I.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

During 2022, the FDIC continued to fulfill its mission-critical responsibilities. The agency implemented Phase 3 of its Return to the Office (RTO) Plan, which permitted employees to work on-site at FDIC facilities after being on mandatory telework for approximately 29 months. In addition, the agency worked to further strengthen its oversight of 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 2022; the agency worked to strengthen its infrastructure resiliency, manage information security risks, enhance data governance, and modernize information technology (IT). This *Annual Report* highlights these and other accomplishments achieved during the year.

DEPOSIT INSURANCE

As the 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 DIF.

Long-Term Comprehensive Fund Management Plan

In 2010, 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 this 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 of the DIF at 2.0 percent. The FDIC views the 2.0 percent Designated Reserve Ratio as a long-term goal and the minimum level needed to reduce the likelihood that the FDIC would need to consider a potentially pro-cyclical assessment rate increase and to withstand future crises of the magnitude of past crises. The Federal Deposit Insurance (FDI) Act requires the Board to set the Designated Reserve Ratio before the beginning of each calendar year. In October 2022, the Board voted to maintain the 2.0 percent ratio for 2023.

Additionally, as part of the long-term DIF management plan, the FDIC suspended assessment dividends indefinitely when the fund reserve ratio exceeds 1.5 percent. In lieu of dividends, progressively lower assessment rates will become effective when the reserve ratio exceeds 2.0 percent and 2.5 percent.

State of the Deposit Insurance Fund

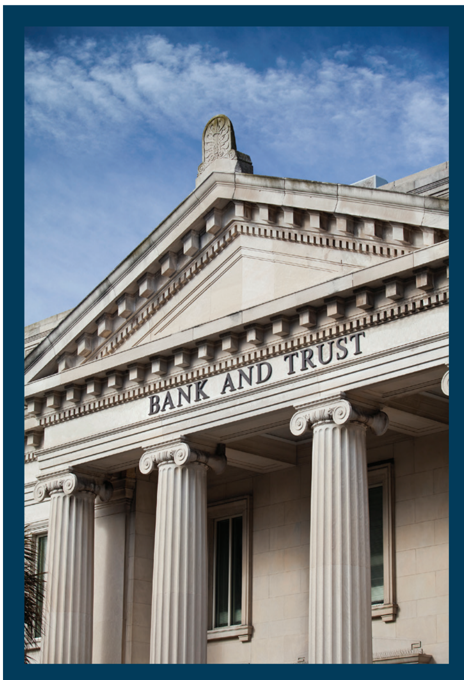
The DIF balance grew in 2022, with assessment revenue as the main contributor to growth. Growth in the fund balance has been limited by a prolonged period of low investment returns on securities held by the DIF and recent unrealized losses as interest rates rose sharply over

the course of 2022. While insured deposit growth showed signs of normalizing, aggregate balances remained significantly elevated relative to pre-pandemic levels, further constraining growth in the fund reserve ratio. The reserve ratio was 1.26 percent on September 30, 2022, one basis point lower than the previous year.

Restoration Plan

Extraordinary growth in insured deposits during the first and second quarters of 2020 caused the DIF reserve ratio to decline below the statutory minimum of 1.35 percent as of June 30, 2020. In September 2020, the FDIC Board of Directors 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 maintained the assessment rate schedules in place at the time and required the FDIC to update its analysis and projections for the DIF balance and reserve ratio at least semiannually.

In 2022, insured deposit growth decelerated compared to the extraordinary growth experienced in the first half of 2020, but aggregate balances remained significantly elevated. In the semiannual update for the Restoration Plan in June 2022, the FDIC projected that the reserve ratio was at risk of not reaching the statutory minimum of 1.35 percent by September 30, 2028, the statutory deadline to restore the reserve ratio. Based on this update, the FDIC Board approved an Amended Restoration Plan, which included a uniform increase in initial base deposit insurance assessment rates of 2 basis points. Under the Amended Restoration Plan, the FDIC will continue to monitor deposit balance trends, potential losses, and other factors that affect the reserve ratio. The FDIC concurrently approved a notice of proposed rulemaking (NPR) to implement the increase in assessment rate schedules.



In October 2022, the FDIC Board adopted a final rule implementing the assessment rate schedule increase. The revised assessment rate schedules are effective January 1, 2023, and are intended to increase the likelihood that the reserve ratio of the DIF reaches the statutory minimum level of 1.35 percent by September 30, 2028.

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.

RETURN TO BANKS

During the COVID-19 pandemic, the FDIC adapted its traditional supervision processes, including conducting examinations virtually and creating new processes and capabilities to address emerging needs. Between March 16, 2020, and September 2, 2022, nearly all examination activity occurred off-site. The FDIC resumed regular on-site examination activity on September 6, 2022, and is committed to having an on-site presence at every examination.

During 2021, the agency documented lessons learned, and embedded into its policies best practices from virtual examinations and from industry feedback in response to a 2021 request for information. The FDIC expects that leveraging these best practices will allow examiners to conduct a greater amount of examination activity off-site going forward than during the pre-pandemic period. The FDIC will continue to embrace technology when appropriate to increase examination efficiency and effectiveness.

EXAMINATION PROGRAM

The FDIC's bank examination efforts are at the core of its supervisory program. As of December 31, 2022, the FDIC was the primary federal regulator for 3,050 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, Community Reinvestment Act (CRA), and other specialty examinations, the FDIC assesses an institution's operating condition, management practices and policies, and compliance with applicable laws and regulations.

The table on the following page shows the number of examinations by type, conducted from 2020 through 2022.

During 2022, the FDIC conducted 1,331 statutorily required risk management examinations, and conducted all required follow-up examinations for FDIC-supervised problem institutions, within prescribed timeframes. The FDIC also conducted 987 statutorily required CRA/consumer compliance examinations (631 joint CRA/consumer compliance examinations, 355 consumer compliance-only examinations, and one CRA-only examination). In addition, the FDIC performed 2,979 specialty examinations, including statutorily required reviews of compliance with Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT)[7] requirements, within prescribed timeframes.

Risk Management

All risk management examinations have been conducted in accordance with statutorily established timeframes. As of September 30, 2022, 42 insured institutions with total assets of $163.8 billion were designated as problem institutions (i.e., institutions with a composite

[7] *The Anti-Money Laundering (AML) Act of 2020* amended subchapter II of chapter 53 of title 31 United States Code (the legislative framework commonly referred to as the "Bank Secrecy Act" or "BSA"). For purposes of consistency with the AML Act, the FDIC will now use the term "AML/CFT program" rather than "BSA/AML compliance program." Use of "AML/CFT" has the same meaning as the previously used "BSA/AML".

FDIC Examinations			
	2022	**2021**	**2020**
Risk Management (Safety and Soundness):			
State Nonmember Banks	1,202	1,139	1,219
Savings Banks	129	129	125
State Member Banks	0	0	0
Savings Associations	0	0	0
National Banks	0	0	1
Subtotal-Risk Management Examinations	**1,331**	**1,268**	**1,345**
CRA/Consumer Compliance Examinations:			
CRA/Consumer Compliance	631	740	805
Consumer Compliance-only	355	358	221
CRA-only	1	2	3
Subtotal—CRA/Compliance Examinations	**987**	**1,100**	**1,029**
Specialty Examinations:			
Trust Departments	305	275	308
IT and Operations	1,331	1,271	1,345
AML/CFT	1,343	1,285	1,372
Subtotal—Specialty Examinations	**2,979**	**2,831**	**3,025**
TOTAL	**5,297**	**5,199**	**5,399**

rating of 4 or 5 under the Uniform Financial Institutions Rating System (UFIRS)[8]) for safety and soundness purposes. By comparison, on September 30, 2021, there were 46 problem institutions with total assets of $50.6 billion. This represents a 9 percent decrease in the number of problem institutions and a 224 percent increase in problem institution assets.

For the 12 months ended September 30, 2022, 16 institutions with aggregate assets of $3.8 billion were removed from the list of problem financial institutions, while 12 institutions with aggregate assets of $122.2 billion were added to the list. The FDIC is the primary federal regulator for 26 of the 42 problem institutions, with aggregate assets of $4.3 billion.

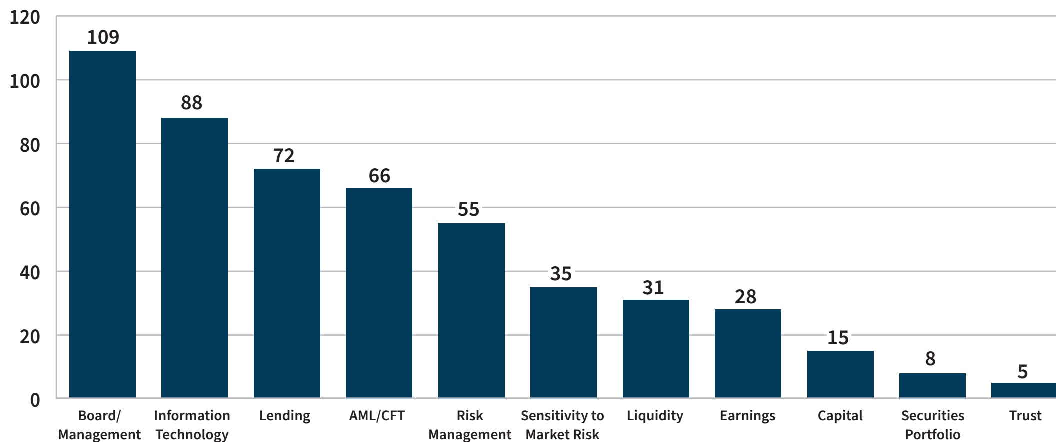
In 2022, the FDIC's Division of Risk Management Supervision (RMS) initiated 97 formal enforcement actions and 49 informal enforcement actions against supervised institutions. These actions included, but were not limited to, 15 actions under Section 8(b) of the FDI Act, none of which were notices of charges, 48 memoranda of understanding (MOUs) and

[8] Under the Uniform Financial Institutions Rating System (UFIRS), each financial institution is assigned a composite rating based on an evaluation of six financial and operational components, which are also rated. The component ratings reflect an institution's capital adequacy, asset quality, management capabilities, earnings sufficiency, liquidity position, and sensitivity to market risk (commonly referred to as CAMELS ratings). Ratings range from "1" (strongest) to "5" (weakest).

one Section 39 Compliance Plan. RMS did not issue any civil money penalties (CMPs) against institutions. Of these enforcement actions against institutions, 14 MOUs and six formal actions were based, in whole or in part, on apparent violations of AML/CFT laws and regulations. In addition, enforcement actions were also initiated against individuals. These actions included, but were not limited to: 28 removal and prohibition actions under Section 8(e) of the FDI Act (25 consent orders and three notices of intention to remove/prohibit), two actions under Section 8(b) of the FDI Act, and eight CMPs (five orders to pay and three notices of assessment).

The FDIC engages in risk-focused, forward-looking supervision 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 Reports of Examination (ROE) and other examination-related communications to address these risks. RMS met its goal of following up on at least 90 percent of MRBA within six months of the transmittal of the ROE. RMS' MRBA tracking system aids supervisory planning. Through December 31, 2022, 512 MRBA items were recorded, with the most common MRBA addressing Board and management concerns, IT weaknesses, lending-related matters, AML/CFT issues, and risk management concerns. Board and management issues historically are the most- commonly listed MRBA, with the majority of those addressing corporate governance concerns.

VOLUME OF MRBA ISSUED IN 2022 BY CATEGORY



Source: FDIC. Data through 12/31/2022.
Note: Count reflects MRBA recorded at examination-related events in 2022.

EXAMINATION PROCESSES

Well-managed banks engaged in traditional, non-complex activities typically receive periodic, point-in-time safety and soundness and consumer protection examinations that are carried out over a few weeks, while the largest and most complex FDIC-supervised institutions are subject to continuous safety-and-soundness supervision carried out through targeted reviews during the course of an examination cycle.

Point-in-Time Examinations

Approximately 98 percent of all FDIC-supervised institutions are examined through point-in-time examinations. By law, risk management point-in-time examinations are conducted every 12 months, which can be extended to 18 months under certain circumstances, generally on an alternating basis with the appropriate state banking department. Prior to the pandemic, point-in-time examinations began with the examiner-in-charge conducting an examination planning process on an off-site basis, followed by an on-site component with the examination team traveling to the institution and engaging with bank management. Examiners then completed their work off-site and submitted their findings to their Regional Office case manager for review, finalization, and presentation to institution management.

In the FDIC's new hybrid work environment, point-in-time examinations will still begin with the examiner-in-charge conducting an examination planning process on an off-site basis. However, the on-site component will likely involve only a portion of the examination team, with other team members working from the field office or their home. Examiners will then complete their work off-site, as they did prior to the pandemic.

Continuous Examinations

The continuous examination process includes on-site targeted reviews of areas the examiner determines are necessary to complete a full-scope examination; ongoing monitoring and assessment of an institution's risks, policies, procedures, and financial condition; and frequent communication with institution management. A dedicated or designated examiner-in-charge oversees the continuous examination process and may be supported by additional dedicated examination staff and other staff depending on the size, complexity, and risk profile of the institution being examined. Supervisory letters are issued to the board and institution management after each targeted review to convey examiner findings. Other ad hoc written communications to management may also be issued based on ongoing monitoring activities or other intervening supervisory events or activities. Additionally, at the end of the continuous examination cycle, an ROE is issued to the institution that aggregates examination and other supervisory activities performed throughout the cycle. Under the FDIC's new hybrid work environment, dedicated examination team members will work on-site as needed, and may spend less time on-site than they did prior to the pandemic.

The number of institutions subject to continuous examinations (52) has grown over the past few years as a result of both organic growth and merger-related activity. Given changes in industry structure and the number of large institutions supervised, RMS conducted a holistic review of its continuous examination process during 2022, focusing on thresholds, staffing, knowledge transfer, and supervisory planning. The FDIC began implementing changes to the process over the course of 2022 based on this review and will continue into 2023.

Off-Site Monitoring

The FDIC utilizes off-site monitoring programs to supplement and guide the examination process. Off-site monitoring programs can provide an early indication that an institution's risk profile may be changing. The FDIC has developed a number of off-site monitoring tools using key data from institutions' quarterly Reports of Condition and Income, or Call Reports, to identify institutions that are experiencing rapid loan growth or reporting unusual levels

or trends in problem loans, investment activities, funding strategies, earnings structure, or capital levels that merit further review.

As the Federal Open Market Committee first signaled plans to raise interest rates in 2022, the FDIC expanded its off-site monitoring activities to institute a call program for institutions potentially vulnerable to rising interest rates. FDIC staff contacted a group of institutions based on their volume of available-for-sale securities. During these calls, the staff inquired about bank managements' plans and strategies for managing potentially elevated levels of unrealized losses.

Off-site monitoring for banks with total assets greater than $10 billion includes the quarterly Large Insured Depository Institution (LIDI) Program, which remains the primary instrument for off-site monitoring of the largest institutions supervised by the FDIC. 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. It 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 2022, the LIDI Program covered 120 institutions with total assets of $4.5 trillion.

Shared National Credit Program

The Shared National Credit (SNC) Program is an interagency initiative administered jointly by the FDIC, Office of the Comptroller of the Currency (OCC), and Board of Governors of the Federal Reserve System (FRB) to promote consistency in the regulatory review of large, syndicated credits, as well as to identify risks in this market, which comprises a large volume of domestic commercial lending. In 2022, outstanding credit commitments in the SNC Program totaled $5.9 trillion. The FDIC, OCC, and FRB report the results of their review in an annual joint public statement.

Business Process Modernization

The FDIC is also engaged in a business process modernization initiative to move its supervision-related technology systems from a legacy applications-based environment to a modern, more agile suite of applications based on human-centered design principles and improved business-processes. This effort will reduce the amount of manual data entry surrounding supervisory activities and will also allow the FDIC to expand its use of machine learning technology to identify emerging trends from examination activities, among other improvements.

SPECIALTY EXAMINATIONS

The FDIC conducts applicable specialty examinations as part of the risk management examination of each institution. Specialty examination findings and the ratings assigned to those areas are taken into consideration, as appropriate, when assigning component and composite examination ratings under the UFIRS.[9]

[9] See footnote 8.

Trust/Registered Transfer Agent/Municipal Securities Dealer/Government Securities Dealer

The FDIC examines trust, registered transfer agent (RTA), municipal securities dealer (MSD), and government securities dealer (GSD) risk management practices at institutions that engage in these activities. As of December 31, 2022, the FDIC performed 291 trust, 10 RTA, two MSD, and two GSD examinations. Of the 291 trust examinations, 23 were related to entities in the continuous examination program.

Information Technology and Cybersecurity

The FDIC examines IT risk management practices, including cybersecurity, at each risk management examination. Examiners assign an IT rating using the Federal Financial Institutions Examination Council (FFIEC) Uniform Rating System for Information Technology.

During 2022, the FDIC conducted 1,331 IT examinations at state nonmember institutions and issued three formal enforcement actions. Cybersecurity is included in the scope of every IT examination.

The FDIC also examines the IT services provided to institutions by bank service providers. In addition to routine examination procedures, in 2022, the FDIC, FRB, and OCC horizontally reviewed the operational resilience of the most significant service providers. Cybersecurity is included in the scope of every service provider examination. The FDIC, FRB, and OCC use the Cybersecurity Examination Procedures, developed by the agencies, to ensure consistent evaluation of this risk.

The FDIC actively engages with both the public and private sectors to assess emerging cybersecurity threats and other operational risk issues. 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, the Financial Services Information Sharing and Analysis Center (FS-ISAC), other regulatory agencies, and law enforcement to share information regarding emerging issues and to coordinate responses. For example, in 2022, the FDIC sent financial institutions alerts relating to cybersecurity threats associated with the Russian invasion of Ukraine, VMware vulnerabilities, and other vulnerabilities.

FDIC shares information obtained from these engagements with examiners, and when appropriate, financial institutions. However, institutions are responsible for monitoring IT security threats and ensuring they have the appropriate controls in place. Further, the banking regulators encourage institutions to participate in information-sharing forums such as FS-ISAC.

Also in 2022, the FDIC completed an assessment of ransomware attacks against FDIC-supervised institutions and their service providers over a 24-month period. The goal was

to better understand these threats by focusing on the techniques that were most helpful in defending against the attacks. The review identified and examined 36 attacks against institutions or their service providers. The review did not reveal any new categories of controls that need to be communicated, but it did reveal that those institutions that spend the time and money to implement particular controls can be effective at defending against ransomware attacks. One example of an effective control observed is the wide use of multi-factor authentication within an institution. Another control found to be present in cases where an institution successfully defended against a ransomware attack was network segmentation. As a result of this assessment, the FDIC developed and is piloting technical examination aids that will help examiners focus on the controls found to be most effective.

The FDIC, FRB, and OCC issued a joint final rule to establish computer-security incident notification requirements for banking organizations and their bank service providers, which became effective on May 1, 2022. It requires banks to report the most severe computer-security incidents to the FDIC within 36 hours. It also requires bank service providers to notify bank customers of severe incidents as soon as possible. In March 2022, the FDIC issued Financial Instituion Letter (FIL)-12-2022, *Computer-Security Incident Notification Implementation,* which informed banks that they can satisfy the agency notification requirement by notifying their case manager, informing any member of an examination team if an examination is ongoing, or sending an email to Incident@fdic.gov.

Anti-Money Laundering /Countering the Financing of Terrorism

The FDIC examines institutions' compliance with AML/CFT requirements as part of each risk management examination. The FDIC also examines for AML/CFT compliance during examinations conducted by state banking authorities if the state lacks the authority or resources to conduct the examination. In total, during 2022, the FDIC conducted 1,343 AML/CFT examinations.

Throughout 2022, the FDIC, FRB, OCC, National Credit Union Administration (NCUA), and U.S. Department of the Treasury (Treasury), including the Financial Crimes Enforcement Network (FinCEN), continued to focus on improving the efficiency and effectiveness of the AML/CFT regime. The group issued a joint statement on the risk-based approach to assessing customer relationships and conducting customer due diligence. The statement reminds the industry that no customer type presents a single level of uniform risk or a particular risk profile related to money laundering, terrorist financing, or other illicit financial activity. Banks must apply a risk-based approach to customer due diligence when developing the risk profiles of their customers. The statement applies to all customer types referenced in the *Federal Financial Institutions Examination Council BSA/AML Examination Manual*, as well as those customer types not specifically addressed in this manual.

The group also continued to work on initiatives related to the Anti-Money Laundering (AML) Act of 2020. The FDIC provided comments to the Corporate Transparency Act[10] and continues to work on amending the AML/CFT program rule.

[10] The Corporate Transparency Act (CTA) establishes uniform beneficial ownership information reporting requirements for certain types of corporations, limited liability companies, and other similar entities created in or registered to do business in the United States. The CTA authorizes FinCEN to collect that information and disclose it to authorized government authorities and financial institutions, subject to effective safeguards and controls.

In March and April 2022, the FFIEC provided training on the sections of the *BSA/AML Examination Manual* issued in December 2021: Introduction - Customers (new), Charities and Nonprofit Organizations, Independent Automated Teller Machine Owners or Operators, and Politically Exposed Persons. This included outreach for the banking industry. The FFIEC continued to update the *BSA/AML Examination Manual* in 2022 and expects to release additional updates in 2023. Revised sections of the manual reinforce instructions to examiners on how to evaluate depository institutions’ reasonably designed policies, procedures, and processes in determining whether they meet AML/CFT requirements and safeguard institutions from money laundering, terrorist financing, and other illicit financial activity. The manual emphasizes that examiners should tailor the AML/CFT examination scope and planned procedures consistent with the depository institution’s money laundering and terrorist financing risk profile.

Cyber Fraud and Financial Crimes

The FDIC has undertaken a number of initiatives in 2022 to protect the banking industry from criminal financial activities. These include hosting, with the Department of Justice, a virtual financial crimes-focused conference in October for more than 700 examiners, lawyers, and others from federal banking agencies and law enforcement; working with the FFIEC to issue an updated *Cybersecurity Resource Guide for Financial Institutions*; and helping financial institutions identify and shut down “phishing” websites that attempt to fraudulently obtain an individual’s confidential personal or financial information.

CONSUMER COMPLIANCE

As of December 31, 2022, 31 insured state nonmember institutions (collectively, with total assets of $53 billion), about one 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,” with none rated “5.” For CRA purposes, the majority were rated “Needs to Improve;” only three were rated “Substantial Noncompliance.” As of December 31, 2022, all follow-up examinations for problem institutions were performed on schedule.

As of December 31, 2022, the FDIC’s Division of Depositor and Consumer Protection (DCP) conducted and achieved all required consumer compliance and CRA examinations, substantially completed follow-up visitations, and implemented appropriate enforcement actions in accordance with FDIC policy. In completing these activities, the FDIC substantially achieved its internally established time standards for the issuance of final examination reports and enforcement actions.

Consumer compliance and CRA examination findings and the ratings assigned to those areas are also taken into consideration when assigning component and composite ratings under the UFIRS.

As of December 31, 2022, DCP initiated 21 formal enforcement actions and 10 informal enforcement actions, such as Board Resolutions and MOUs, to address consumer compliance examination findings. These included two consent orders to strengthen consumer compliance

management systems, and 19 CMPs. The CMPs were issued against institutions to address violations of the Flood Disaster Protection Act, Section 5 of the Federal Trade Commission Act for Unfair or Deceptive Acts or Practices, and Section 8 of the Real Estate Settlement Procedures Act. CMPs totaled approximately $1.3 million.

In addition to the consumer refunds resulting from the assistance provided by the FDIC's Consumer Response Unit (see discussion under the Consumer Complaints and Inquiries section), consumer compliance examination findings resulted in banks making voluntary restitution of approximately $13.6 million to 61,430 consumers and Truth in Lending Act reimbursements of approximately $1.3 million to more than 4,036 consumers.

Complex Bank Supervision Program

The FDIC has implemented a Complex Bank Supervision Program to ensure that enhanced supervision is provided to institutions with higher consumer compliance risk. The program consists of a three-tier, progressive supervisory approach based on an institution's risk profile and includes elements such as ongoing monitoring, risk assessments, supervisory plans, targeted reviews, and dedicated/designated staff. For each tier, examiners create a supervisory strategy tailored to the institution that recognizes the unique characteristics of its business model and product offerings. Additionally, the program provides institutions with access to a designated point of contact or examiner-in-charge who (1) responds to regulatory questions, provides feedback, and clarifies guidance; and (2) works collaboratively with bank management to identify potential risks earlier than point-in-time examinations and provides recommendations for appropriate action.

Compliance-Related Service Provider Program

DCP continued the Compliance-Related Service Provider program in 2022. The goal of the program is to understand and assess the compliance management systems and consumer compliance-related risks at service providers, as well as their ability to provide compliant products and services and manage applicable risk for their client banks.

EXAMINER TRAINING AND DEVELOPMENT

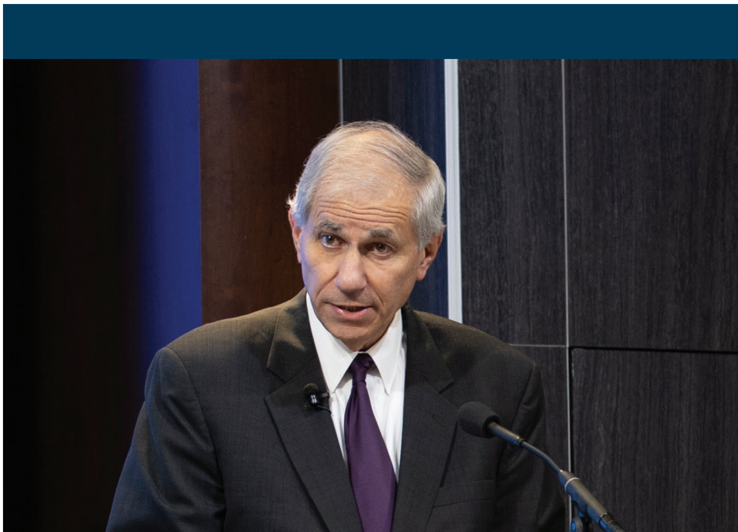
In 2022, the FDIC continued to emphasize the importance of delivering timely and effective examiner training programs. While on–the-job training remains the most significant portion of developmental activities, the historical mix of classroom, virtual instructor-led, and asynchronous (such as computer-based) training, which was modified in 2020, continued into 2022 while the pandemic persisted. As the FDIC transitioned to Phase 3 of its RTO Plan, staff began returning to the classroom in the fourth quarter of 2022.

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 into training and conveyed to staff. Training and development activities are targeted for all levels of examination staff. The FDIC's examiner training courses are mostly developed internally

and delivered by a tenured and knowledgeable examiner instructor pool, in recognition of the essential role that peer-to-peer knowledge transfer plays in skills enhancement and the preservation of institutional knowledge.

DIGITAL/CRYPTO-RELATED ACTIVITIES RISK

At the beginning of 2022, digital assets reached a combined market capitalization of $3 trillion, up from approximately $273 billion just two years earlier.[11] The risks associated with these activities are novel and complex, and the FDIC has sought to better understand this interest. In April, the FDIC issued FIL-16-2022, *Notification of Engaging in Crypto-Related Activities,* which asked supervised institutions to notify the FDIC if they are engaging in, or planning to engage in, crypto-asset-related activities. If so, the FDIC will request that the institution provides information necessary to allow the agency to assess the safety and soundness, BSA/AML, consumer protection, and financial stability risks of the activities. The other federal banking agencies issued similar requests to their supervised institutions.[12] Once FDIC staff reviews the notification and information received and evaluates the implications, staff provides the institution with case-specific supervisory feedback, as appropriate.[13] FDIC staff also coordinated closely with counterparts at the FRB and OCC to discuss cases of certain types of crypto-related activities and potential policy implications and considerations.



In October 20, 2022, then Acting Chairman Gruenberg spoke at the Brookings Institution about Crypto-Assets.

Some crypto firms have used false and misleading statements concerning the availability of federal deposit insurance for their crypto products in violation of the law. In response,

[11] Source: TradingView, total crypto market capitalization.

[12] See OCC Interpretive Letter 1179 (November 18, 2021) and OCC Bulletin 2021-56 which states "*OCC-supervised institutions should reach out to the appropriate OCC supervisory office before engaging in any crypto-related activity*;" Federal Reserve SR 22-6 / CA 22-6: *Engagement in Crypto-Asset-Related Activities by Federal Reserve-Supervised Banking Organizations* (August 16, 2022).

[13] Notifications under the FIL and knowledge of engagement or potential engagement learned through the supervisory process is confidential supervisory information, but the FDIC is aware of approximately 80 FDIC-supervised institutions that are engaging in or expressed interest in engaging in crypto-asset activities, and approximately two dozen that appear to be actively engaged in activities described in the FIL. The FDIC is providing various types of supervisory feedback, depending upon the activity involved, the status of the activity (active or planned), and the institution's risk management framework, among other things.

the FDIC issued letters demanding that the firms cease and desist from using misleading statements with regard to deposit insurance.[14] In July 2022, the FDIC also issued FIL-35-2022, *Advisory to FDIC-Insured Institutions Regarding FDIC Deposit Insurance and Dealings with Crypto Companies*, reminding insured banks of the risks that could arise related to misrepresentations of deposit insurance by crypto-asset companies. The advisory reminds insured banks that they need to be aware of how FDIC insurance operates and assess, manage, and control risks arising from third-party relationships, including those with crypto companies. Simultaneously, the FDIC issued a *Deposit Insurance Fact Sheet* to clarify for customers of non-bank entities, such as crypto companies and the public generally, that deposit insurance does not cover non-deposit products, including crypto-assets. The *Fact Sheet* addresses some common misconceptions about the scope of deposit insurance coverage and whether deposit insurance applies to funds that customers provide to these crypto companies.

Emerging Technologies Steering Committee

The FDIC continues to dedicate significant resources to identify and understand emerging technology and ensure the Corporation 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 composed of the Directors of RMS, DCP, the Division of Insurance and Research (DIR), the Division of Resolutions and Receiverships (DRR), and the Division of Complex Institution Supervision and Resolution (CISR), as well as the General Counsel, Chief Financial Officer, Chief Innovation Officer, Chief Risk Officer, and Chief Information Officer. In 2022, 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.

Interdivisional Crypto-Assets Working Group

In addition to its supervisory activities, the FDIC established the Crypto-Assets Risks Interdivisional Working Group, which is responsible for assessing the safety and soundness,

[14] See "*FDIC and Federal Reserve Board issue letter demanding Voyager Digital cease and desist from making false or misleading representations of deposit insurance status,*" July 28, 2022, available at https://www.federalreserve.gov/newsevents/pressreleases/bcreg20220728a.htm and "*FDIC Issues Cease and Desist Letters to Five Companies For Making Crypto-Related False or Misleading Representations about Deposit Insurance*," August 19, 2022, available at https://www.fdic.gov/news/press-releases/2022/pr22060.html.

consumer protection, deposit insurance, resolution planning, and financial stability risks associated with crypto-asset-related activities in which financial institutions are or may be engaged.

White House Executive Order on Ensuring Responsible Development of Digital Assets

On March 9, 2022, the White House issued Executive Order 14067, *Ensuring Responsible Development of Digital Assets,* which outlines the first whole-of-government approach to addressing the risks and harnessing the potential benefits of digital assets and their underlying technology. There are six key priorities identified in the Executive Order:

- Consumer and investor protection,
- Promoting financial stability,
- Countering illicit finance,
- U.S. leadership in the global financial system and economic competitiveness,
- Financial inclusion, and
- Responsible innovation.

The Executive Order instructed the Secretary of the Treasury to convene the Financial Stability Oversight Council (FSOC) and produce a report outlining the specific financial stability risks and regulatory gaps posed by various types of digital assets and providing recommendations to address such risks, including financial stability risks posed by these digital assets, proposals for additional or adjusted regulation and supervision, as well as for new legislation.

In October 2022, the FSOC issued its *Report on Digital Asset Financial Stability Risks and Regulation,* which contains ten recommendations in response to the Executive Order mandate. The FDIC, as a member of the FSOC, actively participated in the development of the report and continues to engage in efforts to implement the report's recommendations.

Basel Committee on Banking Supervision

During 2022, the FDIC actively contributed to the Basel Committee on Banking Supervision's (BCBS's) initiative to develop prudential treatment for crypto-asset exposures. The second BCBS consultation paper on the prudential treatment of crypto-asset derivatives was released on June 30, 2022, with a comment deadline of September 30, 2022. The revised proposals in the BCBS second consultative document aimed to address the issues raised by respondents with regard to the initial proposals released in June 2021 and sought to achieve the general principles set out in the first consultative document of "same risk, same activity, same treatment," simplicity, and minimum standards to which jurisdictions are free to apply additional measures if warranted.

Given the rapid evolution and volatile nature of the crypto-asset market, the BCBS continued to closely monitor developments during the consultation period. The standards were finalized December 16, 2022. The FDIC, as a member of the BCBS, actively contributes to the BCBS crypto work.

SUPERVISION POLICY

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

Risk Management Manual of Examination Policies

During 2022, the FDIC updated several sections of the Risk Management Manual of Examination Policies:

- Section 1.1 was updated to describe aspects of the continuous examination process used for certain financial institutions;
- Section 2.1 was updated to include a new capital planning section and revised instructions to accommodate financial institutions that have adopted the CECL methodology or the Community Bank Leverage Ratio (CBLR) capital framework;
- Section 4.1 was updated to provide instructions on model risk management; and
- Section 21.1 was revised to update the identification of examination activities that are appropriate for off-site review and those that are better suited for on-site review, as well as to incorporate best practices for requesting examination information from financial institutions.

In addition, in October 2022, Section 22.1 was updated to publish revised versions of the Risk Scoping Activities and Credit Card-Related Merchant Activities Examination Documentation (ED) Modules. The ED Modules were first published in the *Risk Management Manual* in late 2019, but were initially 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 ED Modules direct examiners to use a risk-focused approach in conducting examination activities, thereby facilitating an efficient and effective supervisory program.

FDIC Formal and Informal Enforcement Actions Manual

In July 2022, the FDIC updated chapters one and four of the *Enforcement Actions Manual Regarding Minimum Standards for Termination of Cease and Desist and Consent Orders*, which provides direction for professional staff and supports the work of field, regional, and Washington Office staff involved in processing and monitoring enforcement actions.

Trust Examination Manual

In July 2022, the FDIC updated Section 1 of the *Trust Examination Manual* to improve flow and clarity and expand the discussion about trust department policies, strategic planning, incentive compensation, dominant managers, management information systems, account reviews, and meetings between examiners and trust department management.

CAPITAL MARKETS AND ACCOUNTING POLICY

London Inter-Bank Offered Rate (LIBOR) Transition

Throughout 2022, the FDIC, in coordination with fellow regulators, participated in industry outreach and monitored community and regional bank readiness for the transition from LIBOR to alternative reference rates. The FDIC has been an ex-officio member of the Alternative Reference Rate Committee to facilitate the LIBOR transition in a smooth and effective manner. 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 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, particularly as the publication of LIBOR ends in June 2023.

Current Expected Credit Losses (CECL)

In June 2016, the Financial Accounting Standards Board (FASB) introduced the CECL methodology for estimating allowances for credit losses, replacing the incurred-loss methodology.

Since then, the FDIC has worked collaboratively with the FRB, OCC, FASB, Securities and Exchange Commission (SEC), and Conference of State Bank Supervisors (CSBS) to answer questions regarding the implementation of CECL.

CECL became effective for primarily larger institutions or SEC filers starting January 1, 2020. For smaller reporting companies (as defined by the SEC) and institutions that delayed adoption in accordance with Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act, as amended by the Consolidated Appropriations Act of 2021, the effective date for adoption remains fiscal years beginning after December 15, 2022, including interim periods. Thus, most smaller reporting companies, and nonpublic companies will begin CECL adoption in 2023, unless they elected early adoption.

Loan Modification to Borrowers Experiencing Financial Difficulties

In March 2022, FASB issued an accounting standards update that amended the standard for measuring credit losses on financial instruments, which includes the CECL methodology. This update, once effective, will eliminate the recognition and measurement accounting guidance for troubled debt restructurings (TDRs) by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty.

Under the update, consistent with the accounting for other loan modifications, an institution would evaluate whether the modification to a borrower experiencing financial difficulty represents a new loan or a continuation of an existing loan. Prior to the adoption of this update, institutions were required to recognize and disclose modified loans where the institution has granted a concession for economic or legal reasons related to the borrower's financial difficulty as TDRs. Institutions report loans identified as TDRs as performing, past

due, or nonaccrual, depending on whether the loan is performing in accordance with its modified terms.

For all institutions that have adopted CECL, the update is effective for fiscal years beginning after December 15, 2022. For institutions that have not yet adopted CECL, the effective date for this update would be the same as the effective date for CECL. Early application of the new standard is permitted for all institutions, provided that an institution has adopted CECL.

On October 24, 2022, the FDIC finalized amendments to its deposit insurance assessment regulations applicable to large and highly complex institutions that have adopted CECL and the new accounting standard. The amendments incorporate loan modifications to borrowers experiencing financial difficulty into the large and highly complex bank assessment system, effective January 1, 2023.

Securities and Exchange Commission Staff Accounting Bulletin No. 121

In March 2022, the SEC released Staff Accounting Bulletin No. 121 (SAB 121) to express staff views regarding the accounting for entities that have obligations to safeguard crypto-assets held for their platform users. The bulletin provides that an entity, including a financial institution, should present a liability on its balance sheet to reflect its obligation to safeguard the crypto-assets held for its platform users at the fair value of the crypto-assets. The entity should also recognize a corresponding asset on its balance sheet measured at the fair value of the crypto-assets held for its platform users. The effective date for SAB 121 was April 2022. In 2022, the FDIC, along with the other FFIEC member agencies, provided supplemental Call Report instructions for an institution that determines whether SAB 121 is applicable. The FDIC, along with the other FFIEC member agencies, continue to review the implications of SAB 121.

MANAGEMENT OF CREDIT RISK, LIQUIDITY RISK, AND INTEREST-RATE RISK

In 2022, the banking industry reported stable credit quality metrics, higher loan balances, satisfactory liquidity levels, and an increased sensitivity to rising market interest rates. The industry is well positioned to help meet the country's financial services needs amid challenges posed by inflation, the end of pandemic support programs, and a potential slowdown in the economy.

Credit performance was strong in 2022, assisted by favorable employment conditions and historically low borrowing rates for loans originated over the past several years. However, provision expenses increased, reflecting higher credit loss expectations from economic headwinds, rising borrowing costs, and loan growth. Credit card loan balances increased significantly during the year, a signal that consumers are feeling the pressure of high inflation and a slowing economy. Commercial real estate (CRE) loans performed well, although capitalization rates trended upward, leading to lower property valuations in some geographic areas. The FDIC remains watchful of risks in all lending areas posed by weakening economic and real estate market conditions.

The industry's liquidity was satisfactory, as on-balance-sheet liquid asset positions remained adequate following unprecedented deposit inflows during the pandemic. Although deposit levels began to decrease for the first time since 2018, deposits still comprise a larger proportion of funding compared to pre-pandemic times. Loan-to-deposit ratios remain below pre-pandemic levels despite recent loan growth. Notably, some institutions deployed excess deposits into longer-term investment securities to obtain higher yields. The upward trajectory of interest rates led to net unrealized losses for institutions with long-duration bond portfolios. These depreciated securities, coupled with a moderate decline in deposits, could potentially impact liquidity and access to funding if market interest rates continue to rise.

Inflation and rising interest-rates have also affected the industry's sensitivity to interest-rate risk. Besides growing unrealized losses, higher interest rates have pushed deposit costs higher as financial institutions seek to stay competitive. While institutions' net interest income expanded in 2022, deposit and borrowing costs may increase at a faster pace than asset yields, constraining margin growth. Other negative effects of inflation and higher interest rates include higher overhead, a reduction in mortgage banking and prepayment activity, and potentially increased credit costs from reduced obligor cash flows. Until inflationary conditions abate and the rising interest-rate cycle ends, the industry will face a number of challenges that affect earnings, asset quality, liquidity, capital, and sensitivity to market risk.

Through examinations, interim contacts, and off-site monitoring, FDIC staff regularly dialog with state nonmember institutions about the need for effective credit, liquidity, and interest-rate risk management. When appropriate, FDIC staff work with institutions that have significant exposure to these risks and encourage management teams to consider risk-mitigating steps. Throughout 2022, the FDIC conducted outreach and offered constructive feedback to help financial institutions navigate this demanding environment.

CLIMATE-RELATED FINANCIAL RISKS

The role of the FDIC with respect to climate change is focused on the financial risks that climate change may pose to the banking system and the extent to which those risks impact the FDIC's core mission and responsibilities.

There is broad consensus among financial regulatory bodies, both domestically and abroad, that the effects of climate change and the transition to reduced reliance on carbon-emitting sources of energy present unique and significant economic and financial risks, and therefore, an emerging risk to the financial system and the safety and soundness of financial institutions. Financial institutions are likely to be affected by both the physical and transition risks associated with climate change. Together these are generally referred to as climate-related financial risks.

Physical risks generally refer to the harm to people and property arising from acute, climate-related events, such as hurricanes, wildfires, floods, and heatwaves, as well as chronic shifts in the climate, including higher than average temperatures, changes in precipitation patterns, sea level rises, and ocean acidification. Transition risks generally refer to stresses to certain financial institutions or sectors arising from the shifts in public investment, consumer and

business preferences, or technologies associated with a transition toward reduced carbon reliance. While physical and transition risks are separate and distinct risks faced by the financial system, both may materially increase the risks posed to a financial institution's financial condition.

Changing climate conditions are bringing with them challenging trends and events, including rising sea levels, increases in the frequency and severity of extreme weather events, and other natural disasters.[15] These trends challenge the future resiliency of the financial system and, in some circumstances, may pose safety and soundness risks to individual banks. Climate-related financial risk presents unique, serious, and unknown risks to all banks of all sizes, regardless of their complexity or business model. Some banks may have more concentrated exposures, regardless of asset size, and for such institutions, the impact of climate-related financial risk may be greater. The goal of the FDIC's work on climate-related financial risk is to ensure that the financial system continues to remain resilient despite these rising risks.

Understanding and addressing the financial risks that climate change poses to financial institutions and the financial system is a top priority of the FDIC. The FDIC is working to develop a fuller, more formal, and dedicated corporate-wide understanding of climate-related financial risks. Initial steps in its efforts to understand and address climate-related financial risk include:

- Establishing an internal, cross-disciplinary working group to assess the safety and soundness and financial stability considerations associated with climate-related financial risks;
- Joining the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) to foster collaboration and share best practices in addressing climate-related financial risks on a global basis, through which the FRB and OCC are also members;
- Continuing its existing work with the Basel Committee's Task Force on Climate-Related Financial Risks and other appropriate international organizations. This Task Force contributes to the Basel Committee's mandate of enhancing global financial stability by undertaking work on climate-related financial risks;
- Participating on the FSOC's Climate-Related Financial Risk Committee (CFRC), which was created by the FSOC to identify priority areas for assessing and mitigating climate-related risks to the financial system and serve as a coordinating body, where appropriate, to share information, facilitate the development of common approaches and standards, and facilitate communication across FSOC members and interested parties; and
- Issuing a request for comment on draft principles that would provide a high-level framework for the safe and sound management of exposures to climate-related financial risks for large financial institutions.

[15] See Intergovernmental Panel on Climate Change (2021; in press), "Summary for Policymakers," in V. Masson-Delmotte, P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou, eds., Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (Cambridge, United Kingdom: Cambridge University Press).

The FDIC will continue to expand its efforts to address climate-related financial risks through a thoughtful and measured approach that emphasizes risk-based assessments and collaboration with other supervisors and the industry.

IMPROVEMENTS TO REGULATORY FRAMEWORK

The FDIC finalized a number of key rulemakings in 2022 and initiated others to improve the regulatory framework applicable to insured banks.

FINAL RULEMAKINGS

Final Rule on Assessments, Revised Deposit Insurance Assessment Rates

In October 2022, the FDIC approved a final rule, applicable to all insured depository institutions (IDIs), to increase initial base deposit insurance assessment rate schedules uniformly by 2 basis points, beginning in the first quarterly assessment period of 2023. The FDIC also concurrently maintained the Designated Reserve Ratio for the DIF at 2 percent for 2023. The final rule followed an NPR issued earlier in the year.

The increase in assessment rate schedules was intended to increase the likelihood that the reserve ratio of the DIF reaches the minimum of 1.35 percent by the statutory deadline of September 30, 2028. The new assessment rate schedules will remain in effect unless and until the reserve ratio meets or exceeds 2 percent in order to support growth in the DIF in progressing toward the FDIC’s long-term Designated Reserve Ratio goals. Progressively lower assessment rate schedules will take effect when the reserve ratio reaches 2 percent, and again when it reaches 2.5 percent.

The revised assessment rate schedules applicable to all IDIs are effective January 1, 2023, and will be applicable beginning with the first quarterly assessment period of 2023 (i.e., January 1 through March 31, 2023, with an invoice payment date of June 30, 2023).

Final Rule on Assessments, Amendments to Incorporate Troubled Debt Restructuring Accounting Standards Update

On March 31, 2022, the FASB issued Accounting Standards Update No. 2022-02 (ASU 2022-02), “Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures,” which eliminates the recognition and measurement guidance for TDRs for all institutions once they adopt the CECL methodology and, instead, introduces enhanced financial statement disclosure requirements related to “modifications to borrowers experiencing financial difficulty.”

On October 24, 2022, the FDIC published in the *Federal Register* a final rule to amend the deposit insurance assessment regulations applicable to large and highly complex institutions that have adopted the CECL methodology and FASB’s ASU 2022-02 by including “modifications to borrowers experiencing financial difficulty” in the description of two financial measures—the underperforming assets ratio and the higher-risk assets ratio—used to determine deposit insurance assessments. The final rule followed an NPR issued earlier in the year.

The final rule defines restructured loans, a component of the underperforming assets ratio, to include "modifications to borrowers experiencing financial difficulty," which the FDIC will use to calculate the deposit insurance assessments for large and highly complex IDIs that have adopted ASU 2022-02, and TDRs, which the FDIC will continue to use for the remaining large and highly complex IDIs.

The final rule amends the definition of a refinance for the purposes of determining whether a loan is a higher-risk commercial and industrial loan or a higher-risk consumer loan, both elements of the higher-risk assets ratio. Under the final rule, a refinance does not include a modification to a loan that would have otherwise met the definition of a refinance, but that results in the classification of a loan as a "modification to borrowers experiencing financial difficulty," for large or highly complex institutions that have adopted ASU 2022-02, or that results in the classification of a loan as a TDR, for all remaining large or highly complex institutions.

Guidelines for Appeals of Material Supervisory Determinations

In May 2022, the FDIC restored the Supervision Appeals Review Committee (SARC) as the final level of review of material supervisory determinations made by the FDIC. Review of material supervisory determinations by a Board-level committee such as the SARC promotes accountability in the supervisory appeals process. Ultimate responsibility for the FDIC's supervision function is vested in the Board by statute, and the SARC structure ensures that the Board remains accountable for the agency's supervisory determinations. At that time, the FDIC requested comment on the revised Guidelines, including how the appeals process could be further enhanced to include the Ombudsman's perspective.

In response to comments, the FDIC proposed additional changes to the process in October and solicited a second round of comments. The FDIC proposed to expand the role of the FDIC's Ombudsman in the appellate process by adding the Ombudsman to the SARC as a non-voting member and requiring the Ombudsman to monitor the supervisory process following an IDI's submission of an appeal. The FDIC also proposed to improve transparency by sharing materials provided to the SARC with the appealing institution and expressly providing institutions the ability to request a stay of a supervisory determination while an appeal is pending.

On December 13, 2022, the FDIC finalized the Guidelines with these changes, as well as other clarifying amendments made in response to comments. The revised Guidelines took effect on that date in order to provide the benefits of the amendments to appealing institutions as soon as possible.

PROPOSED RULEMAKINGS IN PROGRESS

Automated Valuation Model Rule

The FDIC participated on the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE), which issued the Action Plan to Advance Property Appraisal and Valuation Equity (Action Plan) in March 2022. The Action Plan included Action Item 1.1 to address potential biases in the use of technology-based valuation tools through rulemaking related to

automated valuation models (AVMs). As a participating agency on the AVM rulemaking, the FDIC committed to address potential biases by including a nondiscrimination quality control standard in the proposed rule.

Notice of Proposed Rulemaking on 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 expects to issue the proposed rulemaking in 2023.

The implementation of these standards for large banking organizations would strengthen the resilience of the domestic banking system and is a priority for the agencies. Strong capital requirements have proven to be a critical element of the bank regulatory framework, allowing the banking industry during times of economic stress to serve as a source of strength for the U.S. economy and to lend to creditworthy households and businesses. Community banking organizations, which are subject to different capital requirements, would not be impacted by the proposal.

FINAL RULEMAKINGS IN PROGRESS

Final Rule on Offering Circulars of State Nonmember Banks and Savings Associations

The FDIC continues to work on a final rule that would rescind and remove Securities Offerings rules, which were transferred to the FDIC from the Office of Thrift Supervision (OTS) in July 2011, in connection with the implementation of Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The final rulemaking would also seek to rescind the FDIC's *Statement of Policy Regarding the Use of Offering Circulars in Connection with the Public Distribution of Bank Securities*, which provides a guide for state nonmember banks and other institutions in the preparation of offering circulars.

At the same time, the FDIC continues to finalize a new regulation regarding securities disclosures to be made by state nonmember banks and state savings associations (FDIC-supervised institutions). In so doing, the FDIC would create a unified framework for securities disclosure requirements applicable to FDIC-supervised institutions.

Upon finalization of these rulemakings, state savings associations would be subject to the same set of federal regulations as state nonmember banks. The regulation will replace the 1996 policy statement on the use of offering circulars and certain OTS regulations that are part of FDIC regulations. No comment letters were received in response to this proposed rulemaking. The FDIC continues its efforts to replace the existing regulation and statement of policy with an updated regulation that incorporates relevant changes in securities laws and regulations. A final rule is planned for issuance in 2023.

Final Rule on Tax Allocation Agreements

The FDIC continues to work with the other federal banking agencies on a final rule that would set forth standards for tax allocation agreements applicable to institutions in a consolidated tax filing group. The final rule would be consistent with the agencies' existing interagency

policy statement guidance, including the 1998 *Interagency Policy Statement on Income Tax Allocation* and the 2014 *Addendum to the Interagency Policy Statement on Income Tax Allocation in a Holding Company Structure*. It would also include additional elements that would further enhance the preservation of an IDI's ownership rights in, and timely receipt of, tax refunds and equitable allocation of tax liabilities within a holding company structure.

The agencies are working to incorporate these guidelines in an appendix to the standards for safety and soundness that would be rendered enforceable and implements Section 39 of the FDI Act or Part 364 of the FDIC Rules and Regulations, Appendix A — Interagency Guidelines Establishing Standards for Safety and Soundness. If adopted as final by the agencies, these guidelines would replace the prior guidelines from 1998 and 2014. The agencies are reviewing comment letters received in response to the proposed rulemaking with a final rule planned for issuance in 2023.

Final Rulemaking to Permit Additional Exemptions to Suspicious Activity Report Requirements

On January 22, 2021, the FDIC published in the *Federal Register* a proposed rulemaking that would amend its Suspicious Activity Report (SAR) regulation to permit the FDIC to issue additional, case-by-case exemptions from SAR filing requirements to FDIC-supervised institutions. While the FDIC's existing SAR regulation allows exemptions from SAR filing requirements for physical crimes (robberies and burglaries) and lost, missing, counterfeit, or stolen securities, the proposed rule would allow the FDIC, in conjunction with the FinCEN, to grant exemptions to FDIC-supervised institutions that develop innovative solutions to otherwise meet anti-money laundering requirements more efficiently and effectively. The FDIC proposed this rule as a proactive measure to address the likelihood that FDIC-supervised institutions will leverage existing or future technologies to report, share, or disclose suspicious activity in a different manner.

The FRB, NCUA, and OCC issued similar but independent proposed rulemakings to amend their respective SAR regulations to permit those agencies to issue additional, case-by-case exemptions from SAR filing requirements to their supervised financial institutions. The FDIC is working with these agencies to harmonize the language of the final rules for consistency and, if possible, the publication timing. A final rule is planned for issuance in 2023.

SUPERVISORY GUIDANCE

Regulatory Relief - Areas Affected by Natural Disasters

During 2022, 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 to facilitate recovery. In these advisories, the FDIC encouraged financial institutions 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.

Framework for Evaluating Proposed Merger Transactions

One of the FDIC's key priorities for 2022 was to review the framework for evaluating proposed merger transactions. The Bank Merger Act established the standards used by the federal banking agencies to consider bank merger transactions. The process for considering bank mergers by the agencies has not been comprehensively reviewed in 25 years. In light of the significant implications of bank mergers for competition, safety and soundness, financial stability, and meeting the financial services needs of communities, a careful interagency review of the bank merger process was warranted.

On March 25, 2022, the FDIC issued FIL 11-2022, *Request for Information on Bank Merger Act*, seeking information and comments regarding the application of laws, practices, rules, regulations, guidance, and statements of policy (together, the regulatory framework) that apply to merger transactions involving one or more IDIs, including the merger between an IDI and a noninsured institution.

To realize the FDIC's merger-related priorities, one of the agency's performance goals for 2022 was to initiate an interagency review of the processes used by the federal banking agencies under the Bank Merger Act. Accordingly, the FDIC has participated in discussions with other federal banking agencies, namely the FRB and OCC, as well as with the Department of Justice, as appropriate. These ongoing discussions are also consistent with the Executive Order on Promoting Competition in the American Economy (#14036) issued on July 9, 2021.

Computer-Security Incident Notification Implementation

On March 29, 2022, the FDIC issued FIL12-2022, *Computer-Security Incident Notification Implementation* to put into effect the computer-security incident notification requirements for banking organizations and their service providers issued by the FDIC, FRB, and OCC through a joint final rule on November 18, 2021. The FIL informed financial institutions that they can satisfy the notification requirement by notifying their case manager, informing any member of an examination team if an examination is ongoing, or sending an email to Incident@fdic.gov.

Request for Comment on Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions

On March 30, 2022, the FDIC issued FIL-13-2022, *Request for Comment on Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions,* to request comments on draft principles that would provide a high-level framework for the safe and sound management of exposures to climate-related financial risks, consistent with the risk management framework described in existing FDIC rules and guidance. The draft principles are intended to support efforts by large financial institutions to focus on key aspects of climate-related financial risk management and will help financial institution management make progress toward addressing key questions as they consider incorporating climate-related financial risks into their institutions' risk management frameworks. The FDIC encourages financial institutions to consider climate-related financial risks in a manner that allows them to prudently meet the financial services needs of their communities.

FDIC Updates on Brokered Deposits

On July 15, 2022, the FDIC issued a *Statement Regarding Reporting of Sweep Deposits on Call Reports*, addition of a new Question & Answer (Q&A), and update of the FDIC's Brokered Deposit webpage, to remind IDIs that deposits swept from broker dealers with a primary purpose exception (PPE) to unaffiliated IDIs must be reported as brokered if there are any additional third parties involved that qualify as deposit brokers, as defined by Section 337.6 of the FDIC's Rules and Regulations.

At its December 2020 meeting, the FDIC Board approved a final rule that made significant revisions to the brokered deposit rules applicable to IDIs that are less than well-capitalized. The final rule was the first major update to the brokered deposit regulations since the rules were first put in place approximately 30 years ago. The revised rule was intended to reflect the changes in technology, law, business models, and financial products over that time period by creating 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 the application of the PPE. It continued to protect the DIF by ensuring that certain types of funding, including the specific types of deposits that Section 29 of the FDI Act was intended to address, would still be treated as brokered deposits.

The final rule became effective on April 1, 2021, and since that time, FDIC staff received and processed PPE notices and applications filed under the revised rule.

In an effort to help discuss and explain the revised rules, FDIC staff has presented programs at FFIEC trainings, answered questions from examiners and bankers, and created a new Brokered Deposit webpage as part of the FDIC's online Banker Resource Center. The webpage includes links to Section 29 (Brokered Deposits) of the FDI Act, Sections 337.6 and 337.7 of the FDIC Rules and Regulations containing the brokered deposit and interest rate restrictions, and the Final Rule as published in the *Federal Register* (including the Preamble to the Final Rule, which provides detailed explanations of the rule changes). The webpage also offers complete instructions for filing notices and applications, a secure email process for submitting filings, a list of entities that have filed PPE notices, and a Q&A page. This information is updated continuously; most recently in July 2022 to update the Q&A page and the list of entities that have filed PPE notices.

Based on observations from bank examinations and Call Reports filed in 2022, the FDIC determined that some institutions did not understand certain parts of the revised rule. Specifically, that deposits placed at IDIs by unaffiliated entities (including, for example, broker dealers) that operate under a PPE are still required to be reported as brokered if there are any additional third parties involved that qualify as a deposit broker. FDIC staff will continue to provide informational sessions to bankers to clarify this aspect of the rule.

Interagency Policy Statement on Prudent Commercial Real Estate (CRE) Loan Accommodations and Workouts

On August 2, 2022, the FDIC issued FIL-36-2022, *Interagency Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts,* to seek public comment on updates to existing guidance. The COVID-19 pandemic led to stress across several CRE

property types, including the hospitality, office, retail, and entertainment sectors. Challenges that arose during the pandemic remain, including inflation, supply chain imbalances, labor challenges, and vulnerability to rising interest rates. These additional risks could adversely affect the financial condition and repayment capacity of borrowers in a variety of industries.

To assist financial institutions, given these challenges and risks related to CRE lending, the FDIC, in coordination with other federal banking regulators and in consultation with state bank and credit union regulators, proposed to update and expand the 2009 Policy Statement on Prudent CRE Loan Workouts by incorporating recent policy guidance on loan accommodations and accounting developments for estimating loan losses. The proposed statement was published in the *Federal Register* in August 2022, and industry feedback is being incorporated as part of the process to finalize the statement for issuance in 2023.

FFIEC Cybersecurity Resource Guide for Financial Institutions

On October 27, 2022, the FDIC issued FIL-50-2022, *Updated FFIEC Cybersecurity Resource Guide,* to advise the industry that the FFIEC had announced an update to its 2018 Cybersecurity Resource Guide for Financial Institutions. The guide includes updated references and now includes ransomware-specific resources.

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; Journal of Money, Credit, and Banking; The Review of Financial Studies;* and *Journal of Financial Services Research.* In addition, CFR researchers present their research at major conferences, regulatory institutions, and universities.

The CFR also develops and maintains many financial models used throughout the FDIC, including off-site models that inform the examination process. CFR economists also provide ongoing support to RMS during on-site examinations.

In April 2022, the CFR hosted the FDIC Academic Challenge. The FDIC Academic Challenge is a team competition for undergraduate students, designed to bring real-world policy questions into the classroom and address questions concerning the banking industry. The topic for the 2021-2022 FDIC Academic Challenge was "The Impacts of COVID-19 on the Banking Sector." After a first-round review of written submissions, five teams were selected as finalists: James Madison University, University of Chicago, State University of New York at Geneseo, University of Oregon, and University of North Carolina at Chapel Hill. The finalists participated in an all-day virtual event where they presented their project to a panel of five judges that included community bank CEOs, a university professor, and members of the organizing committee. When the teams were not presenting their work, they met with FDIC staff to discuss careers at the FDIC.

Following the presentations, the teams met with FDIC staff in a plenary session to discuss market conditions, bank safety, and trends in the banking sector in the wake of COVID-19. At the end of the day, James Madison University was announced as the winner of the challenge. The 2022-2023 FDIC Academic Challenge launched in September with first-round written submissions due in November.

In September, the CFR hosted the 21st Annual Bank Research Conference, which focused on banks, nonbanks, and corporate lending; trade credit alternatives to traditional borrowing; shocks to the banking system; the consequences of mandatory bank disclosures; the economics of stablecoins; bank regulation and risk-taking incentives; and banks, the economy, and society. The conference also included a virtual poster session in which authors recorded short presentations of their papers and a fast-track session during which authors presented six papers in a condensed timeframe.

In 2022, the CFR hosted four PhD students as part of the Summer Research Fellow Program. The program targets PhD students who have completed their qualifying examinations and have well-developed research towards finishing their PhDs. Summer Research Fellows are encouraged to continue their dissertation work and build research relationships with FDIC colleagues. They participate in seminars and informal lunchtime presentations of research, engage with FDIC staff, and present their own research at the end of the summer.

The Summer Research Fellows benefit from institutional knowledge of FDIC staff, CFR expertise on modeling, and presentation opportunities. The FDIC benefits from developing relationships with emerging scholars, expanding the reach of the CFR research network, and promoting career opportunities at the FDIC.

In partnership with the American Economic Association Summer Program and Howard University, CFR hosted two undergraduate students in the summer of 2022. The summer experiential learning program offered the students an opportunity to apply their research skills to FDIC-relevant questions under the guidance of CFR economists and to develop career-long mentoring relationships. The program aims to increase diversity in the field of economics and to attract a diverse workforce to related positions.

Small Business Lending Survey

The CFR sponsors the Small Business Lending Survey, a nationally-representative survey of banks that provides a comprehensive view of their small business lending practices. The survey is implemented by the U.S. Census Bureau and data collection began in June 2022. New

topics for the 2022 collection include the use of financial technology, Small Business Administration lending, and banks' responses to the coronavirus pandemic. As with the data collection that occurred in 2016, banks are asked about their underwriting practices, markets and competition, as well as volumes of originations and outstanding balances. In May 2022, CFR economists met with approximately 300 bankers to answer questions related to the survey. A report of the main findings from the survey is expected in 2024.

National and Regional Risk Analysis

The FDIC's National and Regional Risk Analysis (NRRA) 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, NRRA 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. NRRA also published the *2022 Risk Review*, summarizing key credit, market, operational, and climate-related financial risks facing banks.

In addition, NRRA publishes topical articles in the *FDIC Quarterly*. In 2022, the *FDIC Quarterly* included three articles:

- "Consumer Lending Through the Pandemic and the Recovery," which analyzes key trends in the consumer sector and consumer lending activity of banks;
- "2021 Summary of Deposits Highlights," which explains trends in bank deposit and branch growth; and
- "Community Bank Performance in Manufacturing-Concentrated States," which discusses trends in manufacturing and analyzes the performance of community banks in manufacturing-concentrated areas.

CONSUMER RESEARCH

FDIC National Survey of Unbanked and Underbanked Households

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 American household participation in the banking system and studied household use of banking and financial products and services.

This effort is the most comprehensive analysis of its kind. The information it generates informs the FDIC, as well as the public, financial institutions, community-based organizations, policymakers, researchers, and others.

Data Collected From More Than 30,000 American Households.

In October 2022, the FDIC reported results of the *2021 National Survey of Unbanked and Underbanked Households*, which collected data from more than 30,000 American households in partnership with the U.S. Census Bureau. The survey reported that the unbanked rate among U.S. households fell to 4.5 percent, the lowest since the survey began in 2009. The survey also reported, however, that certain demographic groups have much higher unbanked rates. For example, while 2.1 percent of White households were unbanked, 11.3 and 9.3 percent of Black and Hispanic households, respectively, were unbanked. These racial and ethnic disparities were evidenced at every income level. The survey also reported that 14.1 percent of households were underbanked, that is certain households were holding a bank account but nevertheless using nonbank products and services disproportionately. Finally, the report also found evidence that unbanked households were using newer products, such as nonbank online payment services, very differently from banked households. While banked households typically used them as a complement to bank accounts, unbanked households appeared to be using them as a substitute for bank accounts.

The report highlights three implications from the findings. First, about half of recently banked households that received an economic impact payment or other public support during the pandemic cite such payments as motivation for opening an account. It suggests that practitioners and other stakeholders may find consumers particularly receptive to information and assistance on account opening in similar contexts.

Second, the report notes long-term drops in the use of certain nonbank products and services and evidence of new use of others, which merits additional research to better understand the factors driving those results.

Third, the report observes that consumers turning outside the banking system to meet their needs may find that deposit insurance and other consumer protections associated with the banking system are not available. This finding highlights the importance of ensuring such consumers receive accurate information concerning the availability of such regulatory safeguards.

To ensure the data are available for independent analysis and use, the FDIC provided visitors to its website with the ability to generate custom tabulations and charts at the national and state levels, as well as for metropolitan statistical areas. The FDIC also made respondent-level data available for public use with full documentation for detailed analysis.

COMMUNITY BANKING

Community banks provide traditional, relationship-based banking services in their local communities. The FDIC is the primary federal supervisor for the majority of community banks.

Community banks (as defined for FDIC research purposes) made up 91 percent of all FDIC-insured institutions on June 30, 2022. 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. Community banks 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 2022, community banks held more than 75 percent of deposits in 1,128 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. In conjunction with the 2012 and 2020 community banking studies, FDIC researchers have published more than a dozen additional studies on topics ranging from community bank technology investment to small business financing.

The FDIC Quarterly Banking Profile includes a section explicitly focused 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 quarterly net income at community banks decreased 6.5 percent on a merger-adjusted basis in the second quarter of 2022 compared with the second quarter of 2021, reflecting increases in provisions for credit losses, noninterest expenses, and losses on securities sales.

The long-term trend of consolidation has done little to diminish the role of community banks in the banking industry. For example, despite the number of community banks declining by 157 since June 2021, loans at community banks grew 7.7 percent between June 2021 and June 2022, on a merger-adjusted basis. The increase in loans reflects growth in nonfarm, nonresidential commercial real estate loans; 1-4 family residential loans; and construction and development loans. This increase in loans at community banks, however, still reflects the pay-downs and forgiveness of Paycheck Protection Program (PPP) loans originated in 2020 and early 2021. If PPP loan paydowns and forgiveness were excluded, community banks would have reported annual loan growth of 14.0 percent.

Advisory Committee on Community Banking

The FDIC's CBAC is an ongoing forum for discussing current issues faced by community banks and receiving valuable feedback from the industry. The committee is composed of 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.

The committee met twice in 2022. The May 2022 CBAC meeting was held virtually and included a discussion of local banking conditions and supervisory issues, such as crypto-related activities, climate change, cybersecurity, anti-money laundering, and the CECL methodology. The meeting also included an overview of consumer compliance supervisory highlights, as well as a discussion of the FDIC 2022 Small Business Lending Survey.

The October 2022 meeting was held in person and included a discussion of economic and market trends, returning to on-site bank examinations, misrepresentation of deposit insurance, re-presentments of items returned for non-sufficient funds, fees associated with "authorize positive/settle negative" transactions, and proposed revisions to the Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts. In addition, the FDIC Ombudsman presented highlights from its *2021 Annual Report*, and the Minority Depository Institutions Subcommittee reported out from its meeting, the day prior.

Advisory Committee of State Regulators

The FDIC's Advisory Committee of State Regulators is 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. The Advisory Committee met once in 2022. The meeting was held in person in October 2022. During the meeting, the Committee discussed banking conditions, state-federal coordination, the DIF restoration plan and deposit insurance assessments, and minority and community development banking.

De Novo Banks

In 2022, the FDIC continued processing deposit insurance applications, meeting with applicants to discuss the application process and specific proposals, and making application data available on the public website. The FDIC has provided several resources to aid organizers in developing deposit insurance proposals, including draft proposals. Interested parties may access application-related information and data on applications through the FDIC's public website at www.fdic.gov.

During 2022, the FDIC approved deposit insurance for nine new community banks. The FDIC maintains an internal goal of acting on 75 percent of community bank deposit insurance applications within 120 days after receiving a substantially complete application. The FDIC did not meet this goal in 2022 due to complexities in certain proposals, which required more analysis and sometimes required the applicant to make changes.

Technical Assistance Program

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

The FDIC regularly updates the Banker Resource Center on its website. This one-stop resource for bankers contains detailed information on supervisory topics and general information in a number of other areas for bankers and is located at https://www.fdic.gov/resources/bankers.

In 2022, the FDIC hosted four outreach webinars and participated in six interagency webinars.

In 2022, the FDIC hosted a variety of outreach sessions in all six FDIC regions. These sessions were conducted both independently and jointly with state trade associations or other financial regulators. During the sessions, FDIC employees engaged with bank directors and officers on various topics, including risk assessment, regulatory capital, capital markets, interest-rate risk, brokered deposits, AML/CFT, cybersecurity, emerging technologies, and consumer protection, among other topics. Additionally, five regions conducted banker roundtable events that provided a forum for bankers to receive information and raise questions about laws, regulations, or emerging risks.

The FDIC also offered several banker events, in order to maintain open lines of communication and to keep community bank management and staff informed about important banking regulatory and emerging issues. In 2022, the FDIC offered four webinars that covered the following topics:

- Significant Service Provider Executive Roundtable,
- Comprehensive Deposit Insurance Seminar for Bankers,
- New Rules for Revocable and Irrevocable Trust Accounts, and
- Supervisory Expectations for Emergency Capital Investment Program Recipients.

Additionally, the FDIC participated in six interagency webinars. The topics included the following:

- 2021 FFIEC BSA/AML Examination Manual Updates,
- Computer-Security Incident Notification Rule,
- Multi-Factor Authentication,
- Notice of Proposed Rulemaking on the Community Reinvestment Act,
- Flood Insurance Questions and Answers, and
- Fair Lending.

Through the Technical Assistance Video Program, the FDIC provides a series of educational videos designed to provide useful information to bank directors, officers, and employees on various risk management and consumer protection-related matters. The videos help FDIC-supervised institutions understand various risk management and consumer protection-related matters. In 2022, the FDIC released four director videos on the Overview of the FDIC and the Examination Process, Corporate Governance, Information for New Board Members, and Managing Interest-Rate Risk. The FDIC also issued one officer video on the CECL Methodology and a set of six videos for officers about interest-rate risk.

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

The FDIC is committed to addressing the unique challenges associated with supervising, insuring the deposits of, and resolving large and complex financial institutions (LCFIs). The agency's ability to analyze and respond to risks posed by these institutions is critical, 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 LCFIs, including systemically important financial institutions (SIFIs), financial market utilities (e.g., central clearing counterparties), and IDIs with assets greater than $100 billion for which the FDIC is not the primary federal regulatory authority.

CISR performs ongoing risk monitoring of LCFIs in its portfolio that are domestic global systemically important banks (G-SIBs), large foreign banking organizations (FBOs), large domestic banking groups, 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.

SUPERVISION AND RISK ASSESSMENT

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 strategies, structure and interdependencies, business operations and activities, management information system capabilities, and recovery and resolution capabilities. Evaluating capital and liquidity adequacy and resiliency under stressed conditions is also a key part of monitoring. Further, in response to the Russian Invasion of Ukraine, the FDIC performed heightened risk monitoring.

The FDIC works 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.

In addition, the FDIC has implemented and continues to expand upon various monitoring systems, including the CISR Risk Monitor (CRM), the SIFI Risk Report (SRR), and the CAMELS Verification document. The CRM is an offsite monitoring system that combines bank holding company quantitative financial information with qualitative information to support CISR's identification and assessment of firm and broader market stress by evaluating the level and change in relevant key metrics. It includes a quarterly process that covers all CISR firms and a daily process that covers market data and liquidity data for certain LCFIs. Information from the CRM 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 the CAMELS Verification document 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 backup 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 independent 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.

During 2022, FDIC staff completed 59 targeted examinations and 40 reviews comprised of eight horizontal examination activities with the FRB or OCC involving G-SIBs, large FBOs, and large regional banks. The targeted examination activities included, but were not limited to, the evaluation of corporate governance, artificial intelligence/machine learning (AI/ML), climate risk, IT risk, credit risk, model risk management, operational risk, liquidity risk, counterparty risk, market risk, and trading risk. FDIC staff also participated in various horizontal review activities, including the FRB's 2022 Comprehensive Capital Analysis and Review, Horizontal Capital Review, Horizontal Capital Exam, Liquidity Risk Management, Internal

Audit Horizontal, and Counterparty Credit Risk Horizontal Reviews, the OCC's Recovery Plan Horizontal, and Shared National Credits Reviews, and the interagency Coordinated Cybersecurity Review.

RESOLUTION PLANNING

Title I Resolution Plans

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 a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of material financial distress or failure of the company.

The eight most systemically important domestic banking organizations submitted resolution plans on or before July 1, 2021, and each firm's resolution plan included core elements—such as capital, liquidity, and recapitalization strategies—as well as how each firm has integrated changes to, and lessons learned from, its response to the COVID-19 pandemic. The agencies issued feedback letters on November 23, 2022, which jointly identified a shortcoming for one of the firms and noted that the shortcomings identified for six of these firms in their 2019 resolution plans had been addressed adequately.

In addition, Category II and Category III[16] foreign and domestic banking organizations, submitted full or targeted resolution plans on or before December 17, 2021. These targeted plans are required to discuss capital, liquidity, and recapitalization strategies, among other topics. Other firms, that are generally only required to file reduced resolution plans, submitted resolution plans on or before July 1, 2022. The agencies completed the review of resolution plans filed by these firms and identified two deficiencies in the 2021 plan submission of one firm. The agencies also identified a shortcoming in the 2021 plan submission of another firm. The agencies have issued feedback letters to the two firms outlining further actions required by the firms to remediate the deficiencies.

The agencies announced on September 30, 2022, anticipated plans to issue guidance to Category II and III firms, which are not currently subject to guidance, to help them further develop their resolution plans. The agencies will seek and consider public comment on this guidance before it is finalized.

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 any failed or failing nonfinancial company. 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

[16] Category II - U.S. banking organizations identified as U.S. G-SIBs; Category III - any designated nonbank financial companies that the FSOC has determined under section 113 of the Dodd Frank Act should be supervised by the FRB.

only be invoked under a statutorily prescribed recommendation and determination process, coupled with an expedited judicial review process.

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 resolution optionality being developed for these firms are informed by the Title I plan submissions. Further, the FDIC updates 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 clearing counterparties (CCPs).

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 June 2021, the FDIC outlined a modified approach to implementing the IDI rule, which applies to IDIs with $100 billion or more in total assets. The FDIC preserved key content requirements that have helped FDIC staff develop resolution strategies for IDIs, but exempted filers from other content requirements that have been less useful or are obtainable through other supervisory channels.

The modified approach also places greater focus on engagement and capabilities testing by FDIC staff. This structured, periodic engagement will be used to seek further understanding of content submitted in the plan and to assess a filer's ability to produce relevant information.

After the Board approved a moratorium on IDI resolution plan submissions in April 2019, in June 2021 the FDIC resumed requiring resolution plan submissions for IDIs with $100 billion or more in assets, as described in the June 2021 *Statement on Resolution Plans for Insured Depository Institutions*. New resolution plans for 21 IDIs were submitted on or before December 1, 2022, and are under review. New resolution plans for an additional 14 IDIs are expected to be submitted in 2023. For IDIs with less than $100 billion in total assets, the April 2019 moratorium on submission of IDI resolution plans remains in effect.

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. The development of a large regional bank resolution framework and process builds on lessons learned from historical bank resolutions and practices developed in connection with Title II resolution readiness planning for LCFIs.

Recordkeeping Requirements

The FDIC has implemented several recordkeeping regulations to support the resolvability of certain large IDIs and nonbank financial companies by requiring institutions subject to those regulations to maintain recordkeeping and reporting capabilities to enable the timely determination of deposit insurance coverage and the evaluation of Qualified Financial Contracts (QFCs). The FDIC maintains programs to test compliance with those regulations by the institutions that are subject to them.

Timely Deposit Insurance Determination

The FDIC's Recordkeeping for Timely Deposit Insurance Determination regulation (12 CFR Part 370) became effective on October 1, 2019. Under this rule, an IDI that has two million or more deposit accounts for two consecutive quarters must implement the IT system and recordkeeping capabilities needed to calculate the amount of deposit insurance coverage available for each deposit account in the event of its failure. Doing so will improve the FDIC's ability to fulfill its statutory mandates to pay deposit insurance as soon as possible after an institution's failure and to resolve an institution at the least cost to the DIF. The FDIC conducts periodic compliance tests to assess the adherence of covered institutions to the rule.

The FDIC's Large-Bank Deposit Insurance Determination Modernization regulation (12 CFR 360.9) became effective on August 18, 2008. Under this rule, an IDI that has at least $2 billion in deposits and at least either (i) 250,000 deposit accounts; or (ii) $20 billion in total assets, regardless of the number of deposit accounts for two consecutive quarters, must have an automated process for implementing a provisional hold on all deposit accounts, foreign deposit accounts, and sweep investment accounts in the event of its failure. The rule also is intended to permit the FDIC to fulfill its legal mandates regarding the resolution of failed IDIs to provide liquidity to depositors promptly, enhance market discipline, and reduce the FDIC's costs by preserving the franchise value of a failed institution. The FDIC conducts periodic compliance tests to assess the adherence of covered institutions to the rule.

Qualified Financial Contracts

There are two regulations that require QFC recordkeeping. The first is the regulation promulgated by Treasury for Qualified Financial Contracts Recordkeeping related to the FDIC Orderly Liquidation Authority (31 CFR Part 148), which requires certain nonbank financial companies to provide detailed QFC reporting to the FDIC on an ongoing basis. The second is the FDIC's Recordkeeping Requirements for Qualified Financial Contracts regulation (12 CFR Part 371), which requires IDIs meeting the definition for "troubled condition" to provide detailed QFC reporting to the FDIC.

Both rules require institutions within their scope to prepare in advance to provide the information about their QFC portfolios, which may be of a significant size and complexity, to facilitate well-informed decisions about how to manage them if the FDIC ever were appointed receiver for any of those institutions, whether under the FDI Act or under the Orderly Liquidation Authority of the Dodd-Frank Act, as applicable. The FDIC requires periodic submissions from covered institutions to assess their adherence to these rules.

Cross-Border Cooperation

Cross-border cooperation and advance planning are critical components of resolution planning due to the international nature of services and overseas operations of many LCFIs. In 2022, the FDIC continued its robust bilateral and multilateral 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.

In 2022, the FDIC led significant principal and staff-level engagements with foreign jurisdictions to discuss cross-border issues and potential impediments that could affect resolvability as part of ongoing efforts to continue to enhance coordination on cross-border resolution. For example, the FDIC engaged in ongoing trilateral work on cooperation in the cross-border resolution of G-SIBs with U.S., UK, and European financial regulatory authorities. Contributors to this work include senior staff and senior officials of participating financial regulatory agencies from these jurisdictions. The FDIC also convened with senior officials from the Bank of England, Commodity Futures Trading Commission (CFTC), SEC, and FRB to discuss certain issues relating to the resolution of a CCP.

The FDIC maintains a close working relationship on cross-border resolution planning topics with EU and UK authorities, including through joint meetings and technical experts calls.

Financial Stability Board Resolution Steering Group

The FDIC continued to enhance cooperation on cross-border resolution through its participation in the Financial Stability Board (FSB) Resolution Steering Group (ReSG) and its subgroups on banks, insurance, and financial market infrastructures. This year, the FDIC continued its active engagement in FSB work, in particular through the FDIC's leadership as ReSG Chair, as co-chair of its Cross-Border Crisis Management Committee for Financial Market Infrastructures, and as a member of ReSG and each of its subgroups, thereby contributing to work on standards and implementation.

Cross-Border Crisis Management Groups

With regard to the FDIC's institution-specific engagement, the FDIC co-chairs cross-border Crisis Management Groups (CMGs) of supervisors and resolution authorities for U.S. G-SIBs and CCPs, and participates as a host authority in the work of CMGs for several foreign G-SIBs and CCPs. 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, in collaboration with the FRB, held meetings for all eight U.S. G-SIB CMGs in 2022. In collaboration with the CFTC and SEC, the FDIC held meetings for three U.S. CCP CMGs in 2022. Due to ongoing pandemic-related travel concerns, these meetings were held using a virtual format.

Joint U.S.-EU Financial Regulatory Forum

FDIC staff participated in two Joint U.S.-EU Financial Regulatory Forum meetings held in 2022, as a member of the U.S. delegation led by Treasury staff, along with FRB, CFTC, SEC, and OCC staff. Staff from the European Commission, 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 underscored EU and U.S. cooperation and focused on a number of themes, such as market developments, current assessments of financial stability risks, multilateral and bilateral engagement in banking, regulatory and supervisory cooperation in capital markets, operational resilience and digital finance, and AML/CFT among other topics.

U.S.-UK Financial Regulatory Working Group

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 U.S. Treasury and UK Treasury established in 2018 to serve as a forum for bilateral regulatory cooperation between the U.S. and the UK. The FDIC participates along with the FRB, OCC, SEC, and CFTC; participating UK regulators include the Bank of England and the Financial Conduct Authority. In 2022, the FRWG meeting discussion focused on a number of themes, such as international and bilateral cooperation, benchmark transition, financial innovation, sustainable finance, non-bank financial intermediation, operational resilience, and cross-border regimes, among other topics.

Principals Meeting of UK and U.S. Authorities Regarding CCP Resolution

In February 2022, senior officials from the FDIC, CFTC, SEC, FRB, and the Bank of England convened a virtual meeting to review recent joint work undertaken by the agencies, in particular the development of detailed operational planning to support prototype resolution strategies for U.S. and UK CCPs. Senior officials also confirmed priorities for future work, which will include continuing to share analyses and discussing policy formulation in relation to CCP resolutions. This meeting was one of a regular series of senior-level meetings held since 2017 to share views on CCP resolutions and review the progress of an ongoing program of joint work among the agencies.

Principals Meeting of U.S., European Banking Union, and UK Financial Authorities Regarding Regular Coordination Exercises on G-SIB Cross-Border Resolution Planning

In April 2022, senior officials from the FDIC, U.S. Treasury, FRB, Federal Reserve Bank of New York, OCC, Consumer Financial Protection Bureau (CFPB), SEC, CFTC, the Bank of England, UK Treasury, European Central Bank, European Commission, and Single Resolution Board convened a hybrid meeting in the continuation of a series of exercises and exchanges to enhance the understanding of each jurisdiction's resolution regime for G-SIBs and to strengthen coordination on cross-border resolutions. This exercise built on six prior cross-border principal level events going back to 2014, with European Banking Union authorities joining in 2016.

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. In 2022, the FDIC named two new members to the SRAC and held a meeting in the fourth quarter.

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 committed to expanding economic inclusion in the financial mainstream by ensuring that all Americans have access to affordable and sustainable products and services from IDIs. FDIC economic inclusion initiatives are integral to our mission of maintaining stability and public confidence in the nation's financial system.

The FDIC promotes economic inclusion and community development through collaborations with financial institutions and other stakeholders committed to strategic initiatives that positively impact LMI communities.

The FDIC's *Economic Inclusion Strategic Plan* addresses five areas of opportunity: Financial Education, Insured Deposits, Consumer Credit, Mortgage Credit, and Small Business.

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 2022, the ComE-IN met and discussed the following topics:

- the proposed rule to modernize the CRA;
- promoting equity in residential property valuation and appraisal;
- maintaining confidence in banks and deposit insurance; and
- the results and insights from the *2021 FDIC National Survey of Unbanked and Underbanked Households*.

Members also reported on key challenges and opportunities for inclusion in their communities and/or for the organizations they represent.

During the second campaign, there were 128,750 webpage visits to fdic.gov/GetBanked; a 75% increase.

#GetBanked Public Awareness Campaign

In 2022, as part of the multi-year #GetBanked initiative, FDIC launched the second phase of its public awareness advertising campaign. Similar to phase one, the campaign's ads were intended to motivate unbanked consumers to join the banking system and learn about the benefits of having a bank account. The three-month campaign launched in early February and concluded in May. FDIC messaging during tax season aimed to help low- and moderate-income (LMI) families receive significant payments expeditiously by opening a bank account before filing their taxes. For many Americans, their income tax refund payment represents the largest payment they receive all year.

The campaign advertisements were in English and Spanish, targeting unbanked consumers in Dallas, Detroit, and Los Angeles, primarily through digital advertising (including display banner, mobile video, and YouTube), and streaming audio (including podcasts). The theme, "there's a better way," breaks down misconceptions about banks and helps consumers see how banks can help meet their financial needs, potentially at a lower cost, while offering other benefits. The ads were viewed approximately 49.6 million times, and encouraged individuals to visit the #GetBanked webpage.

The #GetBanked webpage continued to provide consumers with information needed to find a bank and open an account online. The webpage includes a video that discusses the importance of a banking relationship, a printable flyer describing the top reasons to open a bank account, and a checklist to help determine the account that best meets the consumers' needs. In 2022, the FDIC added information from other federal partners offering tax-related resources for consumers (e.g., Internal Revenue Service and the CFPB). During the campaign, there were 128,750 webpage visits to fdic.gov/GetBanked, or an average of 1,355 daily visits, which represented a 75 percent increase in visits, when compared to the pre-campaign period when no ads were running. The three cities drove the most visits to the webpage, ranking them among the "Top 3 cities", when compared to other cities across the country. Since the webpage's initial launch in April 2020, there have been over 1.8 million page views.

The FDIC also developed a new social media toolkit in English and Spanish for external stakeholders to help them promote the importance of a banking relationship by sharing their own social media posts using the digital assets from the FDIC's #GetBanked campaign. There were more than 5,100 social media toolkit views through December 31, 2022.

Coordinated internal activities supported the campaign, including 25 collaborative events conducting outreach to banks and community-based organizations (CBOs) to enhance consumer access to financial services. FDIC Alliances for Economic Inclusion, Bank On

coalitions, bank trade associations, and other CBOs across the country as well as those in Dallas, Detroit, and Los Angeles participated in these account access events.

The number of financial institutions offering affordable and sustainable transaction accounts without overdraft fees increased during 2022. Banks have found these accounts work for many consumers, including those without a current banking relationship. As of December 2022, approximately 300 banks and credit unions now offer affordable and sustainable transaction accounts that meet the Bank On National Account Standards, including nine of the ten largest banks.

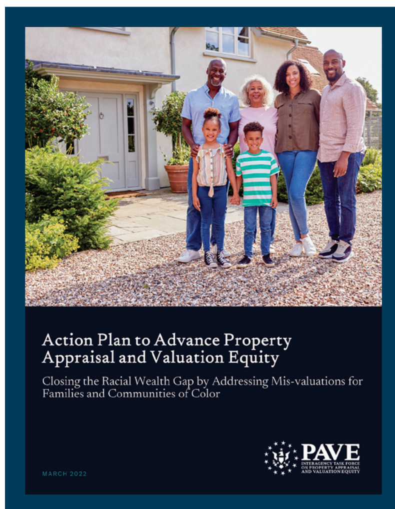
Finally, FDIC continued to encourage more banks to expand access through affordable accounts through a dedicated webpage on the FDIC Banker Resource Center. These resources are intended to facilitate bank efforts to respond to the needs of LMI consumers by bringing them into the financial mainstream by offering affordable and sustainable accounts.

Public Awareness of Deposit Insurance Coverage

During 2022, the FDIC continued its efforts to educate bankers and consumers about the rules and requirements for FDIC insurance coverage. As of December 31, 2022, the FDIC conducted five banker webinars for financial institution employees on deposit insurance coverage. Two podcasts were produced and released on the FDIC website describing FDIC deposit insurance coverage and offering guidance for consumers to avoid scams by fraudulent websites or applications. The FDIC also provides resources such as the Electronic Deposit Insurance Estimator (EDIE), which is a web-based calculator for estimating deposit insurance coverage. Furthermore, the FDIC offers written and other web-based resources targeted to both bankers and consumers available on the FDIC website. The website also features various deposit insurance coverage training videos.

Property Appraisal and Valuation Equity (PAVE) Action Plan

On March 23, 2022, the Interagency Task Force on PAVE issued its Action Plan, which is titled *Closing the Racial Wealth Gap by Addressing Mis-valuations for Families and Communities of Color*. The PAVE Task Force includes 13 federal agencies and is chaired by the U.S. Department of Housing and Urban Development and the White House Domestic Policy Council. The Action Plan outlines a range of specific regulatory, supervisory, examination and legislative actions to be undertaken by federal agencies to address and substantially reduce the prevalence and impact of racial and ethnic bias in residential property valuation.



As a member of PAVE, the FDIC is advancing several initiatives that are set out in the Action Plan, which include developing interagency consumer protection examination procedures to better enable consumer compliance examiners to identify and address appraisal bias; developing interagency safety and soundness examination principles focusing on the identification and assessment of credit, liquidity, and other safety and soundness concerns

that may result from biased appraisals obtained and used by supervised entities; reviewing agencies' existing guidelines and procedures and identify any proposed changes to appraisal guidelines and procedures; and developing resources for consumers that include a public webpage discussing appraisal bias.

The FDIC is tracking the implementation of our PAVE-related commitments and coordinating with other banking agencies.

UPDATED EXAMINATION PROCEDURES

Telephone Consumer Protection Act Procedures

Throughout 2022, the FDIC implemented changes to the Telephone Consumer Protection Act examination procedures that were approved in 2021. The procedures were updated to conform them to requirements for telemarketers to no longer allow the use of an "established business relationship" to avoid getting consent from consumers, to obtain prior express written consent from consumers before making calls with an autodialer or that contain a message made with a prerecorded or artificial voice, and to require telemarketers to provide an automated, interactive "opt-out" mechanism during each of the type of calls mentioned above so that consumers can immediately tell the telemarketer to stop calling.

Fair Debt Collection Practices Act Examination Procedures

The FDIC, as part of an interagency effort, adopted updated Fair Debt Collection Practices Act (FDCPA) examination procedures in December 2022. The updated exam procedures reflect the requirements of Regulation F, which the CFPB amended in 2020 and 2021.

The amendments to Regulation F address a broad range of topics, such as the prohibition of threatening civil action on time-barred debt, and debt collection communication frequency, content, and types, including requiring debt collectors to provide specific information based on the communication method used in both initial and subsequent communications with the consumer. The final rule restates the substantive provisions of the FDCPA that became effective on November 30, 2021.

DEPOSITOR AND CONSUMER PROTECTION RULEMAKING AND GUIDANCE

Joint Proposal to Strengthen and Modernize Community Reinvestment Act Regulations

On May 5, 2022, the FDIC, FRB, and OCC released an NPR to strengthen and modernize the CRA. If finalized, the NPR would expand access to credit, investment, and basic banking services in LMI communities; adapt to changes in the banking industry, including internet and mobile banking; provide greater clarity, consistency, and transparency; tailor CRA evaluations and data collection to bank size and type; and maintain a unified approach. The NPR included a 90-day comment period requesting feedback from stakeholders through August 5, 2022. During the comment period, the agencies jointly provided informational webinars to agency staff and external stakeholders, as well as informational meetings requested by stakeholders. After the comment period ended, the agencies began reviewing the almost 1,000 unique comments received. The agencies are meeting regularly to discuss issues raised by commenters and are working towards issuing a final rule.

Interagency Questions and Answers Regarding Flood Insurance

The FDIC, along with the FRB, OCC, NCUA, and Farm Credit Administration, issued 118 updated Q&As on May 11, 2022. The Q&As cover flood insurance requirements, such as the escrow of flood insurance premiums, the detached structure exemption, and force placement procedures. The update also revised existing Q&As to improve clarity and are reorganized by topic to make it easier for users to find and review information related to technical flood insurance topics. The Q&As are intended to help reduce the compliance burden for lenders related to the federal flood insurance laws.

The agencies also provided technical assistance training for public stakeholders on two occasions: the National Flood Association Conference for lenders in June 2022, and a webinar with approximately 5,300 participants from all types of stakeholder groups in July 2022.

Supervisory Guidance on Multiple Re-Presentment Fees

In August 2022, the FDIC issued supervisory guidance to address certain consumer compliance risks associated with assessing multiple non-sufficient funds (NSF) fees arising from the re-presentment of the same unpaid transaction. Many financial institutions charge NSF fees when checks or Automated Clearinghouse (ACH) transactions are presented for payment but cannot be covered by the balance in a customer's transaction account. After being declined, merchants may subsequently resubmit the transaction for payment one or more times. Some financial institutions charge additional NSF fees for these re-presented transactions. The FDIC has identified violations of law when financial institutions charged multiple NSF fees for the re-presentment of unpaid transactions because disclosures did not fully or clearly describe the financial institution's re-presentment practice, including not explaining that the same unpaid transaction might result in multiple NSF fees if an item was presented more than once.

Interagency Special Purpose Credit Programs Guidance

In February 2022, the FDIC, FRB, NCUA, OCC, CFPB, HUD, Department of Justice, and Federal Housing Finance Agency issued an *Interagency Statement on Special Purpose Credit Programs* to remind creditors of the ability under the Equal Credit Opportunity Act (ECOA) and Regulation B to establish special purpose credit programs to meet the credit needs of specified classes of persons. As creditors consider how they may expand access to credit to better address special social needs, the agencies encouraged creditors to explore opportunities to develop special purpose credit programs consistent with ECOA and Regulation B requirements as well as applicable safe and sound lending principles.

Final Rule Regarding False Advertising, Misrepresentations About Insured Status, and Misuse of the FDIC's Name or Logo

In May 2022, the FDIC issued a final rule that prohibits any person or organization from making misrepresentations about FDIC deposit insurance, or misusing the FDIC's name or logo. The rule implements Section 18(a)(4) of the FDI Act, which prohibits any person or organization from: 1) making false or misleading representations about deposit insurance; 2) using the FDIC's name or logo in a manner that would imply that an uninsured financial product is insured or guaranteed by the FDIC; or 3) knowingly misrepresenting that any deposit liability,

obligation, certificate, or share is insured, or the extent or manner of deposit insurance. The final rule provides transparency on the FDIC's processes for investigating and resolving potential violations of these prohibitions.

Notice of Proposed Rulemaking on FDIC Sign and Advertising and Misrepresentations Regarding Deposit Insurance

On December 13, 2022, the FDIC Board approved an NPR to modernize the FDIC regulation on the official FDIC sign and advertising statement, as well as clarifying the FDIC's final rules issued in May 2022 that implements section 18(a)(4) of the FDI Act, regarding misrepresentations about deposit insurance. The proposed rule, informed by comments received pursuant to two Requests for Information, would generally: 1) modernize and amend the rules governing the display of the official sign in branches, to, for example, apply the rules to non-traditional branches; 2) require the use of FDIC signs and other signs differentiating deposits and non-deposit products across all banking channels, including automated teller machines and evolving digital channels (which functionally serve as a digital teller window); 3) clarify the FDIC's rules regarding misrepresentations of deposit insurance coverage by addressing specific scenarios where information provided to consumers may be misleading; 4) amend definitions of "non-deposit product" to include crypto-assets; and 5) require IDIs to maintain policies and procedures addressing compliance with part 328.

Through this proposal, the FDIC hopes to extend the certainty and confidence provided by the FDIC official sign at traditional IDI branch teller windows, for almost 90 years, to the evolving digital channels through which depositors are increasingly handling their banking needs today. In addition, the proposal would address the risks of consumer confusion regarding deposit insurance to enable depositors and consumers to better understand when they are doing business with an IDI and when their funds are protected by the FDIC's deposit insurance.

Consumer Compliance Supervisory Highlights

The FDIC issued the latest issue of its *Consumer Compliance Supervisory Highlights* in March 2022 and will do so again in 2023. 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 by the FDIC during the prior year through its supervision of state nonmember banks and thrifts.

The spring 2022 issue of the *FDIC Consumer Compliance Supervisory Highlight*s includes: a summary of the FDIC's overall consumer compliance performance in 2021, a description of the most frequently cited violations and other consumer compliance examination observations, information on regulatory developments, a summary of consumer compliance resources, and an overview of trends in consumer complaints that were processed by the FDIC in 2021.

COMMUNITY DEVELOPMENT, SMALL BUSINESS, AND AFFORDABLE MORTGAGE CREDIT

The FDIC is committed to promoting community development, small business, and affordable mortgage lending in underserved communities. As of December 31, 2022, the FDIC's Community Affairs staff engaged with banks and community organizations through

approximately 200 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, affordable mortgage and small business lending to borrowers who otherwise might not have qualified for bank-sponsored loan products.

Throughout 2022, the FDIC continued to promote community development partnerships and promote access to capital in historically underserved markets. Community development outreach events were held across all FDIC regions and spanned a wide variety of topics, including community and neighborhood stabilization, workforce development, access to capital for minority-owned small businesses, and financial capability.

The FDIC Affordable Mortgage Lending Center (AMLC) houses various tools and resources to help community banks identify and access affordable mortgage lending products available through local, state, and federal programs. In February 2022, the AMLC was refreshed with content and included a resource matrix to assist bankers in accessing links to programs that support homeownership. The AMLC had approximately 47,470 subscribers as of December 2022, and was promoted in mortgage-related events across all regions to encourage banker engagement with the resource hub.

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, stabilization of neighborhoods, and economic development. Throughout 2022, the FDIC hosted training sessions to encourage collaboration amongst banks, CBOs, and community organizations. These sessions helped banks to enhance their understanding of the CRA and encouraged them to pursue community development opportunities in their markets. In response to additional support needed in rural areas, sessions included collaboration opportunities for local government, CBOs, small businesses, and farms to develop community development proposals for banks.

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

FINANCIAL LITERACY AND EDUCATION

Advancing Financial Education

Financial education is central to the FDIC's 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. For more than 21 years, the FDIC's *Money Smart* financial education curricula and resources have offered non-copyrighted, high quality, free financial education training resources for banks, CBOs, and other stakeholders to meet the financial education needs of consumers of all ages and small businesses.

Money Smart instructor-led and self-paced resources are designed to help provide practical guidance on how to make informed financial decisions, develop a positive banking relationship, and protect against financial scams. Curricula materials are available in multiple languages, Braille, and large print. Self-paced products, which can be accessed by consumers directly, complement instructor-led materials delivered in-person or online (e.g., through webinars, live online instruction platforms, or on-demand videos).

Money Smart **Improvements**

In 2022, the FDIC worked with its Youth Banking Network to develop a *Guide to Organizing Reality Fairs* to help banks and other intermediaries offer youth and young adults a real-world simulation of an adult's financial life. During a three-hour reality fair, youth make real world financial decisions about managing money, including: engaging with a financial institution; budgeting, renting or buying a home; managing health care expenses; buying insurance; understanding transportation costs; obtaining a loan; managing debt; and more. These immersive learning experiences are often held in partnership with youth-serving organizations and schools. Banks also support reality fairs led by other organizations by helping with planning, contributing resources, and providing staff support. Research suggests experiential learning can be effective at improving financial capability. The guide is available through the *Money Smart* section of the FDIC's public website https://www.fdic.gov/moneysmart.

The FDIC also continued to update *How Money Smart Are You?,* its suite of 14 games and related resources about everyday financial topics. In April 2022, for National Financial Capability Month, the FDIC released a Spanish version of *How Money Smart Are You?* - *¿Qué tan money smart es usted?*. Once at the website, the user can click on "Vea esta página en español" at the top of the page to see the Spanish version. The English and Spanish versions can be easily accessed on a mobile device or computer, so that consumers can use the learning tool wherever and whenever they want to learn about protecting and managing their money. In 2022, updates included making it easier for organizations such as banks, schools, universities, non-profits, and community-based organizations to engage with the individuals who are linked to their organization accounts on an ongoing basis. Organizations can now track individuals' progress and issue certificates of completion. The online *How Money Smart Are You?* Help Center was updated with commonly asked questions and answers. The Help Center addresses over 50 commonly asked questions to improve self-service for individuals and organizations.

Since launching *How Money Smart Are You?* in September 2021, the FDIC has issued more than 110,000 certificates of completion, and has more than 32,000 player accounts and approximately 680 organization accounts. *How Money Smart Are You?* is one of the most popular resources available on FDIC.gov with more than 1.1 million page views. The FDIC plans to continually update, enhance and promote *How Money Smart Are You?*. Organizations or individuals interested in learning more about *How Money Smart Are You?* should contact the *Money Smart* financial education team at CommunityAffairs@fdic.gov or visit *How Money Smart Are You?* on FDIC.gov.

In 2022, the FDIC updated its *Money Smart for Young Adults* curriculum. The updated curriculum seeks to help young adults make better financial choices early in life, contributing

to a long-lasting, positive impact on their financial futures. The curriculum's target age range changed from 12-20 to 16-24 and includes: more in-depth coverage of select financial topics, curriculum efficacy features from the CFPB's youth financial education curriculum review tool, updates to pre- and post-knowledge assessments, a completely modern look and feel and format, and more immersive learning exercises. The refreshed curriculum received positive feedback during pilot testing with the target audience of young adults. The curriculum is available at www.fdic.gov/moneysmart.

Money Smart News is a monthly publication that highlights how organizations successfully implement and promote the *Money Smart* curricula and resources. In 2022, *Money Smart News* featured five success stories documenting how financial institutions, educators, non-profits, and other community-based organizations used *Money Smart* curricula and resources to improve the financial well-being of the consumers and communities they serve. The *Money Smart News* distribution list consists of more than 100,000 people interested in delivering financial education to others.

Outreach Highlights

The FDIC continued its efforts to improve the financial capability and economic empowerment of Black, Indigenous, and People of Color (BIPOC) communities. In 2022, FDIC launched an effort to increase awareness of *Money Smart* resources among Spanish speakers and hosted three national events focused on highlighting FDIC resources for Spanish speakers.

The first event was held during National Financial Capability Month in April: "*¡Juntos Adelante! Financial Empowerment for Hispanics Featuring the New FDIC Tool in Spanish: How Money Smart Are You?"* and featured the launch of *How Money Smart Are You?* in Spanish *(¿Qué tan Money Smart es usted?)*. The two other events, "Programas y herramientas ofrecidos por la FDIC para fomentar el empoderamiento financiero de los Hispanoparlantes" (conducted in Spanish) and "Programs and Tools Offered by the FDIC to Support the Financial Empowerment of the Spanish-Speaking Population," were held during National Hispanic Heritage Month. Also in October, the FDIC launched a redesigned fdic.gov/espanol website. The updated site creates an improved hub of information, resources, and tools available in Spanish. Additionally, several topics were enhanced in Spanish such as Deposit Accounts, Credit and Loans, and Fraud and Scams.

Youth employment programs offer a unique opportunity to help young people build financial capacity and develop banking relationships. In 2022, the FDIC continued its efforts to foster more collaborations between banks and youth workforce providers that result in youth receiving financial education and an opportunity to easily open a bank account. For example, during National Financial Capability Month, the FDIC partnered with the NCUA to help financial institutions and workforce providers understand the evolving personal finance ecosystem for young adults. The webinar featured research and information on how young people are increasingly seeking out financial influencers or "finfluencers" to increase their personal financial knowledge.

Throughout 2022, the FDIC held seven national Train-the-Trainer and *Money Smart* Alliance events online reaching more than 800 trainers or potential trainers with an in-depth overview of the *Money Smart* curricula and resources available. The FDIC also answered questions and

helped organizations with tips and strategies for integrating or learning more about the *Money Smart* curricula. More than two dozen one-on-one meetings were held with organizations (e.g., libraries, educators, HUD-certificated financial counselors, BIPOC-serving CBOs, and veterans) looking for additional information about integrating or learning more about *Money Smart.*

Other outreach highlights included collaborating with the CFPB to conduct a *Money Smart* Train-the-Trainer and *Money Smart* Alliance national webinar for World Elder Abuse Awareness Day in June 2022. The FDIC and CFPB highlighted the growing prevalence of scams targeting older adults and how *Money Smart for Older Adults* can be deployed to combat this troubling trend.

In 2022, the FDIC continued its active membership on the federal Financial Literacy and Education Commission. The FDIC joined the FTC's Scams Against Older Adults Advisory Group, which consists of federal agency partners, consumer advocates, and industry representatives that will focus on ways to better identify and stop scams that affect older adults. The FDIC also joined an interagency taskforce led by the Institute of Museum and Library Services to help promote awareness of the *Money Smart* curricula and resources and advance information literacy within communities.

Partnerships for Access to Mainstream Banking

Nationwide, 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-profits. Due to the public health impact of COVID-19, Community Affairs' outreach activities were primarily conducted via online platforms during 2022.

As of December 31, 2022, the FDIC had hosted more than 200 events, providing opportunities for financial institutions to collaborate with partners on increasing consumer access to bank accounts and credit services; develop collaborative CRA strategies; expand partnerships to address the community impacts of COVID-19 and social justice issues; identify opportunities for consumers to build savings and improve credit histories; and participate in initiatives that strengthen the capability of community service providers that directly serve LMI consumers and small businesses. Through these events and other activities, FDIC also raised awareness of federal, state, and local assistance and recovery programs.

In 2022, the FDIC held approximately 26 webinars in support of the Alabama, Boston, Houston, Kansas City, Los Angeles, Milwaukee, Southeast Michigan, Southeast Louisiana, and West Virginia Alliances for Economic Inclusion. The FDIC currently manages twelve AEI coalitions, which support working groups of bankers and community leaders responding to the financial capability and services needs in their communities. Nine webinars featured the FDIC #GetBanked resources and discussed strategies to connect consumers to safe and affordable bank accounts.

Many other local and state coalitions helped promote the importance of affordable accounts and connect consumers to banks. For example, the FDIC hosted the "Bank On Salt Lake City Launch" webinar in January 2022 for banks, credit unions, non-profit organizations, and government agencies. The event marked the last step in the creation of the new Bank On coalition, a group of local influential stakeholders, including financial institutions, community-based organizations, and government agencies collaborating to connect unbanked populations with safe and affordable financial services, including bank accounts, credit, housing, and entrepreneurship resources. The new local coalition has partnered with nine new financial entities, increasing the number of institutions that provide affordable and sustainable bank accounts that meet the Bank On National Account Standards and facilitating more than two dozen community partnerships that resulted in expanded housing options, workforce development, and financial independence for LMI households. The Bank On Salt Lake City success has inspired stakeholders in Southern Utah and Las Vegas, Nevada to start similar coalitions in their markets.

Access to mainstream banking includes access to sustainable credit. In 2022, the FDIC held 14 events focused on promoting credit building or rebuilding and access to small dollar loans or micro-credit solutions. These events achieved goals on multiple fronts, such as raising awareness of the *Money Smart* and other financial education resources specifically developed to assist consumers in building or rebuilding their credit scores; and encouraging credit building collaborations between banks and community-based organizations providing credit counseling services to unbanked and underbanked consumers. Additional events fostered discussions about specific barriers to access consumer credit for persistently challenged populations such as Native Americans, BIPOC, and low-income communities. A national webinar in April 2022 showcased national credit counseling and credit building nonprofit organizations, federal financial education resources, and banks were encouraged to consider credit monitoring tools that are effectively helping consumers take proactive actions to improve their credit scores and access credit building loans and other financial inclusion tools.

Measuring Performance Outcomes

During the course of 2022, the FDIC took steps to identify a set of performance outcomes and a preliminary set of performance metrics for each of the economic inclusion areas of opportunity outlined in the current FDIC Economic Inclusion Strategic Plan. These areas of opportunity include financial capability, insured account access, consumer credit, affordable mortgage and small business lending. In addition, we assessed which of these measures were currently available for tracking and reporting.

In 2023, the FDIC intends to continue to pursue this effort with tracking and reporting for identified performance measures and consideration of these results in decision-making regarding its economic inclusion strategies.

FDIC Consumer News

FDIC Consumer News is the FDIC monthly newsletter to consumers. It provides practical guidance on how to become a smarter, safer user of financial services, including helpful hints, quick tips, links to useful resources, and common-sense strategies to protect and stretch consumers' hard-earned dollars.

The FDIC released 13 new issues of *Consumer News* in 2022, addressing some of the biggest concerns consumers face, including rising interest rates, crypto-assets, and cybersecurity. New topic areas in 2022 included tips on combining or sharing finances with another person, economic inclusion, misrepresentation of deposit insurance coverage for digital assets, and considering finances during military relocations.

The subscriber list continues to grow, surpassing 150,000 in 2022, furthering the outreach to communities throughout the country. All *Consumer News* articles are released in both English and Spanish during the first week of each month and promoted through govDelivery subscriptions, social media, and the FDIC.gov website.

CONSUMER COMPLAINTS AND INQUIRIES

The National Center for Consumer and Depositor Assistance (NCDA) is comprised of staff on both coasts, with a centrally-located hub in the Kansas City Regional Office. The NCDA fulfills two mission-critical functions for the FDIC: 1) investigating and responding to consumer complaints and inquiries involving FDIC-supervised institutions; and 2) promoting public awareness and understanding of FDIC deposit insurance coverage, and ensuring depositors and bankers have ready access to information regarding deposit insurance rules and requirements.

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

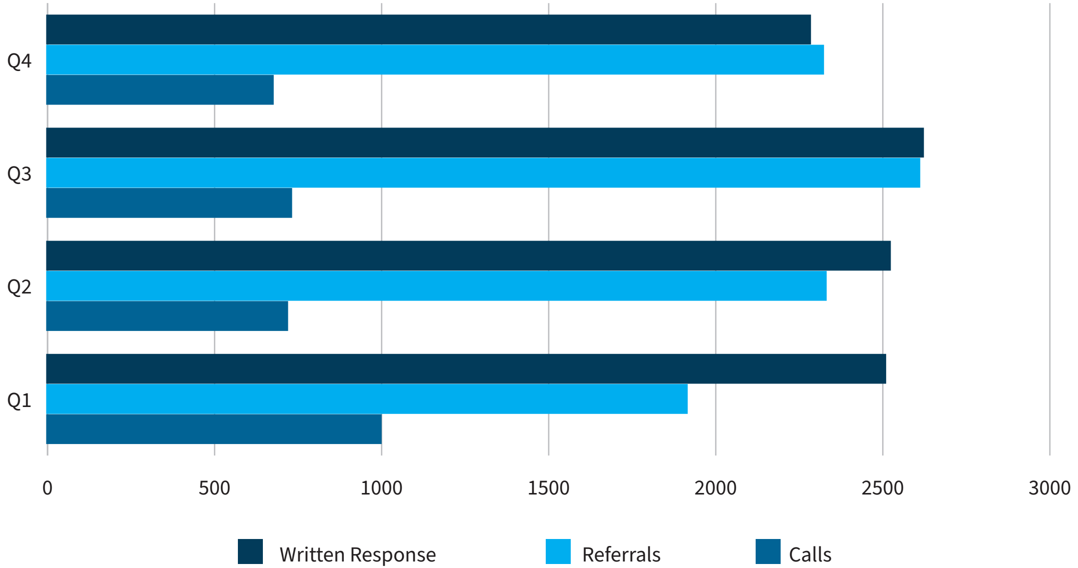
The FDIC regularly updates metrics on requests from the public for FDIC assistance. This information is published at https://www.fdic.gov/transparency/consumers.html.

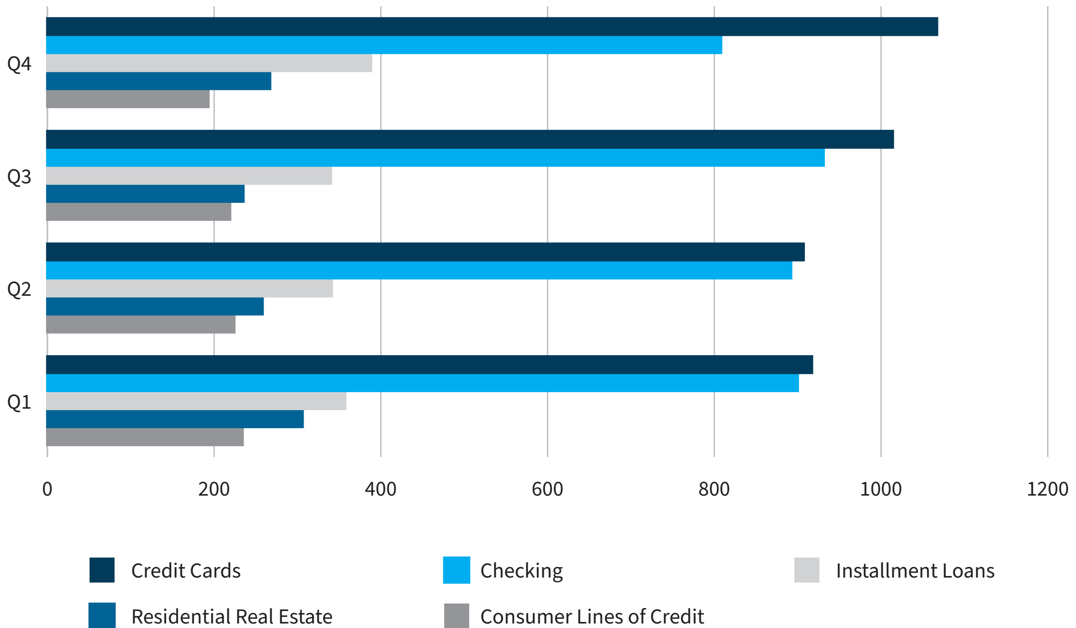
CONSUMER COMPLAINTS BY TOPIC AND ISSUE

In 2022, the FDIC processed 22,207 written and telephonic complaints and inquiries. Of the 19,094 involving written correspondence, 8,975 were referred to other federal banking agencies. The FDIC handled the remaining 10,119. The FDIC responded to 98.8 percent of written complaints within time frames established by corporate policy, and acknowledged 100 percent of all consumer complaints and inquiries within 14 days.

The top five identified products in consumer complaints and inquiries about FDIC-supervised institutions, as percent of total volume, included credit cards (24 percent), checking accounts (23 percent), consumer lines of credit and installment loans (15 percent combined), and residential real estate (5 percent). The FDIC helped consumers receive approximately $6.2 million in refunds and voluntary compensation from financial institutions as a result of the assistance received from the NCDA in 2022.

CONSUMERS COMPLAINTS





In order to fulfill its mission to promote public confidence in the banking system, the FDIC works to ensure that bankers and consumers have access to accurate information about the FDIC's rules for deposit insurance coverage. Through December 31, 2022, the FDIC's Contact Center handled 65,534 telephone cases of which 20,869 were identified as deposit insurance-related inquiries. In addition to the telephone inquiries, the FDIC received 1,783 written deposit insurance inquiries from consumers and bankers. Of these inquiries, 100 percent received responses within two weeks, as required by corporate policy. FDIC deposit insurance specialists assisted depositors in identifying potentially fraudulent websites posing as legitimate FDIC-insured institutions. Through December 31, 2022, FDIC identified and took appropriate action on 37 websites, some of which included the Member FDIC logo, but were not operated by FDIC-member banks.

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 chartering authority typically appoints the FDIC as receiver. The FDIC employs a variety of strategies to ensure the prompt payment of deposit insurance to insured depositors and to provide for the least costly resolution transaction to the DIF. No depositor has ever experienced a loss on their insured funds as a result of an IDI failure.

INSURED DEPOSITORY INSTITUTION FAILURES

During 2022, there were no IDI failures. This is the second calendar year since 2018 during which no IDIs failed.

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

Failure Activity Dollars in Billions

	2022	2021	2020
Total Institutions	0	0	4
Total Assets of Failed Institutions*	$0	$0	$0.5
Total Deposits of Failed Institutions*	$0	$0	$0.4
Estimated Loss to the DIF	$0	$0	$0.1

*Total assets and total deposits data are based on the last quarterly Call 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 not sold to an assuming institution through the resolution process are retained by the receivership and promptly valued and liquidated through different sales channels – cash sales, securitizations, and joint venture transactions – to maximize the return to the receivership estate.

Because of the FDIC's asset marketing and collection efforts, the book value of assets in inventory decreased by $53.5 million (58 percent) in 2022. Total assets in liquidation continued a downward trend, resulting in a total book value of $38.6 million at the end of 2022.

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	12/31/22	12/31/21	12/31/20
Securities	$5	$7	$10
Consumer Loans	0	0	0
Commercial Loans	1	2	6
Real Estate Mortgages	1	2	3
Other Assets/Judgments	6	18	24
Owned Assets	0	0	1
Net Investments in Subsidiaries	18	20	20
Structured and Securitized Assets	8	43	219
Total	**$39**	**$92**	**$283**

Proceeds generated from asset sales and collections are used to pay receivership claimants, including depositors whose accounts exceeded the deposit insurance limit. During 2022, receiverships paid dividends of $227,279 to depositors whose accounts exceeded the deposit insurance limit.

During 2022, DRR continued to make significant progress removing impediments to receivership terminations, including clearing 418 of 741 impediments and terminating 59 of 191 active receiverships.

The following chart shows overall receivership activity for the FDIC in 2022.

Receivership Activity	
Active Receiverships as of 12/31/21	191
New Receiverships	0
Receiverships Terminated	59
Active Receiverships as of 12/31/22	132

Professional Liability and Financial Crimes Recoveries

The FDIC investigates IDI failures to identify potential claims against directors, officers, securities underwriters and issuers, financial institution bond carriers, appraisers, attorneys, accountants, mortgage loan brokers, title insurance companies, and other professionals who may have caused losses to IDIs that failed and FDIC receiverships. The FDIC pursues meritorious claims against these parties that are expected to be cost effective.

During 2022, the FDIC recovered $47.3 million from professional liability settlements and judgments. The FDIC authorized 12 professional liability lawsuits during 2022. As of December 31, 2022, the FDIC's caseload included nine professional liability lawsuits (no change since year-end 2021), six residential mortgage malpractice and fraud lawsuits (up from four at year-end 2021), and open investigations in two claim areas out of two institutions. The FDIC completed investigations and made decisions on 96 percent of the investigations related to the two failures that reached the 18-month point in 2022 after the institutions' failure dates, 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 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 $4.2 million in 2022. As of December 31, 2022, there were 1,635 active restitution and forfeiture orders (down from 1,753 at year-end 2021). This includes 16 orders held by the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (i.e., orders arising out of failed financial institutions in receivership or conservatorship by the FSLIC or the Resolution Trust Corporation).

DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY

Diversity, equity, inclusion, and accessibility (DEIA) are key to the FDIC's work as a premier federal agency and steward of the U.S. banking system. Understanding and appreciating the diversity of the public helps us to meet our mission of preserving and promoting confidence in the nation's financial system. We recognize that our DEIA initiatives are fundamental to our efforts to respond to the needs of the diverse individuals and communities we serve.

The Office of Minority and Women Inclusion (OMWI) supports this commitment by ensuring equal employment opportunity and evaluating and addressing issues related to the DEIA of the FDIC workforce. OMWI also conducts outreach and provides assistance to ensure the fair inclusion and utilization of minority- and women-owned businesses (MWOBs), law firms (MWOLFs), and investors in contracting and investment opportunities. Additionally, OMWI assesses the diversity policies and practices of FDIC-supervised financial institutions, using self-assessment data voluntarily provided by those institutions.

DEIA STRATEGIES WITHIN THE FDIC WORKPLACE AND COMMUNITIES WE SERVE

In 2022, the FDIC continued to implement corporate DEIA initiatives under its *2021-23 Diversity, Equity, and Inclusion Strategic Plan* (DEI Strategic Plan). Also, the FDIC's Divisions and Offices began executing their own DEIA operational plans tailored to their particular needs and circumstances. The agency focused on three strategic areas in 2022: (1) implementing workplace DEIA initiatives; (2) enhancing Hispanic recruitment and retention; and (3) promoting financial institution diversity.

WORKPLACE DEIA INITIATIVES

Maintaining a diverse and inclusive workforce, reflecting a variety of experiences and perspectives, is central to accomplishing the mission of the FDIC. The FDIC focused its attention on recruitment and hiring diversity initiatives, support for first-generation professionals, and career development programs for the next generation of leaders, among several other workforce-related initiatives.

Agency leadership played a significant role in demonstrating and communicating the agency's commitment to DEIA. The Diversity and Inclusion Executive Advisory Council (EAC), comprised of the FDIC's most senior leaders, met monthly to discuss DEIA matters. Each month, a representative from an employee resource group (ERG) met with the EAC to share perspectives. ERGs also met directly with the Chairman to communicate their members' perspectives on fostering and maintaining DEIA to advance the FDIC mission and bolster employee engagement. In addition, Regional Directors discussed DEIA strategies with regional and field office employees. Through these efforts, we continue to make progress to achieve our DEIA goals.

Over recent years, the FDIC has made progress toward improving the diversity of its workforce to better reflect the demographics of the civilian labor force (CLF). One area where the workforce remains underrepresented relative to the CLF, however, is with individuals who self-identify as Hispanic. In an effort to improve the agency's workforce representation, the FDIC established an executive level task force to address challenges for Hispanic recruitment and retention. While the agency is being intentional in its efforts to reach individuals that self-identify as Hispanic, the FDIC will continue recruiting strategically to reach all available talent in the labor market, providing upward mobility opportunities to current employees, and supporting employee engagement at all levels.

FINANCIAL INSTITUTION DIVERSITY

In many communities, FDIC-supervised financial institutions are a bedrock of the local economy. These institutions provide jobs, deposit account services, access to credit, and capital for small businesses. The FDIC's Financial Institution Diversity (FID) Program supports the efforts of supervised institutions to foster financial inclusion in the U.S. banking system. The FID Program helps financial institutions create and grow their diversity programs, which allow them to build strong relationships with their clients and communities, maximize workforce representation, and develop and implement inclusion efforts.

Annually, the FDIC encourages financial institutions to conduct diversity self-assessments and provide the results so that OMWI can analyze, identify noteworthy trends, and tailor its technical assistance to observed needs. To increase awareness of the agency's FID Program and diversity self-assessment, the FDIC expanded its outreach with banking organizations and individual banks and launched a social media campaign. For the 2021 reporting period, 172 or 22 percent of the 774 FDIC-supervised banks with 100 or more employees submitted their diversity self-assessments. This represented a 16 percent increase over the submissions for the 2020 reporting period.

MINORITY DEPOSITORY INSTITUTIONS ACTIVITIES

The preservation and promotion of minority depository institutions (MDIs) remains a long-standing, top priority for the FDIC. The FDIC's research study, *Minority Depository Institutions: Structure, Performance, and Social Impact*, published in 2019, found that MDIs have played a vital role in providing mortgage credit, small business lending, and other banking services to minority and LMI communities. MDIs are anchor institutions in their communities and play a key role in building a more inclusive financial system.

Since 2020, significant new sources of private and public funding have become available to support FDIC-insured MDIs and Community Development Financial Institutions (CDFIs), collectively known as "mission-driven banks." This includes up to $9 billion in funding from the Treasury through the Emergency Capital Investment Program, as well as $3 billion in new grant funding for CDFIs, including up to $1.2 billion set aside for minority lending institutions.

During 2022, the FDIC pursued several strategies to support MDIs. These included increasing engagement and representation, facilitating partnerships to provide new capital and other tools and resources, updating policies, and promoting the MDI sector through advocacy, as well as by providing outreach, technical assistance, and education and training for MDIs.

ENGAGEMENT AND REPRESENTATION

The FDIC's MDI Subcommittee of CBAC is composed of nine MDI executives representing all types of MDIs and provides a venue for minority bankers to discuss key issues, share feedback on program initiatives, and showcase MDI best practices. Representatives from four MDIs also serve on the 18-member CBAC to further bring MDI perspectives and issues to the table.

In 2022, the MDI Subcommittee held two meetings—one virtual and one in-person. The MDI Spotlight featured MDI executives sharing best practices for strategic planning and succession management and experiences with forging successful large bank partnerships. In addition, FDIC staff presented a new interactive mapping tool to help bankers identify potential business opportunities for serving minority communities. Bankers provided input that will be used to update the tool for release in 2023.

During 2022, the FDIC also engaged in deeper relationships with mission-driven bank trade groups to facilitate effective implementation of some of the new resources becoming available to mission-driven banks.

From left: MDI Subcommittee members - Warren Huang, Gilbert Narvaez, Jr., former member Benjamin Lin, Russell Lau, Deron Burr, Alden J. McDonald, Jr., former member James H. Sills, III, and former member Kyle Chavis.

At the end of 2021, the FDIC created a new permanent organization, the Office of Minority and Community Development Banking (OMCDB), to support the agency's ongoing strategic and direct engagement with MDIs and CDFIs. In early 2022, OMCDB hired new staff and developed a strategic plan. OMCDB advises the Chairman and other senior leaders on FDIC activities that support mission-driven banks. It also engages with these institutions to understand their unique challenges and needs and develops strategies to support them.

PARTNERSHIPS

The FDIC worked with staff in other Federal agencies that have programs that may be of interest to MDIs. For example, in 2022, the FDIC, OCC, and FRB jointly hosted a series of four listening sessions with FDIC-insured MDIs and CDFIs to identify challenges and opportunities and receive feedback on agency efforts to support mission-driven banks. The FDIC also worked with Treasury to share information with MDIs about opportunities to form partnerships through the Treasury Mentor-Protégé Program, which pairs MDIs with large banks that contract with Treasury. The FDIC also worked with Treasury's State Small Business Credit Initiative (SSBCI) program to inform MDIs and CDFIs of business opportunities through credit enhancements supported with Treasury funding. This provided a combined $10 billion

to states, the District of Columbia, territories, and Tribal governments to empower small businesses to access capital needed to invest in job-creating opportunities as the country emerges from the pandemic.

Another partnership the FDIC initiated in 2022 is with the Department of Transportation's (DOT) Office of Small and Disadvantaged Business Utilization. DOT received significant infrastructure funding from the Infrastructure Investment and Jobs Act enacted in November 2021 and relies on contracts with small businesses, including disadvantaged businesses, to implement the legislation. DOT determined that many small businesses need access to bridge financing either prior to or upon contract award and MDIs and CDFIs may be a possible source of funding.

In December 2022, Microsoft and Truist Financial Corporation, the anchor investors in the Mission-Driven Bank Fund, announced the hiring of a Fund manager to underwrite investments and manage the Fund. The Fund was established in 2021 with the encouragement of the FDIC. Its purpose is to provide funding and other support for FDIC-insured MDIs and CDFIs.

POLICIES

In May 2022, the FDIC issued Financial Institution Letter (FIL) 24-2022, *Minority Depository Institution Designations*, which outlines the process by which FDIC-supervised institutions or applicants for deposit insurance can make a request to be designated as an MDI. The instructions provide transparency to the public on the procedures to follow and criteria for designating an institution as an MDI. In 2022, one new FDIC-supervised *de novo* MDI opened for business, three other existing institutions were designated as MDIs, and the FDIC granted conditional approval of an application for deposit insurance for a *de novo* MDI that is now raising capital.

In December 2022, the FDIC launched training for examiners of MDIs regarding the application of examination standards to the unique business models of MDIs. The training provides information and case studies on many of the new funding sources coming into MDIs and CDFIs, as well as information regarding tools to help understand the communities served by MDIs.

ADVOCACY

It is important to promote the visibility of MDIs, to tell their stories, and showcase the important role they play in their communities. In 2022, the FDIC recorded four videos of MDI executives sharing their institutions' "Origin Stories," highlighting the reasons their institutions were formed, and describing how they have served their communities over time. In addition, senior agency leaders emphasized the significance of mission-driven banks in numerous external speaking engagements and through posts on FDIC social media channels and its website.

OUTREACH, TECHNICAL ASSISTANCE, AND EDUCATION

During the year, the FDIC continued efforts to improve communication and interaction with MDIs and to respond to the concerns of minority bankers. The agency maintains active outreach with MDI trade groups and offers to arrange annual meetings between FDIC regional management and each MDI's Board of Directors to discuss issues of interest. The FDIC conducts an annual survey to obtain feedback from MDIs and to help assess the effectiveness of the MDI program.

At the conclusion of each examination of an MDI supervised by the FDIC, the staff is available to return to the institution to provide technical assistance by reviewing areas of concern or topics of interest to the institution. The purpose of return visits is to assist management in understanding and implementing examination recommendations, not to identify new problems.

Through its public website (www.fdic.gov), the FDIC invites inquiries and provides contact information for any MDI to request technical assistance at any time.

In 2022, the FDIC provided 148 individual technical assistance sessions on approximately 49 risk management, consumer compliance, and resolution topics, including:

- Accounting,
- Applications for branch openings and closures,
- Anti-Money Laundering/Countering the Financing of Terrorism,
- Community Reinvestment Act,
- Compliance management,
- Capital Planning and Management,
- Current Expected Credit Losses (CECL) accounting methodology,
- Fair Lending,
- Funding and liquidity,
- Information technology risk management and cybersecurity,
- Internal audit, and
- Loan modifications and Troubled Debt Restructuring.

In response to concerns raised by MDIs, the FDIC held a webinar to discuss supervisory expectations for MDIs and CDFI banks awarded funds from the U.S. Treasury Emergency Capital Investment Program. The webinar addressed bank management's questions regarding the FDIC's examination approach for FDIC-supervised MDIs and CDFIs deploying the funds. FDIC staff discussed several risk management practices institutions must consider when anticipating significant asset growth, expanding into new markets, and developing new product offerings. Staff also addressed questions regarding strategic and capital planning associated with the award.

The FDIC also held outreach, training, and educational programs for MDIs through conference calls and regional banker roundtables. In 2022, topics of discussion for these sessions included many of those listed above, as well as strategic and management succession planning, FDIC economic inclusion initiatives, emerging risks and areas of concern, IT vendor management, and innovation and emerging technology. Further, during the regional roundtables, representatives from Treasury and the DOT presented information on the Mentor-Protégé Program, SSBCI, and small business initiatives discussed above.

MINORITY- AND WOMEN-OWNED BUSINESSES

The FDIC has focused on identifying barriers that underserved communities and individuals may face in taking advantage of FDIC procurement and contracting opportunities. The agency also ensures the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, including financial institutions, investors, underwriters, accountants, and providers of legal services, in contracts entered into by the FDIC. The FDIC has supplemented its traditional outreach to MWOBs with interviews in diverse publications. Additionally, the FDIC uses its website to improve public awareness about the agency's procurement process and initiatives. Further, MWOBs are also given the opportunity to market their business capabilities for potential FDIC contracting.

In 2022, the FDIC awarded 170 contracts (42 percent) to MWOBs out of a total of 403 issued. Total awarded contracts had a combined value of $608 million, of which 46 percent ($281 million) went to MWOBs. The FDIC paid $177 million of its total contract payments (36 percent) to MWOBs under 278 contracts.

DIVERSE LEGAL SERVICE PROVIDER OUTREACH

The FDIC undertook several efforts in 2022 in order to offset the impact of the Legal Division's declining need for outside legal services. First, the division continued a legal contracting advertising campaign for its supplier diversity program in a well-regarded group of diversity-related publications. In addition, the division organized regular virtual meetings with current diverse legal services providers on the FDIC's List of Counsel Available in order to maintain relationships with firms that are currently eligible to work with the Corporation.

The FDIC made 8 referrals to MWOLFs, which accounted for 27 percent of all legal referrals. The FDIC paid $317,000 in legal fees to MWOLFs and paid $3.2 million to diverse attorneys in 2022. Although the Legal Division does not pay diverse attorneys directly, they are credited with the amount they bill on behalf of their firms. Taken together, the FDIC paid more than $3.5 million to MWOLFs and diverse attorneys out of almost $15.6 million spent on outside counsel services. This represents an aggregate 23 percent diversity participation rate in outside legal contracting.

INFORMATION TECHNOLOGY MODERNIZATION

Information Technology is an essential component in virtually all FDIC business processes. The integration of IT and business processes provides opportunities for efficiencies and requires an awareness of potential risks. In 2022, the FDIC continued implementing initiatives critical to meeting the goals of the *IT Modernization Plan* by creating the Quantum Leap Program to establish the foundation for a cloud-based IT-infrastructure and accelerate the phase-out of the FDIC's primary and back-up data centers (BDC). The ultimate goal of Quantum Leap is to enable the FDIC to meet emerging business needs, increase workload volume, and analytics needs. The goal will be accomplished through the delivery of increased automation for application deployment, modernized applications using cloud services, immutable infrastructure, and a reduction in on-premise data center management.

MIGRATION TO THE CLOUD

The Quantum Leap Program is made up of the following projects: Cloud Setup, BDC Phase Out, Cloud Data Management and Analytics (CDMA), and Data Orchestration and Integration for Applications (DOIA).

Cloud Set-up

The Platform project is comprised of the foundational components that will deliver both infrastructure and application services. These components will support the migration of the BDC applications to the cloud. The Platform team is responsible for creating the cloud platform, while the BDC Phase Out teams are responsible for onboarding critical applications onto the cloud platform. In tandem with the DOIA and CDMA teams, the cloud Platform/BDC Phase Out projects will deliver the foundational components to better support the computing, services, and business needs of the FDIC. During 2022, The CIO Organization (CIOO) established the initial architecture, governance, and security models in the cloud platform.

Back-up Data Center Phase Out

The BDC provides failover/back-up capabilities for the IT assets required to support the FDIC Primary Mission Essential Function (PMEF) responsibilities. The primary goal of this program is to remove the dependency of on-premise infrastructure that host the PMEF applications. During 2022, the FDIC completed an application feasibility study and Future State Analysis and Migration Plan for all Mission Essential/Mission Critical in-scope applications.

Cloud Data Management and Analytics

The CDMA Program will establish a strategic, enterprise data management and data analytic capability for the FDIC with secure, modern, data technologies in the cloud. CDMA is a comprehensive, multi-year program led by our Chief Data Officer Staff (CDOS), and includes services that span Data Strategy, Cloud Technology, Modern Data Architecture, Innovation to Production, Data Governance, Education Coordination, and FDIC Business Division Partnership. In 2022, CDMA established essential, secure, cloud foundational capabilities and repeatable analytic patterns. The Divisions and Offices will be able to utilize CDMA to

meet their existing and future data management, data analytics and AI/ML needs, from experimentation/ideation to production/operations.

Data Orchestration and Integration for Application

DOIA provides engineering support to Quantum Leap and other efforts migrating applications, data, and workloads to the cloud, mitigating dependencies for on-premise infrastructure and developing modern processes to manage data throughout the organization. In 2022, the DOIA project supported the movement of data and applications to the cloud platform. Additionally, DOIA delivered current and future state analyses for a portfolio of Mission Essential and Mission Critical applications.

ENHANCING DATA GOVERNANCE

The FDIC conducted data literacy training early this year and has followed up with a number of fireside chats, hosting as many as 600 attendees. Collaborative data-centric groups have matured throughout the year, including the Enterprise Data Council and communities of practice. The Enterprise Data Catalog is a tool that the FDIC has started rolling out that will provide tracking and discoverability of data to all divisions. CDOS is meeting with divisions and data stewards to map the data space and prepare the taxonomy. The catalog tool is currently undergoing a security review and will roll out incrementally providing a one-stop shop for knowledge and classification of FDIC data.

MODERNIZING OBSOLETE SYSTEMS

Division of Risk Management Supervision (RMS) Business Process Modernization (BPM)

RMS BPM is a program whose goal is to provide RMS users and external stakeholders with a streamlined solution that will focus on delivering automated, end-to-end supervision business processes using a cloud-based, business process management platform. The planned solution will improve efficiency and effectiveness of RMS supervision programs by delivering a single cloud-based solution that captures end-to-end business processes, improves data quality and security, improves internal and external information sharing, and facilitates greater use of AI/ML. The FDIC completed the effort to define the business, technical, and compliance requirements. The CIOO and RMS will continue to work together to procure funding and begin development.

FOCUS

The Framework for Oversight of Compliance and CRA Activities User Suite (FOCUS) is designed to be a comprehensive end-to-end examination solution comprised of scheduling, resource forecasting, processing, and recording capabilities that will meet DCP's current and future exam and supervisory management needs. The FDIC successfully completed data migration testing and hardening, as well as application code deployment to production in support of deploying Release 2 of FOCUS. All of DCP's compliance examiners are now using the new system and the CIOO expects to retire the legacy system over the next year.

Other Applications

The FDIC completed the application inventory assessment as the first step in developing the next IT Modernization Roadmap. This assessment collected and aggregated existing data from multiple sources to complete an enterprise inventory of FDIC applications and assessed alignment with the FDIC target architecture. In 2022, the FDIC created business roadmaps, using a business segment roadmap template, for each of the major human resources business functional areas, including gaps in system functionality.

INFORMATION TECHNOLOGY SECURITY

Zero Trust

Executive Order 14028, *Improving the Nation’s Cybersecurity* directs the U.S. government agencies to adopt a Zero Trust Architecture (ZTA). This order was reinforced on January 26, 2022, with the release of Office of Management and Budget Memorandum M-22-09, *Moving the Government Toward Zero Trust Cybersecurity Principles*.

Zero Trust moves away from the traditional perimeter-based security architectures that rely on implicit trust within the computing environment. Instead, trust is continuously assessed and explicitly granted to provide Just-in-Time (JIT) and just enough access to enterprise resources.

In 2022, the FDIC established a Zero Trust program that enables proper planning and alignment to meet federal government mandates. The planning efforts delivered FDIC’s Zero Trust strategy, roadmap, and funding request to support the agency’s adoption of Zero Trust.

INTERNATIONAL OUTREACH

The FDIC continues to play a leading role in supporting the global development of deposit insurance, bank supervision, and bank resolution systems. In 2022, 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 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

As a founding member, the FDIC joined IADI in celebrating its 20th Anniversary in 2022. Acting FDIC Chairman Gruenberg provided keynote speeches at the anniversary celebration in September and at the Annual General Meeting in October. FDIC officials and experts continued to support IADI programs, including beginning the process to review and update the

Core Principles for Effective Deposit Insurance Systems (Core Principles). The FDIC serves as a member of IADI's Executive Council, Training and Technical Assistance Council Committee, Core Principles and Research Council Committee, and the Regional Committee of North America. Additionally, the FDIC chairs the Fintech Technical Committee and the Capacity Building Technical Committee.

During the year, the FDIC contributed to IADI's first thematic review – a high-level view of the membership's self-reported compliance with four of the 16 Core Principles. Additionally, the FDIC wrote and published a fintech brief on the opportunities fintech provides to deposit insurers. The Capacity Building Technical Committee provided support for developing and facilitating both virtual and in-person workshops for the Africa, Asia-Pacific, Caribbean, European, Latin American, and North American regions of IADI, among other activities. With FDIC support, IADI technical assistance and training activities reached more than 1,410 participants.

Association of Supervisors of Banks of the Americas

The FDIC continues to support ASBA's mission to promote sound banking supervision and financial stability by actively supporting ASBA's leadership and contributing to its training and research programs. To strengthen coordination between safety net participants that contribute to financial stability, FDIC staff contributed to the ASBA paper on *General Considerations for a Cross-Border Memoranda of Understanding between Supervisory Authorities*. In support of ASBA's leadership, senior FDIC staff chaired the ASBA Training Committee in 2022, which designs and implements ASBA's training strategy to promote the adoption of sound banking supervision policies and practices among its members. The Training Committee operationalized the 2022-2025 Strategic Plan, which the FDIC helped develop, by creating Working Groups to address important initiatives and goals. Due to COVID-19, training programs continued to take place virtually. The training program reached 660 member participants in the first half of 2022. Committed to strengthening ASBA's leadership, in October 2022, the FDIC was elected to serve a two-year term as the North America Director, a board of directors position.

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 the BCBS. The FDIC's contributions include actively participating in many of the committee groups, working groups, and task forces established by the BCBS to carry out its work, which focuses on policy development, supervision and implementation, accounting, and consultation. Particular areas of focus are capital policy, accounting, operational risk, stress testing, and anti-money laundering.

International Deposit Insurance and Resolution Capacity Building

The FDIC's direct assistance programs to enhance global understanding of best practices in deposit insurance, bank supervision, and bank resolution were provided both virtually and in person during the year. In 2022, FDIC officials and staff were able to share their expertise

with more than 450 individuals, representing more than 70 jurisdictions. The FDIC was able to provide broad technical assistance to multiple jurisdictions through missions for ASBA on operational risk and model risk and the South East Asian Central Banks on orderly liquidation and supervision.

For the second year in a row, the FDIC hosted Virtual FDIC 101, a tailored version of the FDIC 101 program which provides an overview of the Corporation's key activities as a bank supervisor, deposit insurer, and resolution authority, for 86 participants from 37 jurisdictions. The FDIC also held the first virtual session of the Bank Resolution Experience (BRE) for 62 participants from 24 jurisdictions. BRE provides a detailed overview of the FDIC's bank resolution process, giving a more hands-on perspective about how the FDIC manages failed banks. On a bilateral basis, FDIC shared its expertise in more than 20 engagements, including a consultation with the Indonesia Deposit Insurance Corporation and the Indonesian Ministry of Finance on matters relating to the resolution of large and complex banks, and contributing expertise to an International Monetary Fund review.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

The FDIC 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.

RETURN TO THE OFFICE

On September 6, 2022, the FDIC transitioned to Phase 3 of its Return to the Office (RTO) Plan. In Phase 3, employees resumed on-site work at FDIC facilities, consistent with the requirements of their telework elections. Contractors and visitors were also allowed to return to FDIC facilities. The FDIC has provided a series of Frequently Asked Questions to respond to employees' questions about the return to on-site activities, including bank examinations, meetings, training, and more.

HUMAN CAPITAL MANAGEMENT

The FDIC's human capital management programs are designed to attract, develop, reward, and retain a highly skilled, diverse workforce. In 2022, the FDIC's workforce planning initiatives emphasized the need for enhanced succession management strategies to reduce the risk of vacancies in key positions and ensure the Corporation has a talent pipeline with the capability to successfully deliver the FDIC's mission today and into the future.

Strategic Workforce and Succession Management

The FDIC faces a steady stream of projected retirements over the next five to ten years. In addition, the banking industry is experiencing rapid and significant change, which impacts the knowledge and skills needed within the FDIC's future workforce. The FDIC is proactively preparing for these shifts in talent requirements. The FDIC understands that effective strategic workforce and succession planning are critical to ensure that gaps in employee aspiration, engagement, and readiness for senior leadership and technical positions are identified and addressed.

In 2022, the FDIC formally established a Human Capital Strategic Planning and Analysis unit within the Division of Administration with dedicated resources to identify a Corporate-wide, sustainable approach to address its talent pipeline challenges. The FDIC has re-confirmed its leadership competencies and began to develop content for leadership role profiles that will provide the basis for selection, assessment, and development of the talent pipeline, aligned with the Corporation's strategic direction. This initiative will produce robust career paths that illustrate options for job movement within the FDIC and developmental options to be competitive for different positions, which will create more transparency and empower employees to effectively plan their career development. Over time, the enhancements to assessments, development, and selection processes will result in more qualified candidates in our talent pools and more objective hiring practices for leadership positions. This effort will help the Corporation develop and maintain a talent pipeline with the skills, experience, and motivation to lead.

The FDIC also implemented a corporate-wide Career Aspirations Survey to understand employees' aspiration levels and the factors that influence their pursuit of leadership roles. The results are being used to inform additional succession strategies. To gain insights into retention issues, the FDIC implemented a new Corporate Exit Survey and also developed a retention management dashboard that provides enhanced analyses of workforce data to managers and executives. The FDIC's data-driven, research-based approach to succession management will give leaders a more accurate understanding of strengths and weaknesses in the talent pool.

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. In 2022, the FDIC completed a multi-year effort to modernize learning and development that included 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 an 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, and support succession planning and diversity, equity, inclusion, and accessibility goals. From new employees to new executives, the FDIC provides employees with targeted opportunities that align with key leadership competencies. In addition to offering 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 2022, the FDIC's Corporate University continued to convert courses to virtual delivery and support employee learning and development during mandatory telework, as well as transition some courses back to in-person delivery in modernized classrooms. Nearly 300 virtual course offerings were delivered to more than 7,500 participants, and 11 course offerings resumed in-person delivery for 175 participants beginning in the fall, coincident with employees' return to the office.

Employee Engagement

Employee engagement plays an important role in empowering employees and helps maintain, enhance, and institutionalize a positive workplace environment. 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 (FEVS) to solicit feedback from employees and takes an agency-wide approach to addressing key issues identified in the survey. In response to employee feedback received through the 2021 FEVS, the FDIC reestablished the Workplace Excellence (WE) program and the FDIC-National Treasury Employees Union (NTEU) Labor Management Forum (LMF).

The FDIC engages employees through the WE program and other formal mechanisms such as the Chairman's Diversity Advisory Councils and Employee Resource Groups; and informally through working groups, team discussions, listening sessions, and daily employee-supervisor interactions. In addition, the FDIC-NTEU LMF serves as a mechanism for the union and employees to have pre-decisional input on workplace matters. The WE program and LMF enhance communication, provide additional opportunities for employee input and engagement, and improve employee empowerment.