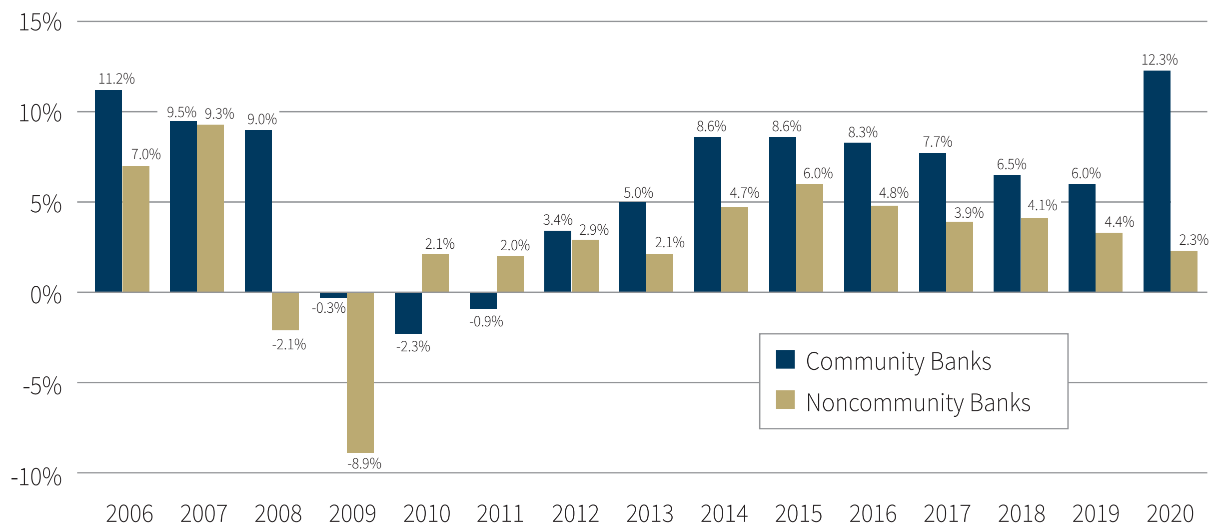
Community Bank Advisory Committee

The FDIC's Advisory Committee on Community Banking is an ongoing forum for discussing current issues faced by community banks and receiving valuable feedback from the industry. The Committee, which met virtually twice during 2020, is composed of as many as 18 community bank executives from around the country. It is a valuable resource for information on a wide range of topics, including examination policies and procedures, capital and other supervisory issues, credit and lending practices, deposit insurance assessments and coverage, and regulatory compliance issues.

At both of the 2020 Advisory Committee meetings, there was a discussion of local banking conditions, supervisory issues, insurance and research matters, and the FDIC's Rapid Prototyping Technology Competition as well as an update from the Minority Depository Institutions Subcommittee. Further, at the July 2020 meeting, there was a discussion of diversity and inclusion at financial institutions, and representatives from the Financial Accounting Standards Board provided an update on the CECL accounting standard. At the October 2020 meeting, FDIC staff also discussed proposed changes

COMMUNITY BANK LOAN GROWTH HAS EXCEEDED GROWTH AT NONCOMMUNITY BANKS FOR NINE CONSECUTIVE YEARS

Merger Adjusted Annual Growth in Total Loans and Leases



Source: FDIC.

Note: Data as of third quarter for 2020 and as of year-end for all other years.

COMMUNITY BANKS ADDED OFFICES WHILE NONCOMMUNITY BANKS CLOSED OFFICES JUNE 2019 TO JUNE 2020

	Offices of Currently-Operating Banks in June 2019	Offices of Acquired Banks	Number of Offices in June 2019 (Merger adjusted)	New Offices Opened	Offices Closed	Net Offices Purchased or Sold	Number of Offices in June 2020
Community Banks	28,317	569	28,886	606	440	15	29,067
Noncommunity Banks	54,805	2,626	57,431	607	2,050	-15	55,973
TOTAL	**83,122**	**3,195**	**86,317**	**1,213**	**2,900**	**0**	**85,040**

Source: FDIC Summary of Deposits Data as of June 2020.

to the supervisory appeals process and a request for information on a proposed voluntary certification program to promote new technologies.

De Novo Banks

Throughout 2020, the FDIC continued multiple initiatives aimed at streamlining the deposit insurance application process, and ensuring timely consideration and efficient processing of deposit insurance applications.

During 2020, the FDIC released a number of resources to aid organizers in developing draft deposit insurance proposals. The resources update the process that the FDIC introduced in December 2018 and provide information regarding the FDIC experience in receiving and reviewing draft proposals. Further, the resources highlight practices that support the submission of effective draft proposals and detail the procedures by which FDIC staff reviews proposals. The draft review process is available to all organizing groups, but may be particularly helpful for organizers pursuing deposit insurance proposals that present novel, unusual, or complex aspects, and for organizers seeking technical assistance. Interested parties may access application-related information through the FDIC's Bank Applications webpage located at https://www.fdic.gov/resources/supervision-and-examinations/bank-applications/index.html.

In February 2020, the FDIC released a Supplement to its *Deposit Insurance Application Procedures Manual* that addresses deposit insurance applications that involve unique or complex proposals, including proposals from applicants that are not traditional community banks. The supplement provides insights into the review of such applications, including the evaluation of statutory factors and the use of approval conditions and written agreements, and reflects the agency's commitment to transparency in its processes and decision-making.

The FDIC has established a goal of acting on 75 percent of deposit insurance applications within 120 days after the application is accepted as substantially complete. The FDIC received 22 applications in 2020, 15 of which are still in process. Of the remaining seven, five applications were returned or withdrawn before being accepted as substantially complete. The remaining two applications were approved in excess of 120 days, one in 128 days and one in 134 days. Processing of these applications was delayed while awaiting additional information from the applicants. In addition, the FDIC approved 14 applications for deposit insurance that were received during 2019, while 8 applications received in 2019 were returned or withdrawn in 2020, but these applications were not subject to the 2020 Annual Performance Goal.

Technical Assistance Program

As part of the Community Banking Initiative, the FDIC continued to provide a robust technical assistance program for bank directors, officers, and employees. The technical assistance program includes a Banker Resource Center, Directors' College events held across the country, industry teleconferences and webinars, and a video program.

In June 2020, the FDIC launched a new Banker Resource Center on its website. This one-stop resource for bankers. It contains detailed information on almost 20 supervisory topics and general information in a number of other areas for bankers and is located at https://www.fdic.gov/resources/bankers.

In 2020, the FDIC hosted Directors' College events in five of its six regions. These events were conducted jointly with state trade associations and addressed issues such as corporate governance, regulatory capital, community banking, concentrations management, consumer protection, BSA, and interest-rate risk, among other topics.

The FDIC also offered a series of banker events, in order to maintain open lines of communication and to keep bank management and staff informed regarding important banking regulatory and emerging issues of interest to community bankers. In 2020, the FDIC offered 12 teleconferences or webinars focused on the following topics:

- How to Become a Paycheck Protection Program (PPP) Lender (with the FRB, OCC, and NCUA);
- Revised Statement on Loan Modifications and Reporting for Institutions Working with Customers Affected by the Coronavirus (with the FRB, OCC, and NCUA);
- New Transition Provision to Delay the Impact of CECL on Regulatory Capital for Institutions Required to Adopt CECL in 2020 (with the FRB and OCC);
- Community Bank Leverage Ratio Framework;
- Current Expected Credit Losses (CECL) accounting methodology;
- Banks' Use of Artificial Intelligence, including Machine Learning;
- The Business Continuity Management Booklet of the IT Handbook, through FFIEC;
- Additional Loan Accommodations (with the FRB and OCC);
- 2020 updates to the FFIEC BSA/AML Manual, through FFIEC;
- Loan Forgiveness and Other Matters Relative to the Paycheck Protection Program;
- Loan modifications – Coronavirus (COVID-19) Information for Bankers; and
- New Standardized Approach for Calculating the Exposure Amount of Derivatives Contracts.

Finally, in 2020, the FDIC released six videos as a high-level overview to help FDIC-supervised institutions understand how FDIC examiners look at fair lending compliance, and provide resources that may assist institutions in assessing and mitigating different types of fair lending risks.

Advisory Committee of State Regulators

In October 2020, the FDIC held the inaugural meeting of its Advisory Committee of State Regulators. The FDIC Board of Directors approved the formation of this advisory committee in November 2019, as another mechanism for state regulators and the FDIC to discuss current and emerging issues that have potential implications for the regulation and supervision of state-chartered financial institutions. The Advisory Committee members include regulators of state-chartered financial institutions from across the United States as well as other individuals with expertise in the regulation of state-chartered financial institutions. At the meeting, the Committee discussed state banking conditions, community bank consolidation, state-federal coordination, financial inclusion efforts, the FDIC's Rapid Prototyping Technology Competition, and a request for information on a proposed voluntary certification program to promote new technologies.

ACTIVITIES RELATED TO LARGE AND COMPLEX FINANCIAL INSTITUTIONS, INCLUDING SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS

The FDIC is committed to addressing the unique challenges associated with the supervision, deposit insurance, and potential resolution of large and complex financial institutions. The agency's ability to analyze and respond to risks in these institutions is particularly important, as they comprise a significant share of banking industry assets and deposits. The Division of Complex Institution Supervision and Resolution (CISR) was established in 2019 to centralize and integrate the FDIC's operations related to the supervision and resolution of large and complex financial institutions, including systemically important financial institutions (SIFIs), financial market utilities (e.g., central counterparties), and all FDIC-IDIs with assets above $100 billion for which the FDIC is not the primary federal regulatory authority (i.e., large complex financial institutions (LCFIs) in the CISR portfolio).

CISR performs ongoing risk monitoring of G-SIBs, large foreign banking organizations (FBOs), other large domestic banks in the FDIC's portfolio, and FSOC-designated nonbank financial companies; provides backup supervision of the firms' related IDIs; and evaluates the firms' required resolution plans. CISR also performs certain analyses that support the FDIC's role as an FSOC member.

Resolution Plans – Title I Living Wills

Certain large banking organizations and nonbank financial companies designated by FSOC for supervision by the FRB are periodically required to submit resolution plans to the FDIC and FRB. Each resolution plan, commonly known as a "living will," must describe the company's strategy for rapid and orderly resolution under the U.S. Bankruptcy Code in the event of material financial distress or failure of the company.

Recent Title I Submissions

In December 2019, the FDIC and FRB jointly announced that their review of the 2019 resolution plans of the eight largest and most complex domestic banking organizations did not find any deficiencies; however, plans from six of the eight banking organizations had shortcomings. The shortcomings related to the ability of the firms to reliably produce, in stressed conditions, data needed to execute their resolution strategies. Action plans to address the shortcomings were due to the agencies by April 30, 2020. The action plans demonstrated progress towards addressing the shortcomings. The agencies will review whether the shortcomings have been addressed adequately, in connection with their review of the firms' 2021 Targeted Plans.

In light of the challenges arising from the COVID-19 pandemic, in May 2020, the FDIC and FRB extended the 2020 resolution plan submission deadline by 90 days, to September 29, 2020, for four FBOs. By that extended submission deadline, the four FBOs submitted their resolution plans to remediate certain weaknesses — deemed "shortcomings" — previously identified by the agencies. The agencies announced on December 9, 2020, that weaknesses previously identified in the resolution plans of those four FBOs had been remediated. Additionally, the agencies extended the 2021 targeted resolution plan submission deadline for foreign and domestic banks in Category II and Category III under the agencies' tailoring rule.

In July 2020, the agencies provided information to the eight largest and most complex domestic banking organizations to guide their next resolution plans, which are due by July 1, 2021. The 2021 plans will be required to include core elements of a firm's resolution plan—such as capital, liquidity, and recapitalization strategies—as well as how each firm has integrated changes to, and lessons learned from, its response to COVID-19 into its resolution planning process.

Additionally, on July 1, 2020, the FDIC and FRB announced that they had completed a review of "critical operations," at certain firms whose failure or discontinuance would threaten U.S. financial stability, and informed the firms of their findings. The agencies also announced their plan to complete another such review by July 2022, and this review will include a further, broader evaluation of the framework used to identify critical operations.

Furthermore, in 2020, the FDIC and FRB hosted Crisis Management Group (CMG) meetings for U.S. G-SIBs to discuss home-and-host resolvability assessments for the firms to facilitate cross-border resolution planning.

Other Large Bank Holding Company Filers

On December 9, 2020, the agencies finalized guidance for certain foreign banking organizations that are Category II firms according to their combined U.S. operations under the Federal Reserve Board's tailoring rule and are required to have a U.S. intermediate holding company. The final guidance included tailored expectations around resolution capital and liquidity, derivatives and trading activity, as well as payment, clearing and settlement activities. Additionally, the agencies provided information for Category II and Category III foreign and domestic banking organizations that will inform the content of their next resolution plans, which are due December 17, 2021. These targeted plans will be required to discuss capital, liquidity, and recapitalization strategies, among other things.

Insured Depository Institution Resolution Planning

Section 360.10 of the FDIC Rules and Regulations requires an IDI with total assets of $50 billion or more, to periodically submit to the FDIC a plan for its resolution in the event of its failure (the "IDI rule"). The IDI rule requires covered IDIs to submit a resolution plan that would allow the FDIC, as receiver, to resolve the institution under Sections 11 and 13 of the FDI Act in an orderly manner that enables prompt access to insured deposits, maximizes the return from the sale or disposition of the failed IDI's assets, and minimizes losses realized by creditors.

In April 2019, the FDIC issued an ANPR seeking comments on potential changes to the IDI rule requirements and adopted a resolution extending the due date for future plans submissions, pending completion of the rulemaking process.

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

In January 2021, the FDIC announced plans to resume requiring resolution plan submissions from IDIs with $100 billion or more in total consolidated assets.

Monitoring and Measuring Systemic Risks

The FDIC monitors risks related to G-SIBs as well as other large domestic banks and FBOs at the firm level and industry wide to inform supervisory planning and response, policy and guidance considerations, and resolution planning efforts. As part of this monitoring, the FDIC analyzes each company's risk profile, governance and risk management capabilities, structure and interdependencies, business operations and activities, management information system capabilities, and recovery and resolution capabilities. Capital and liquidity adequacy and resiliency under stressed conditions are also key parts of monitoring. Further, because of the COVID-19 pandemic there has been heightened risk monitoring.

The FDIC continues to work closely with the other federal banking agencies as well as foreign regulators to analyze institution-specific and industry-wide conditions and trends, emerging risks and outliers, risk management, and the potential risk posed to financial stability by G-SIBs, other large domestic banks and FBOs, and nonbank financial companies. To support risk monitoring that informs supervisory and resolution planning efforts, the FDIC has developed systems and reports that make extensive use of structured and unstructured data. Monitoring reports are prepared on a routine and ad-hoc basis and cover a variety of aspects that include risk components, business lines and activity, market trends, and product analysis.

Additionally, the FDIC has implemented and continues to expand upon various monitoring systems, including the Systemic Monitoring System (SMS) and the SIFI Risk Report (SRR). The SMS provides an individual risk profile and assessment for LCFIs by evaluating the level and change in metrics that serve as important indicators of overall risk. The SMS supports the identification of emerging and outsized risks within individual firms and the prioritization of supervisory and monitoring activities. Information from SMS and other FDIC-prepared reports is used to prioritize activities relating to LCFIs and to coordinate supervisory and resolution-related activities with the other banking agencies. The SRR identifies key vulnerabilities of systemically important firms, and includes an independent assessment of the appropriateness of supervisory CAMELS ratings for the IDIs held by these firms.

Back-up Supervision Activities for IDIs of Systemically Important Financial Institutions

Risk monitoring is enhanced by the FDIC's back-up supervision activities. In this role, as outlined in Sections 8 and 10 of the FDI Act, the FDIC has expanded resources and has developed and implemented policies and procedures to guide back-up supervisory activities. These activities include performing analyses of industry conditions and trends, supporting insurance pricing, participating in supervisory activities with other regulatory agencies, and exercising examination and enforcement authorities when necessary.

At institutions where the FDIC is not the primary federal regulator, FDIC staff work closely with other regulatory authorities to identify emerging risks and assess the overall risk profile of large and complex institutions. The FDIC has assigned dedicated staff to IDIs that are LCFIs, to enhance risk-identification capabilities and facilitate the communication of supervisory information. These individuals work with the staff of the FRB and OCC in monitoring risk at their assigned institutions.

Through December 2020, FDIC staff participated in 90 targeted and 8 horizontal examination activities with the FRB or OCC in G-SIBs, large FBOs, and large regional banks. The reviews included, but were not limited to, engagement in the evaluation of corporate governance, BSA/AML compliance, credit risk, model risk management, market risk, interest-rate risk, capital adequacy, asset management, and third-party risk management. FDIC staff also participated in various interagency horizontal review activities, including the FRB's Comprehensive Capital Analysis and Review, Comprehensive Liquidity Analysis and Review, and Pandemic Capital Examination, as well as SNC reviews, and examinations of model risk management, risk appetite and risk limits, insider threat, and cyber, and operational resiliency.

Title II Orderly Liquidation Authority

Under the Dodd-Frank Act, failed or failing financial companies are expected to file for reorganization or liquidation under the U.S. Bankruptcy Code, similar to what any failed or failing nonfinancial company would file. If resolution under the Bankruptcy Code would result in serious adverse effects to U.S. financial stability, Title II of the Dodd-Frank Act provides a back-up authority for resolving a company for which the bankruptcy process is not viable. There are strict parameters on the use of the Title II Orderly Liquidation Authority, however, and it can only be invoked under a statutorily prescribed recommendation and determination process, coupled with an expedited judicial review process.

Resolution Strategy Development

The FDIC has undertaken institution-specific strategic planning to carry out its orderly liquidation authorities with respect to the largest G-SIBs operating in the United States. The strategic plans and optionality being developed for these firms are informed by the Title I plan submissions. Further, the FDIC is updating its systemic resolution framework to incorporate enhanced firm capabilities established through the Title I planning process and other domestic and foreign resolution planning and policy developments. The FDIC continues to build out process documents to facilitate the implementation of the framework in a Title II resolution. In addition, work continues in the development of resolution strategies for financial market utilities, particularly central counterparties (CCPs).

The FDIC also undertakes institution-specific resolution planning under the FDI Act for IDIs that are LCFIs, drawing on both IDI plans submitted by firms and follow-on engagement with the firms. A large regional bank resolution framework is being developed, building on lessons learned from historical bank resolutions and practices developed in connection with Title II resolution readiness planning for LCFIs.

Cross-Border Cooperation

Cross-border cooperation and advance planning are critical components of resolution planning for G-SIFIs due to the international nature of their services and their extensive operations overseas. In 2020, the FDIC continued its robust engagement with foreign authorities to deepen mutual understanding of the complex legal and operational issues related to cross-border resolution. This work is underpinned by an understanding that transparency and confidence in resolution planning will serve as a stabilizing force during times of stress.

The FDIC continued to enhance cooperation on cross-border resolution through institution specific engagement, as well as through bilateral and multilateral outreach, including through international fora such as the Financial Stability Board's (FSB's) Resolution Steering Group and its subgroups on banks, insurance, and financial market infrastructures. This year, the FDIC continued to show leadership in FSB work, in particular through the FDIC's membership in the Resolution Steering Group and its various committees, including co-chairing the Cross-Border CMG for financial market infrastructures and working on standards and implementation, and through work on the FSB's report Evaluation of the Effects of Too Big to Fail Reforms.

With regard to the FDIC's institution-specific engagement, the FDIC co-chaired Cross-Border CMGs of supervisors and resolution authorities for U.S. G-SIFIs and participated as a host authority in CMGs for foreign G-SIFIs. Work through these CMGs allows the FDIC to improve resolution preparedness by strengthening our working relationships with key authorities, providing a forum to address institution-specific resolution planning considerations, and supporting information-sharing arrangements. The FDIC held meetings of four U.S. G-SIB CMGs in the April/May 2020 timeframe and meetings of two U.S. CCP CMGs in June 2020, having successfully transitioned to using a virtual format due to pandemic-related travel restrictions.

In addition to firm-specific work on resolution planning for U.S. CCPs through CMGs, the FDIC works with staff from the FRB, CFTC, and SEC, and with foreign supervisors and resolution authorities and within international groups, to understand risks, identify resolution options, and address related CCP resolution planning issues.

The FDIC also continued its bilateral and multilateral outreach through ongoing resolution-related dialogues with key foreign counterparts. In 2020, the FDIC led significant principal and staff-level engagements with foreign jurisdictions to discuss cross-border issues and potential impediments that could affect the resolution of a G-SIB. For example, in 2020, the FDIC participated in ongoing trilateral work with UK and European financial regulatory authorities. The FDIC also continued its ongoing work with international authorities to enhance coordination on cross-border bank resolution. Participants included senior staff from the U.S. and key foreign jurisdictions. FDIC staff continued to pursue follow-on work endorsed by senior officials from participating agencies.

The FDIC maintains a close working relationship on cross-border resolution planning topics with EU authorities, including through joint Working Group meetings with the European Commission (EC). FDIC, FRB, and EC staffs held phone sessions to discuss cross-border resolution planning topics. FDIC staff also participated in two Joint US-EU Financial Regulatory Forum meetings held in 2020, as a member of the U.S. delegation led by Department of the Treasury staff, along with FRB, CFTC, SEC, and OCC staff. Staff from the EC, European Banking Authority, European Securities and Markets Authority, European Insurance and Occupational Pensions Authority, European Central Bank, Single Supervisory Mechanism, and Single Resolution Board represented the EU. The Forum meetings addressed the economic response to, and potential financial stability implications of, the COVID-19 pandemic, supervisory and regulatory cooperation in capital markets (including in the areas of derivatives, central clearing, and benchmark transition), multilateral and bilateral engagement in banking, CCP recovery and resolution, and other topics.

The FDIC also maintains a close working relationship on cross-border resolution planning topics with UK authorities, including through dialogue as a participating agency in the U.S.-UK Financial Regulatory Working Group (FRWG), which the Department of the Treasury and Her Majesty's Treasury established in 2018 to serve as a forum for bilateral regulatory cooperation between the U.S. and the UK. In addition to the FDIC, participating U.S. regulators include the FRB, OCC, SEC, and CFTC; participating UK regulators include the Bank of England and the Financial Conduct Authority. In 2020, FRWG participants met once to discuss topics across the key themes of the economic response to, and potential financial stability impacts of, the COVID-19 pandemic, international cooperation and 2021 priorities; cross-border rules and overseas recognition/equivalence/substituted compliance regimes; sustainable finance; and financial innovation.

Title II Broker Dealer Rule

Title II of the Dodd-Frank Act provides the authority for the appointment of the FDIC as receiver to conduct the orderly liquidation of systemically important financial companies. Section 205 of Title II of the Act sets forth certain provisions specifically relating to the orderly liquidation of systemically important brokers or dealers. Section 205(h) of the Act requires the FDIC and the SEC, in consultation with the Securities Investor Protection Corporation (SIPC), jointly to issue rules to implement Section 205. On July 24, 2020, the FDIC and SEC adopted a final rule, implementing Section 205.

In keeping with the statutory mandate, the final rule:

- Clarifies how the relevant provisions of the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa-lll) (SIPA) would be incorporated into a Title II proceeding;
- Specifies the purpose and content of the application for a protective decree required by section 205 of the Dodd-Frank Act;
- Clarifies the FDIC's powers as receiver with respect to the transfer of assets of a covered broker or dealer to a bridge broker or dealer;
- Specifies the roles of the FDIC as receiver and SIPC as trustee with respect to a covered broker or dealer;
- Describes the claims process applicable to customers and other creditors of a covered broker or dealer, including the interaction of the determination of customer claims under SIPA with the Title II claims process;
- Provides for SIPC's administrative expenses; and
- Provides that the treatment of qualified financial contracts of the covered broker or dealer is governed exclusively by section 210 of the Dodd-Frank Act.

Systemic Resolution Advisory Committee

The FDIC created the Systemic Resolution Advisory Committee (SRAC) in 2011 to provide advice and recommendations on a broad range of issues relevant to the failure and resolution of systemically important financial companies pursuant to the Dodd-Frank Act.

Members of the SRAC have a wide range of experience, including managing complex firms, serving as bankruptcy judges, and working in the legal system, accounting field, and academia. The SRAC Charter was renewed in 2019, and this year's SRAC meeting was held virtually on October 1, 2020.

DEPOSITOR AND CONSUMER PROTECTION

A major component of the FDIC's mission is to ensure that financial institutions treat consumers and depositors fairly, and operate in compliance with federal consumer protection, anti-discrimination, and community reinvestment laws. The FDIC also promotes economic inclusion to build and strengthen positive connections between insured financial institutions and consumers, depositors, small businesses, and communities.

Promoting Economic Inclusion

The FDIC is strongly committed to promoting access to a broad array of responsible and sustainable banking products to meet consumers' financial needs. In support of this goal, the FDIC:

- Conducts research on consumer use of financial services to inform efforts to expand and sustain participation in the banking system;
- Researches strategies, products, and services that banks can use to meet the needs of lower-income consumers;
- Supports bank consideration of opportunities to offer additional products and services that have the potential to support, expand, and sustain consumer participation in the banking system;
- Supports partnerships to promote consumer access to and use of banking services;
- Advances financial education and literacy; and
- Facilitates partnerships to support community and small business development.

Advisory Committee on Economic Inclusion

The Advisory Committee on Economic Inclusion (ComE-IN) provides the FDIC with advice and recommendations on important initiatives to support expanding consumer and community access and sustainable engagement with the nation's banking system. This includes reviewing basic retail financial services (e.g., low-cost, safe transaction accounts; affordable small-dollar loans; and savings accounts), as well as demand-side factors such as consumers' perceptions of financial institutions.

In 2020, the ComE-IN met and discussed the following topics: 1) results of a 2019 FDIC national household survey and an accompanying report entitled "How America Banks"; 2) the changing circumstances of consumers during the COVID-19 pandemic; and 3) the role of minority-owned depository institutions and the importance of diverse bank workforces in ensuring the banking sector is well-positioned to address the needs of the nation.

Expanding Account Access

In 2020, in addition to the resources provided to consumers related to economic impact payments noted above, FDIC also conducted outreach to banks and community-based organizations to enhance consumer access to financial services that would allow receipt of economic impact payments directly and safely. The FDIC supports coalitions nationwide that share its commitment to expanded access to safe and affordable bank accounts. Additional consumer outreach raised awareness of pandemic-driven scams, while promoting financial education as well as state and local assistance and recovery programs.

As of December 31, 2020, the FDIC hosted more than 122 events, which provided opportunities for partners to collaborate on ways to increase consumer access to FDIC-insured bank accounts and credit services; opportunities to build savings and improve credit histories; and initiatives to strengthen the financial capability of community service providers that directly serve low- and moderate-income (LMI) consumers and small businesses.

Public Awareness Campaign

The FDIC developed the strategy, messaging, and communications plan for a new public awareness campaign to motivate unbanked consumers in two metropolitan statistical areas (MSAs) to join the banking system. The two areas are the Atlanta-Sandy Springs-Alpharetta MSA in Georgia, and the Houston-The Woodlands-Sugar Land MSA in Texas.

Public Awareness of Deposit Insurance Coverage

An important part of the FDIC's deposit insurance mission is to ensure that bankers and consumers have access to accurate information about FDIC rules for deposit insurance coverage. The FDIC has an extensive deposit insurance education outreach program consisting of seminars for bankers, a web-based calculator for estimating deposit insurance coverage, and written and other web-based resources targeted to both bankers and consumers. For example, bankers and consumers can use the FDIC's BankFind tool to verify whether a website is operated by a legitimate FDIC-member bank. Through December 31, 2020, the FDIC identified and took appropriate action on more than 100 websites, some of which included the Member FDIC logo, but were not operated by FDIC-member banks.

During 2020, the FDIC continued its efforts to educate bankers and consumers about the rules and requirements for FDIC insurance coverage. For example, as of December 31, 2020, the FDIC held four telephone seminars for bankers on deposit insurance coverage. Approximately 4,855 bankers were in attendance, representing 1,872 bank sites. The FDIC also provides deposit insurance training videos on its public website and YouTube channel.

As of December 31, 2020, the FDIC Call Center had received 141,607 telephone calls, 27,417 of those were identified as deposit insurance-related inquiries. In addition to telephone inquiries about deposit insurance coverage, the FDIC received 1,472 written inquiries from consumers and bankers. Of these inquiries, 99 percent received responses within two weeks, as required by corporate policy.

Rulemaking and Guidance

Interagency Lending Principles for Offering Responsible Small-Dollar Loans

In May 2020, the FDIC, FRB, OCC, and NCUA issued interagency guidance to recognize the role small-dollar loans can play in helping borrowers meet credit needs due to cash-flow imbalances, unexpected expenses, or temporary income shortfalls. The guidance establishes a set of core lending principles and clarifies regulatory expectations in a manner that encourages financial institutions to offer responsible small-dollar loans.

CRA Modernization

In December 2019, the FDIC and OCC announced a proposal to modernize the regulations under the CRA. Staffs of the FDIC and OCC reviewed the many comments received in response to the proposal and worked collaboratively. In May, the OCC released their final rule on the CRA, and the FDIC Chairman announced that while the FDIC strongly supports the efforts to make the CRA rules clearer, more transparent, and less subjective, in light of the COVID-19 pandemic, the agency did not believe it was appropriate to finalize the CRA proposal during 2020.

Home Mortgage Disclosure Act

In February 2020, the FDIC and other FFIEC members issued a revised version of *A Guide to HMDA Reporting: Getting It Right.* The 2020 edition of the *Guide* applies to 2020 Home Mortgage Disclosure Act (HMDA) data reported in 2021 and incorporates amendments made to HMDA by the Dodd-Frank Act and the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). The *Guide* was designed to help financial institutions better understand the HMDA requirements, including data collection and reporting provisions.

Interagency Questions and Answers Regarding Flood Insurance

In June 2020, the FDIC, FRB, OCC, and NCUA, issued a notice with a request for comment on proposed new and revised Interagency Q&As Regarding Flood Insurance. The proposal seeks to incorporate amendments to federal flood insurance laws regarding the escrow of flood insurance premiums, the detached structure exemption, and force placement of insurance. The notice is intended to help lenders meet their responsibilities pursuant to the federal flood insurance laws.

Updated Examination Procedures

Throughout 2020, the FDIC reviewed and updated the examination procedures outlined in the *FDIC Consumer Compliance Examination Manual* with respect to Truth-in-Lending. These procedures were updated to reflect the CFPB's 2017 and 2018 TILA-RESPA Integrated Disclosure Rule amendments to Regulation Z. The procedures also include amendments to TILA relating to the EGRRCPA.

Consumer Compliance Supervisory Highlights

The second issue of the *FDIC Consumer Compliance Supervisory Highlights* was released in April 2020. The purpose of this publication is to enhance transparency regarding the FDIC's consumer compliance supervisory activities. The publication includes a high-level overview of consumer compliance issues identified during 2019 through the FDIC's supervision of state non-member banks and thrifts.

FFIEC Federal Disclosure Computational Tools

In April 2020, the FFIEC, on behalf of its member entities, announced the availability of FFIEC Federal Disclosure Computational Tools, including the Annual Percentage Rate Computational Tool and the Annual Percentage Yield Computational Tool. The FDIC and other FFIEC member agencies collaborated to develop the Federal Disclosure Computational Tools, which will help financial institutions in their efforts to comply with consumer protection laws and regulations. The FFIEC Federal Disclosure Computational Tools are available at https://www.ffiec.gov/calculators.htm.

Community and Small Business Development and Affordable Mortgage Lending

The FDIC is committed to promoting community development, small business and affordable mortgage lending in underserved communities. As of December 31, 2020, the FDIC Community Affairs staff had engaged with banks and community organizations through more than 131 outreach events. These events increased shared knowledge and supported collaboration among financial institutions and other community, housing, and small business development organizations. These collaboration efforts enabled banks to offer responsive, reasonably priced mortgages and small business loans to borrowers who otherwise might not have qualified for bank-sponsored loan products.

The FDIC promoted community development partnerships and access to capital in historically underserved markets. Community development outreach events were held across all regions of the FDIC and spanned a wide variety of topics including community and neighborhood stabilization, workforce development, and financial capability.

The FDIC's Community Affairs Program supports the FDIC's mission to promote stability and public confidence in the nation's financial system by encouraging economic inclusion and community development initiatives that broaden access to safe and affordable credit and deposit services from IDIs, particularly for LMI consumers and small businesses. The FDIC's Affordable Mortgage Lending Center's webpage houses various resources, including the Affordable Mortgage Lending Guide, a three-part manual designed to help community banks identify and access affordable mortgage products. The Affordable Mortgage Lending Center had more than 274,800 subscribers as of December 31, 2020. The webpage is located at https://www.fdic.gov/consumers/community/mortgagelending/index.html.

The CRA encourages banks to offer community development loans, investments, and services to help address the needs of LMI communities with respect to housing, community services, revitalization and stabilization of neighborhoods, and economic development. The FDIC, in partnership with the FRB and OCC, hosted basic and advanced training sessions for bankers to enhance their understanding of the regulation and to encourage them to pursue community development opportunities in their markets. In response to COVID-19, training sessions also focused on partnerships and activities that banks could engage in to support consumers and communities adversely impacted.

The agencies also offered basic CRA training for community-based organizations as well as seminars on establishing effective bank and community collaborations. Finally, the FDIC hosted examiner listening sessions with local community-based organizations designed to help examiners better understand local community credit needs and opportunities for bank CRA and community development partnerships.

Advancing Financial Education

Financial education is central to FDIC efforts to expand economic inclusion and promote confidence in the banking system. Effective financial education helps people gain the skills and confidence necessary to sustain a banking relationship, achieve financial goals, and improve financial well-being.

Through the *Money Smart* suite of curricula, the FDIC offers banks and community-based organizations non-copyrighted, high-quality, free financial education training resources designed to meet the financial education needs of consumers of all ages and small business owners. *Money Smart* materials are available in multiple languages, Braille, and large print. Self-paced products complement instructor-led tools delivered via video conferencing and in person. To incorporate user feedback, regulatory changes, and evolving instructional best practices, the FDIC updates *Money Smart* materials regularly.

Money Smart Improvements

In 2020, the FDIC developed an online suite of 14 games and related resources about everyday financial topics called "How Money Smart Are You?" These new self-paced tools, expected for widespread public release in 2021, will allow adults of all ages to learn about financial topics of interest by playing the educational games or using the varied resources that support the games. *How*

Money Smart Are You? eventually will replace the *Money Smart* computer-based instruction product currently available.

The FDIC used feedback from *Money Smart* Alliance members to improve instructor-led tools. For example, to make it easier for potential trainers to use the instructor-led curriculum, *Money Smart* staff recorded and posted train-the-trainer webinars for each of the 14 *Money Smart for Adults* modules. In response to the pandemic, staff pivoted outreach early in the year to help *Money Smart* Alliance members use *Money Smar*t tools to provide remote engagement.

Finally, the *Money Smart* website was redesigned to improve usability. The FDIC Online Catalog, the website feature that allows people to order or download *Money Smart* and deposit insurance resources, was replaced with a cloud-based solution that improves the user experience, while reducing maintenance costs.

Outreach Highlights

The Winter issue of *Money Smart News* recognized four *Money Smart* Alliance members for their innovative use of *Money Smart* materials:

- University of Wyoming Extension used *Money Smart for Adults* to train staff from community organizations across Wyoming to teach money management and provide individual coaching.
- First Commonwealth Bank of Indiana, and Pennsylvania, partnered with Goodwill of Southwestern Pennsylvania in Pittsburgh to provide financial education for nonviolent offenders participating in a Goodwill Community Reintegration program.
- Haven Neighborhood Services of Los Angeles engaged incarcerated women and other people struggling financially, often in collaboration with area banks.
- JPMorgan Chase Bank, N.A. provided monthly workshops with Samaritas House Heartline in Detroit, Michigan, an organization that provides shelter, food, and other assistance to women who are homeless or leaving the correctional system.

While 2020 focused on supporting existing Alliance members, activities attracted new organizations to the Alliance family. More than 175 organizations joined the Alliance during 2020, bringing the total number of members to 1,600. In addition, more than 3,500 prospective trainers learned more about using *Money Smart* via training sessions/webinars.

FDIC Consumer News

FDIC Consumer News is a monthly publication that provides practical guidance on how to become a smarter, safer user of financial services. The FDIC released 12 issues in 2020, along with a Special Edition on the impacts of COVID-19. Selected articles define financial terms, offer helpful hints, resources, quick tips and common–sense strategies to protect and stretch consumers' money. The FDIC promotes *FDIC Consumer News* on four social media platforms, provides English and Spanish printable versions, and has more than 148,000 subscribers nationwide.

Partnerships for Access to Mainstream Banking

Across the country, the FDIC supported community development and economic inclusion partnerships at the local level by providing technical assistance and information resources, with a focus on unbanked households and LMI communities. Community Affairs staff advanced economic inclusion through FDIC-led Alliances for Economic Inclusion (AEI), as well as other local, state and regional coalitions that promote collaboration among financial institutions, federal agency partners, and local non-profit organizations. Among others, the FDIC worked with *Bank On,* United Way, industry trade groups, and other foundations. Further, the FDIC worked with fellow financial regulatory agencies to provide information and technical assistance on community development to banks and community leaders across the country.

The FDIC hosted 25 outreach events with 12 AEI coalitions to support working groups of bankers and community leaders responding to the financial capability and services needs in their communities. The Los Angeles AEI conducted eight events at public libraries to promote savings by automatic deposit during *America Saves* Week in February. In March, the Boston AEI conducted a forum on Healthy Homes, a holistic, resident-centered strategy that connects the health and wellbeing of residents to safe, secure housing. Webinars hosted by the Oklahoma and Mississippi AEIs connected

DCP Senior Community Affairs Specialist Mary Duron (center) at an event celebrating America Saves/Los Angeles Saves Week in the County and City of Los Angeles.

small businesses with banks and other resources to help in their economic recovery.

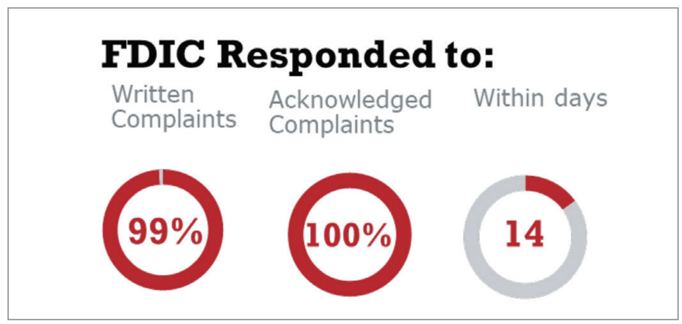
Consumer Complaints and Inquiries

The FDIC helps consumers by receiving, investigating, and responding to consumer complaints about FDIC-supervised institutions and answering inquiries about banking laws and regulations, FDIC operations, and other related topics. Assessing and resolving these matters helps the agency identify trends or problems affecting consumer rights, understand the public perception of consumer protection issues, formulate policy that aids consumers, and foster confidence in the banking system.

The FDIC publishes an annual report regarding the nature of the FDIC's interactions with consumers and depositors and also regularly updates metrics on requests from the public for FDIC assistance.[3]

Consumer Complaints by Topic and Issue

In 2020, the FDIC's Consumer Response Center (CRC) handled 15,213 written and telephonic complaints and inquiries. Of the 12,153 involving written correspondence, 4,414 were referred to other agencies. The FDIC handled the remaining 7,739.



The FDIC responded to 99 percent of written complaints within time frames established by corporate policy, and acknowledged 100 percent of all consumer complaints and inquiries within 14 days.

In 2020, the four most frequently identified topics in consumer complaints and inquiries about FDIC-supervised institutions concerned checking accounts (25 percent), consumer/business credit cards (18 percent), consumer lines of credit/installment loans (14 percent), and residential real estate (8 percent).

Through December 2020, consumers received more than $942,518 in refunds and voluntary compensation from financial institutions as a result of the assistance provided by the FDIC's Consumer Response Center.

In March 2020, the FDIC began tracking incoming complaints and inquiries regarding the COVID-19

[3] The Transparency and Accountability: Consumer Protection and Deposit Insurance 2019 Annual Report is available at https://www.fdic.gov/transparency/trans-account-2019-annual-report.pdf.

pandemic by adding specific keywords to case files. Keyword included "Coronavirus 2020" to track general concerns regarding the pandemic; "IRS Stimulus CSR" to track concerns related to the Economic Impact Payments; and "SBA-CARES Act" to track business owners' concerns. Through December 31, 2020, the CRC received 1,493 complaints and inquiries tagged with one or more of these key words, of which 755 cases involved FDIC-supervised institutions.

FAILURE RESOLUTION AND RECEIVERSHIP MANAGEMENT

The Division of Resolutions and Receiverships is responsible for resolving the failure of IDIs with assets under $100 billion. When an IDI fails, the respective chartering authority—the state for state-chartered institutions and the OCC for national banks and federal savings associations—typically appoints the FDIC as receiver.

To resolve a failed IDI, the FDIC employs a variety of strategies to ensure the prompt and smooth payment of deposit insurance to insured depositors, minimize the impact on the DIF, and speed dividend payments to uninsured depositors and other creditors of the failed institution. No depositor has ever experienced a loss on the insured amount of their deposits in an FDIC-insured institution due to a failure.

The FDIC evaluates and markets a failing IDI by soliciting and accepting bids to determine which bid (if any) is least costly to the DIF. The FDIC uses two basic resolution methods: purchase and assumption (P&A) transactions and deposit payouts, with the P&A transaction being the most commonly used resolution method. Typically, in a P&A transaction, a healthy institution purchases certain assets and assumes certain liabilities of the failed IDI, including the option of acquiring either all deposits or only the insured portion. Because each failing IDI is different, P&A transactions provide flexibility to structure resolution transactions that result in obtaining the highest value. For example, a P&A transaction could include a shared-loss feature, in which the FDIC as receiver agrees to share in losses on certain assets with the acquirer for a specified period (e.g., five to 10 years). The FDIC used shared-loss P&A transactions extensively during periods of economic distress, when asset values became highly uncertain. While shared-loss P&A transactions have not been offered since 2013, the FDIC continues to monitor existing agreements that remain in place. At year-end 2020, there were 19 receiverships active in the shared-loss program. Total assets covered under the shared-loss program were reduced by $1.1 billion to $3.1 billion.

Financial Institution Failures

During 2020, there were four institution failures. In each case, the FDIC successfully contacted all qualified and interested bidders to market and sell these institutions. In all four IDI failures, the assuming institution assumed all deposits and all depositors had access to insured funds within one business day, as all failures occurred on a Friday.

Further, there were no losses on insured deposits, and no appropriated funds were required to pay insured deposits.

The following chart provides a comparison of failure activity over the past three years.

FAILURE ACTIVITY
Dollars in Billions

	2020	2019	2018
Total Institutions	4	4	0
Total Assets of Failed Institutions*	$0.5	$0.2	$0.0
Total Deposits of Failed Institutions*	$0.4	$0.2	$0.0
Estimated Loss to the DIF	$0.1	$0.03	$0.0

*Total assets and total deposits data are based on the last quarterly report filed by the institution prior to failure.

Receivership Management Activities

As part of the receivership process, the FDIC as receiver manages failed IDIs and their subsidiaries with the goal of expeditiously winding up their affairs. Assets that are not sold to an assuming institution through the resolution process are retained by the receivership and promptly valued and liquidated in order to maximize the return to the receivership estate.

As a result of the FDIC's asset marketing and collection efforts, the book value of assets in inventory decreased by $241 million (46 percent) in 2020. Total assets in liquidation continued a downward trend, resulting in a total book value of $283 million at the end of 2020.

Also, during 2020, for 95 percent of failed institutions, at least 90 percent of the book value of marketable assets was marketed for sale within 90 days of an institution's failure for cash sales, and within 120 days for structured sales.

The following chart shows the year-end balances of assets in liquidation by asset type.

ASSETS-IN-LIQUIDATION INVENTORY BY ASSET TYPE
Dollars in Millions

Asset Type	12/31/20	12/31/19	12/31/18
Securities	$10	$10	$50
Consumer Loans	0	0	0
Commercial Loans	6	1	34
Real Estate Mortgages	3	19	67
Other Assets/Judgments	24	44	151
Owned Assets	1	3	3
Net Investments in Subsidiaries	20	31	19
Structured and Securitized Assets	219	416	854
TOTAL	**$283**	**$524**	**$1,178**

Proceeds generated from asset sales and collections are used to pay receivership claimants, including depositors whose accounts exceeded the insurance limit. During 2020, receiverships paid dividends of $25,000 to depositors whose accounts exceeded the insurance limit.

Once the assets of a failed institution have been sold and liabilities extinguished, the final distribution of any proceeds is made, and the FDIC terminates the receivership. In 2020, a total of 18 receiverships were terminated, which resulted in a net decrease of 14 active receiverships under management. Further, the FDIC terminated 75 percent of new receiverships within three years of the date of failure.

The following chart shows overall receivership activity for the FDIC in 2020.

RECEIVERSHIP ACTIVITY

Active Receiverships as of 12/31/19	248
New Receiverships	4
Receiverships Terminated	18
Active Receiverships as of 12/31/20	234

Professional Liability and Financial Crimes Recoveries

The FDIC investigates bank failures to identify potential claims against directors, officers, securities underwriters and issuers, fidelity bond insurance carriers, appraisers, attorneys, accountants, mortgage loan brokers, title insurance companies, and other professionals who may have caused losses to IDIs and FDIC receiverships. The FDIC will pursue meritorious claims that are expected to be cost-effective.

During 2020, the FDIC recovered $47.4 million from professional liability claims and settlements. The FDIC authorized two professional liability lawsuits during 2020. As of December 31, 2020, the FDIC's caseload included 10 professional liability lawsuits (down from 11 at year-end 2019), eight residential mortgage malpractice and fraud lawsuits (no change), and open investigations in 53 claim areas out of nine institutions. The FDIC completed investigations and made decisions on 82 percent of the investigations related to the one failure that reached the 18-month point in 2020 after the institution's failure date, thereby exceeding the annual performance target.

As part of the sentencing process, for those convicted of criminal wrongdoing against an insured institution that later failed, a court may order a defendant to pay restitution or to forfeit funds or property to the receivership. The FDIC, working with the U.S. Department of Justice in connection with criminal restitution and forfeiture orders issued by federal courts and independently in connection with restitution orders issued by the state courts, collected $3.2 million in 2020. As of December 31, 2020, there were 1,909 active restitution and forfeiture orders (down from 2,187 at year-end 2019). This includes 19 orders held by the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (i.e., orders arising out of failed financial institutions that were in receivership or conservatorship by the FSLIC or the Resolution Trust Corporation).

INFORMATION TECHNOLOGY

Information technology (IT) is an essential component in virtually all FDIC business processes. This integration with the business provides opportunities for efficiencies but also requires an awareness of potential risks. In 2020, the Chief Information Officer Organization (CIOO) focused its efforts on managing information security risk, strengthening infrastructure resiliency, and modernizing FDIC applications and systems to support the FDIC's business processes and key stakeholders.

Managing Information Security Risk

The FDIC's information security program is integral to the agency's ability to carry out its mission of maintaining stability and public confidence in the nation's financial system. The information security program relies on effective and efficient policies and practices to protect the agency's information assets and to protect, detect, respond to, and recover from incidents as rapidly as possible with minimal disruption to stakeholders.

The FDIC continues to focus time and resources on maturing and strengthening its risk management capabilities and internal controls. In 2020, the FDIC:

- Implemented Network Access Controls across the enterprise to prevent unauthorized entities from connecting to FDIC networks;
- Strengthened information security and privacy risk management by introducing new policies and procedures for patching, risk assessments, Plans of Action and Milestones, remediation plans, firewall and network security, and security and privacy control assessments;
- Supported closure of OIG audit findings involving several areas by expanding internal controls and risk mitigation strategies including maturing the FDIC Privacy Program and implementing the Privacy Continuous Monitoring Strategy;
- Continued to implement Department of Homeland Security Continuous Diagnostics and Mitigation service requests, enhancing the FDIC's cybersecurity posture by providing monitoring and detection information to the federal dashboard; and
- Strengthened monitoring practices to ensure that network users complete required IT security and privacy awareness training.

Information Security continues to be a top management priority at the FDIC.

Strengthening Infrastructure Resiliency

The FDIC must be able to provide and maintain an acceptable level of service in the face of threats and challenges to normal computer and network operations. The latest challenge was the agency-wide mandatory telework requirement caused by the COVID-19 pandemic. In short order, the FDIC pivoted to provide remote access for the majority of our employees. The FDIC successfully transitioned almost 5,800 employees and more than 1,000 contractors to a teleworking model, over a weekend, without a break in critical services. This effort provided a prime example of the benefits of a continued focus on infrastructure resiliency enhancements. In support of the transition to mandatory telework, the CIOO took several actions to help ensure the FDIC's employees could continue to deliver on its mission:

Mandatory Telework Enhancements:

- Expanded the lines on the main teleconference bridge;
- Increased Internet capacity in the main and backup data centers;
- Enhanced infrastructural and foundational capabilities (including various Microsoft Office 365 components and electronic signatures) to better support ongoing telework;
- Accelerated the implementation of internal and external digital signature and online forms solutions; and
- Identified needed updates for several applications to enhance remote access capabilities.

Ongoing Infrastructure Resiliency Enhancements:

- Planned and developed applications for Divisions and Offices to strengthen emergency preparedness; and

- Continued the modernization of public-facing applications to improve resiliency, availability, and functionality for public outreach.

Mission Sustainment:

- Created a virtual on-boarding process to enable the distribution of laptops and other electronic equipment to new employees to limit travel to FDIC offices;
- Facilitated safe incoming and outgoing correspondence with banks and other external stakeholders through the use of secure electronic communications (e.g., ZixMail, Enterprise File Exchange (EFX) and FDICconnect Examination File Exchange (FCX-EFE));
- Approved the use of DocuSign for external electronic signatures; and
- Leveraged FDICLearn and other applications to virtualize all mission critical training.

Modernizing IT and Enhancing Data Governance

The FDIC is committed to providing a robust, resilient, and secure IT infrastructure that promotes efficient operations, applies modern approaches to the use and protection of data, and improves the effectiveness of the FDIC's engagement with regulated institutions. As part of this commitment, the FDIC began the implementation of application and data modernization initiatives identified in the IT Modernization Roadmap. In support of this commitment the FDIC:

- Released the Common Business Process Management Platform required to facilitate the replacement of legacy applications;
- Delivered the FDIC Artificial Intelligence strategy, roadmap and initiative recommendations;
- Launched a Cloud Technology Migration Modernization project and migrated applications for two divisions;
- Established the Enterprise Data Governance Framework and Enterprise Data Council to effectively manage data from a holistic perspective;
- Conducted a data literacy assessment of all employees;
- Hired a dedicated Chief Data Officer; and
- Migrated SharePoint to the cloud.

INTERNATIONAL OUTREACH

The FDIC continues to play a leading role in supporting the global development of deposit insurance, bank supervision, and bank resolution systems. This included working closely with regulatory and supervisory authorities from around the world, as well as international standard- setting bodies and multilateral organizations, such as the International Association of Deposit Insurers (IADI), the Association of Supervisors of Banks of the Americas (ASBA), the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), the International Monetary Fund (IMF), and the World Bank. The FDIC engaged with foreign regulatory counterparts by virtually hosting foreign officials, conducting training seminars, delivering technical assistance, and fulfilling the commitments of FDIC membership in international organizations. The FDIC also advanced policy objectives with key jurisdictions by participating in high-level interagency dialogues.

International Association of Deposit Insurers

FDIC officials and subject matter experts provided continuing support for IADI programs in 2020. This included chairing IADI's Capacity Building Technical Committee, which, among other activities, provided support for developing and facilitating virtual workshops for the Asia-Pacific, and Latin American regions of IADI. The FDIC also chaired IADI's Differential Premium Systems Technical Committee, which published a paper on evaluating the effectiveness of differential deposit insurance premium systems. Additionally, the FDIC began chairing the Training and Technical Assistance Council Committee and the newly established Financial Technology Technical Committee. Led and supported by FDIC executives and senior staff, IADI technical assistance and training activities reached approximately 520 participants.

Association of Supervisors of Banks of the Americas

Senior FDIC staff chaired the ASBA Training Committee in 2020, which designs and implements ASBA's training strategy to promote the adoption of sound banking supervision policies and practices among its members. In February a meeting was held with training officials in the ASBA jurisdictions to begin a restructuring of the ASBA training program. Due to COVID-19, the on-site training programs were cancelled for the year, however, many courses were able to be converted to virtual events. The training program reached 453 member participants in 2020.

Basel Committee on Banking Supervision

The FDIC supports and contributes to the development of international standards, guidelines, and sound practices for prudential regulation and supervision of banks through its longstanding membership in BCBS. The FDIC's contributions include actively participating in many of the committee groups, working groups, and task forces established by BCBS to carry out its work, which focus on policy development, supervision and implementation, accounting, and consultation.

International Capacity Building

Due to COVID-19, most of the FDIC's direct assistance programs were cancelled or postponed in 2020. However, the FDIC was able to provide technical expertise to many foreign organizations through the use of virtual technology. These engagements included supplying staff experts to provide training in bank resolution and planning for the Albania Deposit Insurance Agency and the Bank of Albania, the Hong Kong Monetary Authority, the Central Bank of Brazil, and the Kenya Deposit Insurance Corporation; discussion of data modernization and institutional arrangements in resolution with the Financial Stability Institute; discussion of early warning systems and other topics with the Kenya Deposit Insurance Corporation; discussion of pass-through deposit insurance coverage with the International Monetary Fund; and discussion of legal issues for the transfer of title in a purchase-and-assumption transaction with the Nigeria Deposit Insurance Corporation. The FDIC also hosted eight visiting regulators and other government officials from Japan and Spain early in the year.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

The FDIC recognizes that it must effectively manage its human, financial, and technological resources to successfully carry out its mission and meet the performance goals and targets set forth in its annual performance plan. The FDIC must align these strategic resources with its mission and goals and deploy them where they are most needed to enhance its operational effectiveness and minimize potential financial risks to the DIF. Following are the FDIC's major accomplishments in improving operational efficiency and effectiveness during 2020.

Human Capital Management

The FDIC's human capital management programs are designed to attract, train, develop, reward, and retain a highly skilled, diverse, and results-oriented workforce. In 2020, the FDIC workforce planning initiatives emphasized the need to plan for employees to fulfill current and future capability and leadership needs. This focus ensures that the FDIC has a workforce positioned to meet today's core responsibilities and prepared to fulfill its mission in the years ahead.

Strategic Workforce Planning and Readiness

The FDIC understands that succession planning is critical to ensure that gaps in employee aspiration, engagement, and readiness for senior leadership and technical positions are addressed. The FDIC dedicates resources to strengthen and expand its internal pipeline of employees who aspire to higher-level positions, have the necessary leadership and technical skills and are prepared to assume future leadership roles.

The FDIC conducted targeted workforce and succession-planning initiatives in mission-critical functions to ensure it has the workforce and leadership capabilities needed in a dynamic environment. The agency engaged in defining the capabilities required of subject matter experts in mission-critical roles to plan future recruitment, professional development, and retention strategies and inform human capital investments. Individual divisions and offices continued to plan and implement succession-planning activities tailored to address their unique workforce and leadership capacity needs in evolving conditions.

During the past few years, the FDIC has witnessed an uptick in retirements among its management and leadership ranks, requiring a greater emphasis on knowledge transfer and long-term succession planning. To ensure that critical skills are sustained, the FDIC is developing new career paths that encompass emerging skills, while offering leadership training and career development opportunities designed to increase the internal candidate pool of potential leaders at all levels.

The FDIC is also undertaking innovative approaches to attract and retain a new generation of entry-level examiners with specialty and emerging skillsets.

Through these efforts, the FDIC workforce will be even better positioned to respond to dynamic financial and technological challenges, now and in the future.

Employee Learning and Development

The FDIC has a robust program to train and develop its employees throughout their careers to enhance technical proficiency and leadership capacity, supporting career progression and succession management. The FDIC is in the midst of a multi-year effort to modernize learning and development, including expanding virtual and online offerings, integrating modern learning technology, and modernizing the FDIC's training center.

The FDIC develops and implements comprehensive curricula for its business lines to prepare employees to meet new challenges. Employees working to become commissioned examiners or resolutions and receiverships specialists attend a prescribed set of specialized, internally-developed and instructed courses. Post-commission, employees continue to further their knowledge in specialty areas with more advanced courses. The FDIC is revising examiner classroom training to better support on-the-job application and has developed a wide-ranging resolution and receivership training curriculum to support readiness.

The FDIC also offers a comprehensive leadership development program that combines core courses, electives, and other enrichment opportunities to develop employees at all levels. From new employees to new executives, the FDIC provides employees with targeted opportunities that align with key leadership competencies. In addition to a broad array of internally developed and administered courses, the FDIC provides its employees with funds to participate in external training to support their career development.

In 2020, the FDIC's Corporate University quickly pivoted to convert more than 850 hours of essential training to virtual delivery, including all 10 core training courses for pre-commissioned examiners. More than 200 virtual course offerings were delivered to more than 5,000 participants.

Employee Engagement

The FDIC continually evaluates its human capital programs and strategies to ensure that it remains an employer of choice, and that all of its employees are fully engaged and aligned with the mission. The FDIC uses the Federal Employee Viewpoint Survey mandated by Congress to solicit information from employees, and takes an agency-wide approach to address key issues identified in the survey. The FDIC consistently scores highly in all categories of the Partnership for Public Service *Best Places to Work in the Federal Government®* list for mid-size federal agencies. Effective leadership is the primary factor driving employee satisfaction and commitment in the federal workplace, according to a report by the Partnership for Public Service.

The FDIC engages employees through formal mechanisms such as the TEAM (Transparency, Empowerment, Accountability, Mission) FDIC initiative that empowers employees to identify and implement short-term projects that positively impact the FDIC workplace and support the FDIC's mission; Chairman's Diversity Advisory Councils; Employee Resource Groups; and informally through working groups, team discussions, and daily employee-supervisor interactions. Employee engagement plays an important role in empowering employees and helps maintain, enhance, and institutionalize a positive workplace environment.