I.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Overview

During 2023, the FDIC continued to fulfill its mission-critical responsibilities. The agency managed the resolution and receivership of five bank failures, including the second, third, and fourth largest bank failures in United States history. The FDIC finalized several rules, some in conjunction with other agencies, and published several notices of proposed rulemakings in the *Federal Register* seeking public comment. The FDIC also engaged in initiatives to understand and address financial risks that climate change may cause, and continued to engage in several community banking and community development initiatives.

To address cyber fraud and financial crimes, the FDIC undertook a number of initiatives in 2023 to protect the banking industry from criminal financial activities. This *Annual Report* highlights these and other accomplishments achieved during the year.

Action Plan for a Safe, Fair and Inclusive Work Environment

The FDIC has no higher priority than ensuring that every person at the FDIC feels safe, valued, and respected. Maintaining a strong workplace culture is essential to effectively carrying out our agency mission. Since November 2023, following news reports about sexual harassment at the FDIC, the FDIC's senior leadership team developed and began implementing a comprehensive Action Plan for a Safe, Fair, and Inclusive Work Environment (Action Plan) that encompasses eight action areas and 34 specific initiatives. The eight action areas are related to providing support to victims and survivors, identifying and correcting current problems, repercussions for those engaged in sexual harassment or other serious misconduct, leadership accountability, review of policies and procedures, training programs, communication and outreach strategies, and cultural transformation.

The Action Plan goes beyond agency compliance efforts and describes how the FDIC will support victims and survivors of harassment and discrimination. It reflects contributions from the FDIC's senior leadership team and incorporates input from a range of stakeholders, including the Diversity and Inclusion Executive Advisory Council, personnel in the Office of Minority and Women Inclusion, and several employee resource groups. Since developing the Action Plan, the FDIC has collaborated closely with the National Treasury Employees Union (NTEU) to ensure their active participation while executing the Action Plan.

We believe that the initiatives outlined in the Action Plan will make a meaningful difference in the FDIC's workplace environment and culture. The Action Plan is intended to be a living document that will evolve and improve as we assess our efforts and make progress in these areas. We are fully committed to this important effort and look forward to communicating progress to our employees and the public.

In addition, the FDIC Board of Directors established a Special Committee to oversee an independent third-party review of the agency's workplace culture and appointed Directors Jonathan McKernan and Michael J. Hsu to co-chair the Special Committee. In December, the committee selected the law firm of Cleary Gottlieb Steen & Hamilton LLP to conduct the independent review, which will cover allegations of sexual harassment and interpersonal misconduct at the FDIC, including allegations of hostile, abusive, unprofessional, or inappropriate conduct, and management's response to that harassment and misconduct. The review will also assess the FDIC's workplace culture, including any practices that might discourage or otherwise deter the reporting of, or appropriate response to, harassment and interpersonal misconduct.

The findings and recommendations of the third-party review will be incorporated into the Action Plan as appropriate.

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 sufficiently withstand future crises. The Federal Deposit Insurance (FDI) Act requires the Board to set the Designated Reserve Ratio before the beginning of each calendar year. In November 2023, the Board voted to maintain the 2.0 percent ratio for 2024.

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 declined to $121.8 billion as of December 31, 2023, primarily due to loss provisions for the five bank failures during the year. The increase in provision expenses was partially offset by an increase in assessment revenue and interest earned, and an unrealized gain on securities. Following the failure of two large banks in March 2023 (Refer to the Section on Failure Resolution and Receivership Management), the banking industry experienced outflows of total deposits, but also experienced strong insured deposit growth. This growth in insured deposits, coupled with the decline in the DIF balance, resulted in a decline in the fund reserve ratio to 1.13 percent as of September 30, 2023, 10 basis points lower than the prior year.

Special Assessment Pursuant to the Systemic Risk Determination

In May 2023, the FDIC Board of Directors approved a notice of proposed rulemaking (NPR) to impose a special assessment to recover the loss to the DIF arising from the protection of uninsured depositors in connection with the systemic risk determinations announced on March 12, 2023, following the closures of Silicon Valley Bank and Signature Bank. In November 2023, the FDIC Board adopted a final rule implementing the special assessment.

As of December 31, 2023, the FDIC estimates the cost for the failures of Silicon Valley Bank and Signature Bank to be $21.8 and $1.8 billion, respectively. Of the estimated total cost of $23.6 billion, the FDIC estimates that approximately $20.4 billion was attributable to the cost of covering uninsured deposits as a result of the systemic risk determination.

The FDI Act requires that the loss to the DIF arising from the use of a systemic risk determination must be recovered from one or more special assessments on insured depository institutions (IDIs), depository institution holding companies, or both. Therefore, by statute, the FDIC is required to recover the $20.4 billion estimated loss through one or more special assessments.

The special assessment will be paid by banking organizations with at least $5 billion in uninsured deposits for the December 31, 2022 reporting period. Under the final rule, the FDIC anticipated that the special assessment would be collected at an annual rate of approximately 13.4 basis points over an initial eight quarterly assessment periods, beginning with the first quarterly assessment period of 2024. Because the estimated loss pursuant to the systemic risk determination will be periodically adjusted as assets are sold, liabilities are satisfied, and receivership expenses are incurred, and because assessments collected may change due to corrective amendments to the amount of uninsured deposits reported for the December 31, 2022 reporting period, the FDIC may cease collection early, extend the special assessment collection period, or impose a final shortfall special assessment after both receiverships have terminated.

The special assessment amount may change because estimated losses under the systemic risk determination will be adjusted when assets are sold, liabilities satisfied, and receivership expenses incurred. The amount also may change due to amendments to uninsured deposits reported for the December 31, 2022, reporting period. Because of these changes, the FDIC may stop collection early, extend the special assessment collection period, or impose a final shortfall special assessment after both receiverships have been terminated.

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 and, if necessary, recommend modifications to assessment rates.

In June 2022, based on projections indicating that the reserve ratio was at risk of not reaching the required minimum by the statutory deadline, the FDIC Board approved an Amended Restoration Plan, which included a uniform increase in initial base deposit insurance assessment rates of 2 basis points. Concurrently, the FDIC approved a notice of proposed rulemaking (NPR) to implement this increase in the assessment rate schedules. In October 2022, the FDIC Board adopted a final rule implementing the assessment rate schedule increase with an effective date of January 1, 2023, to increase the likelihood that the DIF reserve ratio reaches the statutory minimum level of 1.35 percent by September 30, 2028.

In its semiannual updates for 2023, the FDIC stated that the reserve ratio remains on track to reach the statutory minimum of 1.35 percent ahead of the deadline of September 30, 2028, though the precise timing is uncertain and depends on a number of factors. Under the Amended Restoration Plan, the FDIC will continue to monitor insured deposit balance trends, potential losses that impact the DIF balance, and other factors that affect the reserve ratio.

Deposit Insurance System Options

On May 1, 2023, the FDIC published *Options for Deposit Insurance Reform* to place the developments in the banking industry in spring 2023 in the context of the history, evolution, and purpose of deposit insurance since the FDIC was created in 1933.[2]

The report reveals that, while more than 99 percent of deposit accounts remain below the deposit insurance limit, growth in uninsured deposits has increased the banking system's exposure to bank runs. At its peak in 2021, uninsured deposits accounted for nearly 47 percent of domestic deposits, higher than at any time since 1949. The report argues that large concentrations of uninsured deposits, combined with technological changes that facilitate the rapid spread of information and speed of deposit withdrawals, increase the potential for bank runs and can threaten financial stability.

While acknowledging that deposit insurance can create moral hazard by providing an incentive for banks to take on greater risk, the report underscores the important role that regulation, supervision, and deposit insurance pricing play in helping the deposit insurance system meet its financial stability and depositor protection objectives while constraining moral hazard.

The report evaluates three options to reform the deposit insurance system:

- Maintaining the current structure of Limited Coverage, including the possibility of an increased but clearly delineated deposit insurance limit;
- Providing Unlimited Coverage of all deposits; and
- Providing Targeted Coverage, which would allow for higher or unlimited coverage for business payment accounts.

Of these options, the report identifies Targeted Coverage as having the greatest potential for meeting the fundamental objectives of deposit insurance relative to its costs.

[2] *Options for Deposit Insurance Reform* is available at https://www.fdic.gov/analysis/options-deposit-insurance-reforms/index.html.

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.

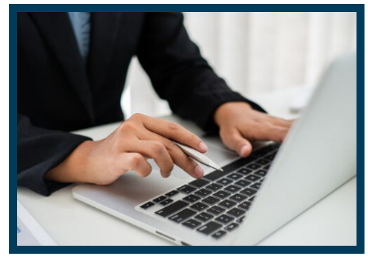
RISK MANAGEMENT EXAMINATION PROGRAM

The FDIC's bank examination efforts are at the core of its supervisory program. As of December 31, 2023, the FDIC was the primary federal regulator for 2,946 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System (generally referred to as "state nonmember" institutions). As the primary regulator of these institutions, the FDIC assesses each institution's operating condition, management practices and policies, and compliance with applicable laws and regulations through risk management (safety and soundness), consumer compliance, Community Reinvestment Act (CRA), and other specialty examinations.

The following table shows the number of examinations by type, conducted from 2021 through 2023.

FDIC Examinations

	2023	2022	2021
Risk Management (Safety and Soundness):			
State Nonmember Banks	1,125	1,202	1,139
Savings Banks	122	129	129
State Member Banks	0	0	0
Savings Associations	0	0	0
National Banks	0	0	0
Subtotal-Risk Management Examinations	**1,247**	**1,331**	**1,268**
CRA/Consumer Compliance Examinations:			
CRA/Consumer Compliance	675	631	740
Consumer Compliance-only	181	355	358
CRA-only	5	1	2
Subtotal—CRA/Compliance Examinations	**861**	**987**	**1,100**
Specialty Examinations:			
Trust Departments	255	305	275
IT and Operations	1,243	1,331	1,271
AML/CFT	1,255	1,343	1,285
Subtotal—Specialty Examinations	**2,753**	**2,979**	**2,831**
TOTAL	**4,861**	**5,297**	**5,199**



During 2023, the FDIC conducted 1,247 statutorily required risk management examinations, and conducted all required follow-up examinations for FDIC-supervised problem institutions, within prescribed timeframes. The FDIC also conducted 861 statutorily required CRA/consumer compliance examinations (675 joint CRA/consumer compliance examinations, 181 consumer compliance-only examinations, and five CRA-only examinations). In addition, the FDIC performed 2,753 specialty examinations, including statutorily required reviews of compliance with Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT)[3] requirements, within prescribed timeframes.

Problem Institutions and Enforcement Actions

As of September 30, 2023, 44 insured institutions with total assets of $53.5 billion were designated as problem institutions (i.e., institutions with a composite rating of 4 or 5 under the Uniform Financial Institutions Rating System (UFIRS)[4]) for safety and soundness purposes. By comparison, on September 30, 2022, there were 42 problem institutions with total assets of $163.8 billion. This represents a five percent increase in the number of problem institutions and a 67 percent decrease in problem institution assets.

For the 12 months ended September 30, 2023, 16 institutions with aggregate assets of $455.2 billion were removed from the list of problem financial institutions, while 18 institutions with aggregate assets of $343.7 billion were added to the list. The FDIC is the primary federal regulator for 26 of the 44 problem institutions, with aggregate assets of $10.6 billion.

In 2023, the FDIC's Division of Risk Management Supervision (RMS) initiated 101 formal enforcement actions and 77 informal enforcement actions against supervised institutions. These actions included, but were not limited to, 18 actions under Section 8(b) of the FDI Act, one of which was a notice of charges, and 76 memoranda of understanding (MOUs). In addition, one Section 39 Compliance Plan and two civil money penalties (CMPs) were issued against institutions. Of these enforcement actions against institutions, 11 MOUs and 12 formal actions (nine consent orders, one notice of charges, and two CMPs) 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, 43 removal and prohibition actions under Section 8(e) of the FDI Act (39 consent orders and four notices of intention to remove/prohibit), four actions under Section 8(b) of the FDI Act (two consent orders and two notices of charges for an order for restitution), and 16 CMPs (12 orders to pay and four notices of assessment).

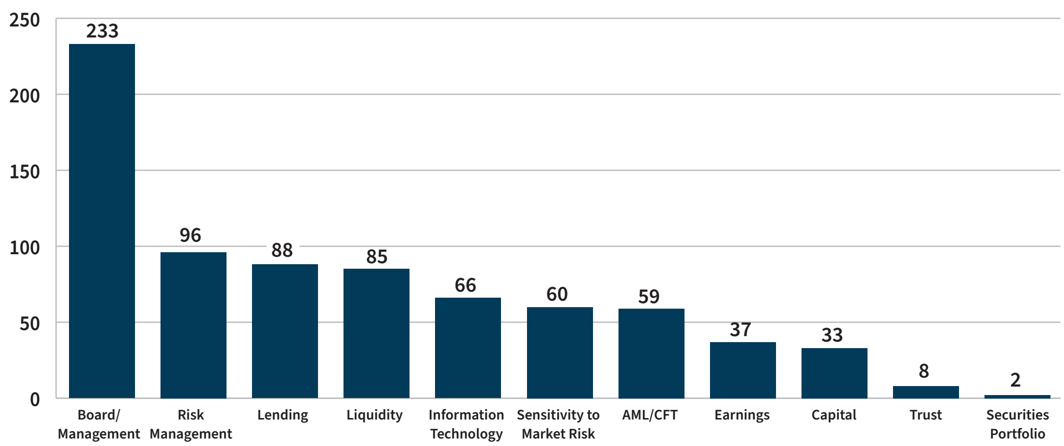
[3] *The Anti-Money Laundering (AML) Act of 2020* amended subchapter II of chapter 53 of title 31 United States Code (the legislative framework commonly referred to as the "Bank Secrecy Act" or "BSA"). For purposes of consistency with the AML Act, the FDIC will now use the term "AML/CFT program" rather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

[4] 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).

EXAMINATION PROCESSES

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. Through December 31, 2023, 767 MRBA items were recorded, with the most common MRBA addressing Board and management concerns, risk management, lending-related matters, liquidity and IT weaknesses.

VOLUME OF MRBA ISSUED IN 2023 BY CATEGORY



Source: FDIC. Data through 12/31/2023.

Note: Count reflects MRBA recorded at examination-related events in 2023.

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.

Continuous Examinations

The remaining FDIC-supervised institutions (53 for 2023) are examined under a continuous examination process. 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. Supervisory letters are issued to the institution's board and management after each targeted review to convey examiner findings. Additionally, at the end of the continuous examination cycle, an ROE that aggregates examination and other supervisory activities performed throughout the cycle is issued to the institution.

Off-Site Monitoring

The FDIC utilizes off-site monitoring programs to supplement and guide the examination process. The FDIC has developed a number of off-site monitoring tools and programs incorporating data from institutions' quarterly Reports of Condition and Income, or Call Reports. These programs provide a "line of sight" between examinations into institutions that may be vulnerable to challenging economic conditions or reporting financial performance metrics outside of normal operating parameters.

Off-site tools identify institutions that may be experiencing rapid asset growth, elevated levels of unrealized holding losses on securities, low levels of liquidity, or sensitivity to interest rate movements, to name a few.

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 2023, the LIDI Program covered 118 institutions with total assets of $4.4 trillion.

Off-site programs that were enhanced in March 2022 identified institutions with heightened exposure to interest rate risks, such as those with elevated levels of unrealized holding losses on securities, and liquidity and funding weaknesses, requiring follow-up communication with bank management. Enhanced ongoing risk monitoring in the areas of interest rate, liquidity, and funding risks continued throughout 2023.

In addition to these quarterly off-site monitoring efforts, RMS engaged in heightened monitoring of banks vulnerable to liquidity stress during the spring of 2023. These efforts included daily communication with bank management teams about liquidity positions and strategies and in some cases led to accelerated examinations or visitations, supervisory recommendations or enforcement actions, and ratings changes.

The FDIC also increased its off-site monitoring of commercial real estate (CRE) lenders this year. In 2023, the operating environment for CRE lenders included economic uncertainty, interest rate increases, and material changes in office sector usage patterns leading to higher vacancy rates, which led to the softening of property values. FDIC staff contacted a group of institutions examined under the point-in-time process to collect a representative sample of community banks' CRE loan portfolio composition, loan risk ratings, collateral values, loan maturity timeframes, and credit underwriting trends. During these contacts, staff assessed the level and trend of risk related to institutions' CRE loan portfolios. FDIC staff also leveraged the continuous examination process to more closely monitor CRE loan risk ratings, loan maturity timeframes, and the types of CRE properties more vulnerable to current economic conditions. RMS is using the findings from these activities to influence supervisory strategies at these institutions.

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 2023, outstanding credit commitments in the SNC Program totaled $6.4 trillion. The FDIC, OCC, and FRB reported the results of their review in a joint public statement in February 2023 that covered the 2022 examination results and reported overall moderate risk. The agencies also reported, however, that the results did not reflect the full impact of rising interest rates and softening economic conditions.

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.[5]

Trust/Registered Transfer Agent (RTA)/Municipal Securities Dealer/Government Securities Dealer Examinations

The FDIC examines trust, RTA, municipal securities dealer, and government securities dealer risk management practices at institutions that engage in these activities. As of December 31, 2023, the FDIC had performed 250 trust and five RTA examinations. Of the 250 trust examinations, 27 were related to entities in the continuous examination program.

Information Technology and Cybersecurity Examinations

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. Throughout 2023, the FDIC conducted 1,243 IT examinations at state nonmember institutions and issued four formal IT-related enforcement actions.

In September 2023, the FDIC updated its Information Technology Risk Examination (InTREx) procedures to provide more specific examiner instructions for assessing compliance with the Computer Security Incident Notification Rule, which had an effective date of April 1, 2022. The InTREx procedures were also updated with more detailed procedures regarding the review of service provider reports of examination. Examiners use these procedures to review information technology risk management at each safety and soundness examination.

The FDIC also examines the IT services provided to institutions by bank service providers; cybersecurity is included in the scope of every service provider examination. For the most significant service providers, the FDIC, FRB, and OCC also horizontally reviewed supply

[5] See footnote 2.

chain risk in 2023. 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 (FBIIC), the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security, 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. In 2023, the FDIC sent financial institutions alerts relating to fraudulent emails appearing to be from the FDIC, the MOVEit File Transfer Zero Day Vulnerability, and other vulnerabilities.

The FDIC shares information obtained from these engagements with examiners. To support, but not replace, an institution's threat awareness program, the FDIC amplifies communications from law enforcement, security, and intelligence agencies when the threats or vulnerabilities identified could affect a large number of financial institutions, and the threats or vulnerabilities could result in severe disruptions to banking services or unauthorized access to non-public information. Further, the banking regulators encourage institutions to participate in information-sharing forums such as FS-ISAC.

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 2023, the FDIC conducted 1,255 AML/CFT examinations.

Throughout 2023, 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 by working on initiatives related to the Anti-Money Laundering Act of 2020.

FDIC staff continued to consult with FinCEN on the Beneficial Ownership Information reporting required by the Corporate Transparency Act[6] and continues to work with the group on the AML/CFT program rule.

In August 2023, the FFIEC issued six revised sections of the *FFIEC BSA/AML Examination Manual:*

- Due Diligence Programs for Correspondent Accounts for Foreign Financial Institutions,
- Prohibition on Correspondent Accounts for Foreign Shell Banks; Records Concerning Owners of Foreign Banks and Agents for Service of Legal Process,

[6] 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.

- Reporting Obligations on Foreign Bank Relationships with Iranian-Linked Financial Institutions,
- Summons or Subpoena of Foreign Bank Records; Termination of Correspondent Relationship; Records Concerning Owners of Foreign Banks and Agents for Service of Legal Process,
- Due Diligence Programs for Private Banking Accounts, and
- Special Information Sharing Procedures to Deter Money Laundering and Terrorist Activity.

The revisions reinforce instructions to examiners on how to evaluate depository institutions' 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.

The FFIEC expects to make additional updates to the Manual in 2024.

In addition, the FDIC has undertaken a number of initiatives in 2023 to protect the banking industry from criminal financial activities. These include planning a financial crimes-focused conference with the Department of Justice that will be held in 2024 for examiners, lawyers, and others from federal banking and law enforcement agencies; hosting an industry outreach webinar on ransomware trends and mitigation recommendations featuring the Federal Bureau of Investigation; 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 EXAMINATION PROGRAM

In 2023, the FDIC conducted all consumer compliance and CRA examinations in accordance with established timeframes, implemented enforcement actions where appropriate, and completed all required follow-up examinations and visits to confirm that institutions had complied with the requirements of those corrective programs and fully addressed identified violations. With one exception, all follow-up examinations and visits were completed in accordance with the time standards prescribed by FDIC policy.

As of December 31, 2023, 50 insured state nonmember institutions (with total collective assets of $71.7 billion), representing one percent of all supervised institutions, were problem institutions for consumer compliance, CRA, or both. All except one of the problem institutions for consumer compliance had a rating of "4", and one had a rating of "5". For CRA purposes, most of these banks had a "Needs to Improve" rating and only two had a "Substantial Noncompliance" rating. As of December 31, 2023, the FDIC performed all follow-up examinations for problem institutions on schedule.

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, 2023, FDIC initiated 16 formal enforcement actions and 16 informal enforcement actions, such as Board Resolutions and MOUs, to address consumer compliance examination findings. These formal actions included five consent orders to strengthen consumer compliance management systems, one Notice of Charges for violating Small Business Act regulations and engaging in deceptive acts and practices in violation of Section 5 of the Federal Trade Commission Act, and 10 civil money penalties (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 Home Mortgage Disclosure Act. CMPs totaled approximately $474,000.

In addition to 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 prompted banks to make voluntary restitution of approximately $10.6 million to 130,310 consumers including Truth In Lending Act (TILA) reimbursements of approximately $1.7 million to 12,342 consumers.

FOCUS and the Banker Engagement Site

The Framework for Oversight of Compliance and CRA Activities User Suite (FOCUS) replaced Division of Depositor and Consumer Protection (DCP)'s legacy system as the examination and supervision system of record on January 1, 2023. Additionally, the FDIC successfully completed the development and deployment of the FOCUS Pre-Examination Planning (PEP) module and the Banker Engagement Site (BES) in August 2023. The BES provides a secure portal to collaborate and exchange documents, information, and communication for PEP activities related to consumer compliance and CRA examinations. The PEP module and BES allow FDIC-supervised institutions to more effectively participate in the PEP process, easily respond to requests from examiners, maintain ongoing contact, and exchange ad hoc documents during or outside of examination activities.

Property Appraisal and Valuation Equity

June 2023 marked the two-year anniversary of the establishment of the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) to address inequities in home appraisals. The PAVE Task Force, which consists of 13 federal agencies and offices, aims to evaluate the causes, extent, and consequences of appraisal bias and to establish a transformative set of recommendations to root out racial and ethnic bias in home valuations. The PAVE Action Plan outlines the affirmative steps, including a set of policy commitments and consumer-facing actions that the FDIC and other federal agencies will take to substantially reduce the prevalence and impact of racial and ethnic bias in residential property valuation. The FDIC has made a number of concrete commitments as a member of the Task Force. Since the release of the PAVE Action Plan one year ago, the FDIC closely coordinated and collaborated with other member agencies to fulfill the Action Plan's commitments and recommendations.

EXAMINER TRAINING AND DEVELOPMENT

In 2023, the FDIC continued to emphasize the importance of delivering timely and effective examiner training programs. On-the-job training remains the most significant part of developmental activities; however, examiners also benefit from a mix of classroom, virtual instructor-led, and asynchronous (such as computer-based) training.

Senior and mid-level managers oversee all training and development activities to ensure that FDIC staff and state regulatory partners receive training that is effective, appropriate, and current. The FDIC collaborates 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 target all levels of examination staff. Experienced FDIC staff develops most of the examiner training courses. Tenured and knowledgeable internal instructors deliver most of the training, recognizing the essential role that peer-to-peer knowledge transfer plays in skills enhancement and the preservation of institutional knowledge.

EMERGING TECHNOLOGY

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 Steering 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 addition, in 2023, the FDIC created the Emerging Technology Section in RMS to provide examination support and lead policy development related to emerging technologies and the Technology Enterprise and Consumer Harm Risk and Innovation Section in DCP to expand technical knowledge and supervision capabilities of emerging technologies as they are adopted in financial services.

Emerging Technology Steering Committee

Throughout 2023, the Steering Committee continued work on its established objectives to:

- 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.

These sections join the Emerging Technology & AML/Cyber Fraud Policy Group, which was formed within the Office of the General Counsel in 2020. The group houses a team of attorneys which focuses on legal issues facing both the FDIC and its supervised and insured banks and savings associations arising from emerging forms of technology, including blockchain, tokenization of assets and liabilities, open banking, and artificial intelligence and machine learning.

The FDIC established FDITECH to help the agency adopt innovative and transformative technologies. The mission of FDITECH is to work across divisions and offices within the FDIC to address critical business needs through the use of new automations, technology innovations and process improvements. In 2024, FDITECH will evaluate various scenarios involving the use of distributed ledger technology.

FDITECH

FDITECH has worked within the agency to:

- Partner with DCP to pilot the use of machine learning to replace manual methods of collecting data during compliance examinations of FDIC-supervised financial institutions.
- Partner with RMS to expand the use of machine learning to analyze Reports of Examination of individual financial institutions to identify risks across the banking sector.

RISK MONITORING

The FDIC continues to identify and monitor new and existing risks to the financial system through its supervision program.

Digital/Crypto-Related Activities Risk

In October 2022, the Financial Stability Oversight Council (FSOC) published a report, *Report on Digital Asset Financial Stability Risks and Regulation*,[7] that concluded that crypto-asset activities could pose risks to the stability of the U.S. financial system if their interconnections with the traditional financial system or their overall scale were to grow without adherence to, or the development of, appropriate regulation, including enforcement of the existing regulatory structure.

The FDIC continued to monitor and address this risk in 2023.

For example, the FDIC has developed processes to engage in robust supervisory discussions with banking organizations regarding proposed and existing crypto-asset-related activities, and in 2023, provided case-specific supervisory feedback to supervised institutions that are engaging in or planning to engage in these activities.[8] Case-specific feedback focuses on assessing the ability of the supervised institution to perform the activity in a safe and sound manner, and in compliance with applicable laws and regulations, including consumer protection. Throughout 2023, the FDIC continued to monitor and review the level of interest and adoption of crypto-related activities by supervised institutions to inform its internal and policy work. FDIC staff

[7] https://home.treasury.gov/system/files/261/FSOC-Digital-Assets-Report-2022.pdf
[8] 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.

also coordinated with the FRB and OCC to issue interagency statements related to crypto-assets.

Section 18(a)(4) of the FDI Act and its implementing regulations (12 C.F.R. Part 328, Subpart B) prohibit any person or entity from making false or misleading representations about deposit insurance, 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 knowingly misrepresenting the extent or manner of deposit insurance. Section 18(a)(4) gives the FDIC authority to investigate such violations and to enforce the prohibition against any person or entity.

In 2023, the FDIC issued nine cease-and-desist letters demanding the remediation of false and misleading statements regarding the FDIC insurance status of crypto-assets. These letters were sent to financial technology companies (fintechs) and crypto companies that made false statements on their websites and social media stating that cryptocurrency was FDIC-insured, as well as media outlets that repeated these false claims. In each instance, the recipient of the letter promptly remediated the misrepresentations, often within hours of the letter's issuance.

SUPERVISION POLICY

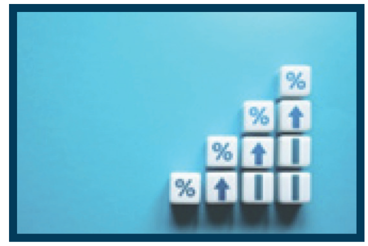
The goal of the FDIC's supervision policy is to provide clear, consistent, meaningful, and timely information to financial institutions and examiners.

During 2023, the FDIC updated several sections of the *Risk Management Manual of Examination Policies*:

- Section 3.2 was updated to clarify instructions for utilizing the Special Mention designation and reflecting items listed for Special Mention in ROEs;
- Section 3.6 was updated to provide revisions for relevant accounting changes related to foreclosed real estate, with a focus on seller-financed Other Real Estate (ORE);
- Section 14.1 was updated to incorporate various technical and clarifying edits;
- Section 16.1 provided updated instructions for reflecting items listed for Special Mention in the ROE and for documenting analysis of concentrations of uninsured deposits in the ROE;
- Section 21.1 was renamed for clarity and the examination planning instructions were amended to reflect changes in terminology and examination tools, and to incorporate staff feedback; and
- Section 21.2 was added to provide planning instructions for continuous examinations, which is the process the FDIC uses to perform full-scope examinations over the course of a year for certain institutions that are larger, more complex, or present a higher risk profile.

Credit Risk, Liquidity Risk and Interest Rate Risk

Despite the period of stress early in 2023, the banking industry has remained resilient. Through the end of 2023, net income was high by historical measures, asset quality metrics were stable, and the industry was well-capitalized. However, the banking industry still faces



significant challenges from the effects of inflation, rising market interest rates, and geopolitical uncertainty.

Loan growth moderated during the year, and net charge-off rates increased, though they remained within historical norms. Meanwhile, allowances for credit losses continued to grow, reflecting the potential for credit quality and profitability to weaken. In addition, CRE portfolios face challenges from higher interest rates when rates reset (on adjustable-rate loans) and when loans mature, and office properties are experiencing weak demand for space and softening property values. The FDIC remains watchful of risks in all lending areas posed by higher market interest rates.

Industry liquid assets declined through a combination of lower cash and securities balances and greater pledging of investments. However, most of the increase in pledging activity was for prudent liquidity contingency planning. Total deposits declined 4.2 percent over the year, but deposit outflows moderated substantially from the large outflows that resulted from first quarter stress associated with deposit runs on several large institutions. The decline in deposits has been offset by increases in wholesale funding, which contributed to increasing interest expenses. The upward trajectory of interest rates led to further net unrealized holding losses for institutions with long-duration bond portfolios. The decline in the market value of these securities, coupled with deposit declines, could negatively 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 market risk. Besides a significant volume of unrealized holding losses on debt securities at certain institutions, increasing interest rates, an inverted yield curve, and deposit outflows, have pushed deposit costs higher as financial institutions strive to remain competitive. While institutions' net interest income generally expanded in 2023, deposit and borrowing costs have increased at a faster pace than asset yields, constraining bank margins. Other negative effects of inflation and higher interest rates include elevated overhead, a reduction in mortgage banking activity, and potentially increased credit costs from reduced obligor cash flows. The industry will continue to be challenged to maintain earnings performance, capital adequacy, asset quality, and liquidity under these conditions.

Through examinations, interim contacts, and off-site monitoring, FDIC staff regularly talk with the management teams of 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 2023, the FDIC conducted outreach and offered constructive feedback to help financial institutions navigate this challenging environment.

The FDIC also coordinated with other agencies on liquidity and interest rate risk management supervision and policy matters. As a result of the bank failures and industry stress experienced in the spring of 2023, the FDIC took initial steps to coordinate with the FRB and OCC to review existing rules and supervisory guidance in these areas. For instance, in July, the agencies issued a joint statement on the importance of contingency funding planning and liquidity risk management. Based on this initial review, the FDIC expects to consider in 2024 revisions to existing regulation to address the unique risks and risk management principles that were highlighted during the 2023 stress period. The recommendations will also incorporate the above-referenced statements from the Federal Housing Finance Agency (FHFA) that the Federal Home Loan Banks (FHLBanks) are not well positioned to serve as a lender of last resort to depository institutions.

As indicated in the FHFA November 2023 report, *FHLBank System at 100 – Focusing on the Future*, (FHLBanks) may not have the capacity to serve as lenders of last resort, and there are limits to the amount of credit that FHLBanks can issue in a single day. Therefore, while FHLBanks may provide a suitable longer-term funding solution for well-performing institutions, their ability to meet member credit requests on an intraday or shorter-term basis may not be practical, especially in times of stress or when an institution's condition weakens.

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 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, rising sea levels, 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 challenging trends and events, including rising sea levels, increases in the frequency and severity of extreme weather events, and other natural disasters.[9] These trends may challenge the future resiliency of the financial system and, in some circumstances, may pose safety and soundness risks to individual banks. Climate change, as well as efforts to mitigate climate change associated with a transition toward reduced carbon reliance, present unique, serious, and difficult to quantify risks to all banks of all sizes, regardless of their complexity or business model. The characteristics of climate change could also potentially impact the effectiveness of past mitigation strategies. The goal

[9] 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).

of the FDIC's work on climate-related financial risk is to ensure the financial system continues to remain resilient despite these rising risks.

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:

- Continuing the work of its internal, cross-disciplinary working group to assess the safety and soundness and financial stability considerations associated with climate-related financial risks;
- Continuing its existing work with the Basel Committee on Banking Supervision's Task Force on Climate-Related Financial Risks, Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and other appropriate international organizations, consistent with the mandate of the FDIC;
- 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;
- Together with the FRB and OCC, jointly issuing principles that provide a high-level framework for the safe and sound management of exposures to climate-related financial risks for large financial institutions;[10] and
- Building capabilities, through pursuing and developing internal educational offerings and training, to foster a corporate-wide understanding of climate-related financial risks.

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.

RULEMAKING AND GUIDANCE

Throughout 2023, the FDIC finalized and initiated a number of key rulemakings governing the regulatory framework for insured banks, and issued supervisory guidance to insured institutions on a number of current issues.

Community Reinvestment Act Rules

On October 24, 2023, the FDIC, FRB, and OCC issued the final rule to strengthen and modernize the Community Reinvestment Act (CRA) regulations, representing the first interagency rewrite of the CRA regulations since 1995. The rule will expand access to credit, investment, and basic banking services in low- and moderate-income (LMI) communities; adapt to changes in the banking industry, including internet and mobile banking; provide greater clarity, consistency,

[10] FDIC, FRB & OCC, Principles for Climate-Related Financial Risk Management for Large Financial Institutions, 88 Fed. Reg. 74183 (Oct. 30, 2023).

and transparency; tailor CRA evaluations and data collection to bank size and type; and maintain a unified interagency approach.

The NPR was issued on May 5, 2022. The agencies reviewed and considered almost 1,000 unique comments from a variety of stakeholders over the 17 months between the issuance of the proposal and the final rule. Based on an analysis of comment letters and further agency review, the final rule reduces complexity and data burden and provides increased tailoring and flexibility in relation to the NPR.

FDIC Sign and Advertising Rules and Misrepresentation Rule

On December 20, 2023, the FDIC Board adopted a final rule to amend part 328 of its regulations to modernize the rules governing use of the official FDIC sign and institutions' advertising statements to reflect how depositors do business with IDIs today, including through digital and mobile channels. The final rule also clarified the FDIC's regulations regarding misrepresentations of deposit insurance coverage by addressing specific scenarios where consumers may be misled as to whether they are doing business with an insured institution and whether their funds are protected by deposit insurance.

Suspicious Activity Reporting Requirements

The FDIC is planning to issue a final rule in 2024 that would amend its Suspicious Activity Report (SAR) regulation and permit the FDIC to issue case-by-case exemptions from SAR filing requirements to supervised institutions. The existing regulation allows exemptions from SAR filing requirements for physical crimes (e.g., robberies and burglaries) and lost, missing, counterfeit, or stolen securities, and the proposed rule would allow the FDIC, in conjunction with FinCEN, to grant exemptions to supervised institutions that develop innovative solutions to otherwise meet AML requirements more efficiently and effectively. The FDIC proposed this rule in January 2021 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. The FDIC is working with these agencies to harmonize the language of the final rules for consistency and, if possible, synchronize the rules' publication timing.

Automated Valuation Models

In June 2023, the FDIC, OCC, FRB, NCUA, FHFA, and Consumer Financial Protection Bureau (CFPB) published a request for comment on an NPR to implement quality control standards for the use of automated valuation models (AVMs) used by mortgage originators and secondary market issuers in valuing real estate collateral securing mortgage loans.

Under the proposal, the agencies would require institutions that engage in certain credit decisions or securitization determinations to adopt policies, practices, procedures, and control systems to ensure that AVMs used in these transactions to determine the value of mortgage collateral adhere to quality control standards designed to ensure a high level of confidence in the estimates produced by AVMs; protect against the manipulation of data; seek to avoid conflicts of interest; require random sample testing and reviews; and comply with applicable nondiscrimination laws. The comment period closed on August 21, 2023, and the FDIC received 13 comments. The agencies are considering comments while working to finalize the rule.

Residential Real Estate Valuations

In July 2023, the FDIC, FRB, NCUA, OCC, and CFPB issued for comment proposed Interagency Guidance on Reconsiderations of Value (ROV) of Residential Real Estate Valuations. The proposal highlights the risks associated with deficient residential real estate valuations, particularly those that can contain errors, omissions, or discrimination that affect the value conclusion. Additionally, the proposal describes how financial institutions may incorporate effective ROV processes into established appraisal and evaluation programs, consistent with safety and soundness standards and all applicable laws and regulations, including those designed to protect consumers.

In addition, the FDIC assumed a one-year term in the role of Vice Chair of the FFIEC Appraisal Subcommittee (ASC) on April 1, 2023. The ASC held three public hearings in 2023. The first highlighted the issue of appraisal bias with a witness panel representing lenders, appraisers, consumers, and academic researchers. The second explored the appraisal regulatory system focusing on appraisal standards, appraiser qualification criteria and barriers to enter into the profession, appraisal practice, and state regulation. The third hearing focused on the development, use, and review of appraisals, including lender and secondary market overlays, reconsideration of value, challenges in rural markets and tribal communities, and internal review processes for both individual appraisals and appraisals in the aggregate.

Basel III Capital Standards

On July 27, 2023, the FDIC, FRB, and OCC issued a proposed rulemaking seeking comment on a proposal to strengthen capital requirements for large banking organizations. The changes would implement the final components of the Basel III standards in the U.S. The proposal generally applies to banks with $100 billion or more in total assets. Community banks would not be impacted by the proposal.

The implementation of these standards for large banking organizations would strengthen the resilience of the domestic banking system and is a priority for the banking agencies. In particular, the proposal would standardize aspects of the capital framework related to credit risk, market risk, operational risk, and credit valuation adjustment risk. The proposal would also require banking organizations to include unrealized gains and losses from certain securities in their capital ratios.

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. This change would help ensure that the regulatory capital ratios of large banking organizations better reflect their capacity to absorb losses.

The comment period closed on January 16, 2024, and the agencies will work together to review comments received.

Standards for Governance and Risk Management for Institutions with Total Consolidated Assets of $10 Billion or More

In October 2023, the FDIC issued a request for comment on an NPR and issuance of corporate governance and risk management guidelines that describe the general obligations of a covered institution's Board of Directors to ensure good corporate governance. Under the proposed guidelines the board is expected to, among other things, be active and involved in protecting the interests of the covered institution; set goals and approve a strategic plan and policies that guide operations of the covered institution in accordance with its risk profile and risk appetite and as required by law and regulations; select and supervise executive officers; and adopt a code of ethics. The proposed guidelines state that the board should create a committee structure that allows the board to oversee the covered institution's risk management framework, including an independent Risk Committee.

The proposal also sets the FDIC's expectations for a risk management program that includes a three-line-of-defense model for monitoring and reporting risks, including front line units (business units that generate revenue or reduce costs), an independent risk management unit, and an internal audit unit. The covered institution should effectively communicate its risk appetite and policies to employees, and identify and report breaches of risk limits even if the covered institution does not realize a loss from the breach.

The guidelines would apply to all insured state nonmember banks, state-licensed insured branches of foreign banks, and insured state savings associations that are subject to section 39 of the FDI Act, with total consolidated assets of $10 billion or more. The comment period closed on February 9, 2024.

Section 19 of the Federal Deposit Insurance Act

In November 2023, the FDIC issued a request for comment on an NPR that updates the FDIC's regulations concerning Section 19 of the FDI Act. Section 19 prohibits a person from participating in the affairs of an FDIC-insured institution if he or she has been convicted of an offense involving dishonesty, breach of trust, or money laundering, or has entered into a pretrial diversion or similar program in connection with a prosecution for such an offense, without the prior written consent of the FDIC.

The proposed rule would incorporate changes made by the Fair Hiring in Banking Act (FHBA) to Section 19 and align the FDIC's Section 19 regulations with the FHBA's provisions. These proposed revisions address, among other topics, the types of offenses covered by Section 19; the effect upon covered offenses of expungement, sealing, and dismissal of a criminal record; and the FDIC's procedures for reviewing applications filed under Section 19. The comment period closed on January 16, 2024.

Areas Affected by Natural Disasters

During 2023, the FDIC issued 21 advisories through Financial Institution Letters (FILs) to provide guidance to financial institutions in areas affected by hurricanes, tornadoes, straight-line winds, flooding, wildfires, landslides, 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. In addition, the FDIC joined with the FRB, NCUA, OCC, and state regulatory agencies to issue press releases on supervisory practices regarding financial institutions impacted by the Hawaii wildfires and Hurricane Idalia. These press releases encouraged financial institutions to work constructively with borrowers and offered to expedite requests for temporary facilities to provide more convenient availability of services to those affected by these disasters.

Proposed Merger Transactions

One of the FDIC's key priorities for 2023 was to review the framework for evaluating proposed merger transactions. The Bank Merger Act establishes the standards used by the federal banking agencies to consider bank merger transactions; however, the process for considering bank mergers 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.

In March 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 (collectively, the framework) that apply to merger transactions involving one or more IDIs, including the merger between an IDI and a noninsured institution. Thirty-three comments were received. The themes and issues raised continue to guide revisions to the framework, including the FDIC Statement of Policy on Bank Merger Transactions.

To realize the FDIC's bank 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 in 2023 continued to participate in discussions with other federal banking agencies, namely the FRB and OCC, as well as with the Department of Justice, as appropriate.

Climate-Related Financial Risk

In October 2023, the FDIC, FRB, and OCC jointly issued principles that provide a high-level framework for the safe and sound management of exposures to climate-related financial risks, consistent with the risk management frameworks described in the agencies' existing rules and guidance.[11] The principles are intended to support efforts by large financial institutions to focus on key aspects of climate-related financial risk management in a manner consistent with safe and sound practices.

Although all financial institutions, regardless of size, may have material exposures to climate-related financial risks, the principles are intended for the largest financial institutions, those with over $100 billion in total consolidated assets. The agencies expect financial institutions to take a risk-based approach in assessing the climate-related financial risks associated with their customer relationships and to take into account the financial institution's ability to manage those risks. The principles are intended to promote a consistent understanding of the effective management of climate-related financial risks. The agencies may consider providing additional resources or guidance, as appropriate, to support financial institutions in prudently managing these risks while continuing to meet the financial services needs of their communities.

Contingency Funding Plans

In July 2023, the FDIC, FRB, and OCC jointly issued updated guidance to remind depository institutions to maintain actionable contingency funding plans that take into account a range of possible stress scenarios. The statement reminds depository institutions to proactively assess the stability of their funding and maintain a broad range of funding sources that can be accessed in adverse circumstances and encourages them to incorporate the Federal Reserve Banks' discount window as part of their contingency funding arrangements. The statement also reminds institutions to ensure collateral is available for borrowing in an amount appropriate for potential contingency funding needs and to be aware of operational requirements to obtain funding from contingent sources.

Commercial Real Estate Accommodations and Workouts

In June 2023, the FDIC, OCC, FRB, and NCUA, in consultation with state bank and credit union regulators, issued the final *Interagency Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts* (FIL-34-2023). The statement is a principles-based

resource for financial institutions to consider when engaging with borrowers experiencing financial difficulties. The updated statement finalized a proposed statement issued in the third quarter of 2022, updates the October 2009 *Policy Statement on Prudent Commercial Real Estate Loan Workouts*[12] adopted by FFIEC agencies, builds on existing supervisory guidance calling for financial institutions to work prudently and constructively with creditworthy borrowers during times of financial stress, updates existing interagency supervisory guidance on commercial real estate loan workouts, and adds a section on short-term loan accommodations. The updated statement also addresses relevant accounting standard changes on estimating loan losses and provides updated examples of classifying and accounting for loans modified or affected by loan accommodations or loan workout activity.

[11] See FIL-56-2023. 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.
[12] See FFIEC Press Release, October 30, 2009, available at: https://www.ffiec.gov/press/pr103009.htm

Third-Party Relationships

In June 2023, the FDIC, OCC, and FRB issued the final *Interagency Guidance on Third-Party Relationships: Risk Management* designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology (fintech) companies, consistent with existing safety and soundness requirements in law and regulation. The guidance describes principles and examples of considerations for banking organizations' risk management of third-party relationships and covers risk management practices for the stages in the life cycle of third-party relationships: planning, due diligence and third-party selection, contract negotiation, ongoing monitoring, and termination. The guidance also includes how supervisors will evaluate banking organization's third-party risk management practices. The guidance replaces each agency's existing general third-party guidance[13] and promotes consistency in the agencies' supervisory approaches toward third-party risk management. The final guidance reflects the streamlined language and improved clarity based on the agencies' consideration of public comments on the proposed guidance released in July 2021.

London Inter-Bank Offered Rate (LIBOR) Transition

In April 2023, the FDIC, FRB, OCC, NCUA, and CFPB, in conjunction with the state bank and state credit union regulators, jointly issued a statement to remind supervised institutions that U.S. dollar LIBOR panels would end on June 30, 2023. The agencies also reiterated their expectations that institutions with USD LIBOR exposures should complete their transition of remaining LIBOR contracts as soon as practicable.

Crypto-Asset Risks

In January 2023, the FDIC, FRB, and OCC released a *Joint Statement on Crypto-Asset Risks to Banking Organizations*. The statement reminds banking organizations that they should ensure that crypto-asset-related activities can be performed in a safe and sound manner, are legally permissible, and comply with applicable laws and regulations, including those designed to protect consumers (such as fair lending laws and prohibitions against unfair, deceptive, or abusive acts or practices).

Also, in February 2023, the FDIC, FRB, and OCC issued a *Joint Statement on Liquidity Risks to Banking Organizations Resulting from Crypto-Asset Market Vulnerabilities* on the liquidity risks to banking organizations presented by certain sources of funding from crypto-asset-related entities. This statement highlights key liquidity risks associated with crypto-assets and crypto-asset sector participants of which banking organizations should be aware. In particular, certain sources of funding from crypto-asset-related entities may pose heightened liquidity risks to banking organizations due to the unpredictability of the scale and timing of deposit inflows and outflows. The statement reminds banking organizations to apply existing risk management principles and provides examples of practices that could be effective.

[13] The guidance rescinds and replaces the *FDIC's Guidance for Managing Third-Party Risk* issued in FIL-44-2008.

The agencies also continue to emphasize that banking organizations are neither prohibited nor discouraged from providing banking services to customers of any specific class or type, as permitted by law or regulation.

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 2023, 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

FDIC's CFO Bret D. Edwards (third from left) with the winners of the 2022-2023 FDIC Academic Challenge, from the State University of New York College at Geneseo.

2022-2023 FDIC Academic Challenge was "The Impact of Higher Interest Rates on the Banking Sector." Five finalist teams participated in an all-day event during which they presented their projects to a panel of five judges that included community bank CEOs, a university professor, and FDIC representatives. Throughout the day, the teams learned about careers at the FDIC, market conditions, and bank regulation. The State University of New York College at Geneseo was announced as the winner of the challenge.

In September, the CFR hosted the 22nd Annual Bank Research Conference, which focused on bank deposit funding and capital; characteristics of banking crises; nonbanks; bank lending; the effects of banking on the real economy; fintech; and borrower characteristics, soft information, and credit allocation. The conference also included a poster session during which student authors presented their research on poster boards for discussions with attendees and recorded short presentations of their papers for the conference website. The conference also featured a fast-track session during which authors presented five papers in a condensed timeframe.

In 2023, the CFR hosted two PhD students as part of the Summer Research Fellows 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 2023. 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. The FDIC also hosted the entire American Economic Association Summer Program for an informational lunch, featuring a panel of FDIC managers who discussed their divisions' missions and a networking lunch for students and junior FDIC staff.

The CFR sponsors the Small Business Lending Survey, a nationally representative survey of banks that provides a current view of their small business lending practices. Topics covered in the 2022 collection include customer interaction, loan underwriting and approvals, markets and competition, and the use of financial technology. In 2023, CFR economists analyzed the survey responses and began drafting a report of the main findings, which is expected to be published in 2024.

Speakers at the AEA Summer Program Luncheon.

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 2023 Risk Review, summarizing key credit, market, operational, crypto-asset, and climate-related financial risks facing banks.

In addition, NRRA publishes topical articles in the *FDIC Quarterly*. In 2023, the *FDIC Quarterly* included two articles:

- “2022 Summary of Deposits Highlights,” which explains trends in bank deposit and branch growth; and
- “Banking Sector Performance during Two Periods of Sharply Higher Interest Rates: 2022 and 2004 to 2006”.

CONSUMER RESEARCH

2023 FDIC National Survey of Unbanked and Underbanked Households

Working with the United States Census Bureau, the FDIC administered its eighth national survey of U.S. households, measuring participation in the banking system and collecting information on the reasons why some households remain unbanked. A full report of results will be released in 2024.

FDIC Survey of Volunteer Income Tax Assistance Providers

Volunteer Income Tax Assistance (VITA) providers are nonprofit organizations located throughout the country that help lower-income individuals and families file tax returns. In many cases, these returns result in significant refunds. The receipt of these refunds has the potential to present a "bankable moment" in which filers may choose to open an account to quickly and securely receive their payment.

Some, but not all, VITA providers offer clients the opportunity to open bank accounts and access to additional services designed to enhance financial well-being. To better understand providers' partnerships with banks and obstacles to some providers initiating partnerships, the FDIC conducted a survey of providers to explore their interest in doing more to support the economic inclusion of households in the banking system. A full report of results will be released in 2024.

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 90 percent of all FDIC-insured institutions on September 30, 2023. While these banks hold just 11.5 percent of banking industry assets, community banks are of critical importance to the U.S. economy and local communities across the nation.

As of June 2023, community banks held 38.3 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 2023, community banks held more than 57 percent of total deposits in 1,956 U.S. rural and micropolitan counties. In more than half of these counties (58.5 percent), 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 analyses on various banking topics.

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 15 percent on a merger-adjusted basis in the third quarter of 2023 compared with the third quarter of 2022, reflecting lower net interest income, higher noninterest expense, and greater realized losses on the sale of securities.

The long-term trend of consolidation in the banking industry has done little to diminish the role of community banks. For example, despite the number of community banks declining by 137 since September 2022, loans at community banks grew 9.8 percent between September 2022 and September 2023, on a merger-adjusted basis. The increase in loans reflects growth in 1-4 family residential loans and nonfarm, nonresidential commercial real estate loans. The majority of community banks (88.5 percent) reported annual loan growth.

Advisory Committee on Community Banking

The FDIC's Advisory Committee on Community Banking (CBAC) is an ongoing forum for discussing issues faced by community banks and receiving valuable feedback from the industry. 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 is composed of community bank executives from around the country. Members of the CBAC represent community banks of various sizes from different areas of the country, both rural and urban, that are engaged in a variety of business lines. Members serve for two-year terms, which may be extended or renewed. Eight new members joined the Committee in 2023.

The Committee met twice in 2023. The June 2023 CBAC meeting included a discussion of banking conditions and supervisory issues, including asset-liability management, commercial real estate lending, and cybersecurity. The meeting also included an update on the Deposit Insurance Fund. Additionally, Supervisory Guidance on Charging Overdraft Fees for Authorize Positive, Settle Negative Transactions was discussed. The Minority Depository Institutions Subcommittee of the CBAC provided an update on its meeting that was held the day prior.

The October 2023 meeting included a discussion of banking conditions, liquidity risk management, third-party risk management guidance, commercial real estate workouts, and anti-money laundering issues. In addition, financial institution diversity self-assessments were discussed, and the Minority Depository Institutions Subcommittee provided an update on its meeting that was held 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 October 2023. During the meeting, the Committee discussed the impact of economic conditions on financial institutions they supervised, financial institution diversity self-assessments, newly issued guidance, and examination practices.

De Novo Banks

In 2023, 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 FDIC's website. The FDIC has provided several resources to aid organizers in developing deposit insurance application proposals, including conducting reviews of draft proposals. Interested parties may access application-related information and data on applications at www.fdic.gov.

During 2023, the FDIC received two draft application proposals from community banks. The FDIC maintains an internal goal of providing final feedback on 75 percent of draft community bank proposals within 60 days of receipt. Final feedback for both draft proposals for community banks received in 2023 was provided within 60 days of receipt.

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 2023, 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. Three regions hosted Directors' Colleges. During these sessions, FDIC employees engaged with bank directors and officers on various topics, including third-party relationships, information technology and cybersecurity, emerging risks, the Current Expected Credit Losses methodology for estimating allowances for credit losses, interest rate risk, liquidity risk management, and consumer protection, among other topics. Five regions conducted banker roundtable events that provided a forum for bankers to receive information and raise questions about laws, regulations, or emerging risks.

In addition, on behalf of the FFIEC, the FDIC hosted a national banker webinar this year covering cybersecurity awareness with guest speakers from the FBI. Additionally, the FDIC participated in two interagency webinars, relating to the Supervisory Update on Funding and Liquidity Risk Management and the Interagency Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts.

Deposit Insurance Coverage Webinars

The FDIC held five live seminars on FDIC deposit insurance coverage for bank staff and bank officers between May 2023 and October 2023, via Microsoft (MS) Teams. Each seminar lasted approximately 90 minutes and included a Question and Answer session. Three sessions titled *Comprehensive Deposit Insurance Seminar for Bankers* offered a broad overview of FDIC deposit insurance rules. Two sessions titled *New Rules for Revocable and Irrevocable Trust Accounts* provided an in-depth discussion of the newly issued rules for trust accounts, effective April 1, 2024. The sessions provided bank employees with a broad understanding of FDIC deposit insurance coverage rules.

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 2023, the FDIC released one video for bank directors and one video for bank officers and staff, each covering cybersecurity.

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 FDIC's Division of Complex Institution Supervision and Resolution (CISR) was established in 2019 to centralize and integrate the FDIC's operations to leverage both supervisory and resolution expertise related to LCFIs, including systemically important financial institutions (SIFIs).

The mission of CISR is to protect and maintain stability in the U.S. financial system by avoiding and, if necessary, managing the failure of LCFIs. CISR performs ongoing risk monitoring of LCFIs in its portfolio that are domestic global systemically important banks (G-SIBs), large foreign banking organizations (FBOs), and large domestic banking groups, and provides backup supervision of the firms' related IDIs, in addition to monitoring and assessing systemic and emerging risks across the CISR portfolio. CISR evaluates firms' required resolution plans and assesses the resolvability of individual LCFIs. The division formulates and, in the event of failure, leads the execution of strategies and plans for resolving LCFIs under either the FDI Act or the Dodd-Frank Act (Title II). CISR also develops and monitors policy relevant to CISR's mission and supports engagement in various external forums such as FSOC and the Financial Stability Board.

CISR leads and conducts its responsibilities for the FDIC in close collaboration with RMS, DRR, Legal, and other FDIC Offices and Divisions, so as to maintain and enhance integration of the agency's LCFI crisis management planning, preparedness, and response activities.

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 both 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 market and deposit volatility experienced during the banking industry stress in March 2023, the FDIC performed heightened risk monitoring.

The FDIC works closely with the other federal regulatory 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 financial stability risk posed by G-SIBs, other large domestic banks and FBOs, and nonbank financial companies. To support risk monitoring, the FDIC has developed systems and reports that make extensive use of structured and unstructured data. Monitoring reports cover a variety of aspects that include risk components, business lines and activity, market trends, and product analysis.

In addition, the FDIC continues to expand its monitoring systems, including the CISR Risk Monitor (CRM), the SIFI Risk Report (SRR), and the CAMELS Verification document. The CRM is an off-site 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. 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. Information from these and other FDIC-prepared reports is used to prioritize activities relating to oversight of LCFIs and to coordinate supervisory and resolution-related activities with the other banking agencies.

Back-Up Supervision Activities for IDIs of SIFIs

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 backup 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.

FDIC's Backup Supervision Activities

During 2023, FDIC staff completed 40 targeted examinations and 54 reviews as part of 12 horizontal examination programs with the FRB or OCC involving G-SIBs, FBOs, and large regional banks.

Targeted Examinations	Horizontal Examinations
The targeted examination activities included, but were not limited to, the evaluation of interest rate risk, commercial real estate, climate risk, enterprise risk governance, model risk management, non-bank financial institutions (NBFI), third-party risk management, market risk and trading activities.	The horizontal examinations included the Comprehensive Capital Analysis and Review (CCAR), Horizontal Capital Review (HCR), Shared National Credits (SNC), CRE Downturn Preparedness, Intraday Liquidity Risk Management, FRB's Recovery Planning (Phase I), OCC's Recovery Planning, Fundamental Review of the Trading Book (FRTB), Interagency Coordinated Cybersecurity Review (iCCR), Interest Rate Risk Management, LFBO Liquidity Risk Management, and FRB's Climate Scenario Exercise.

RESOLUTION PLANNING

Title I Resolution Plans

Certain large banking organizations, as well as any 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 full resolution plans on or before July 1, 2023, and these plan submissions are being evaluated jointly with the FRB. In August 2023, the FDIC issued jointly with the FRB proposed guidance to enhance the Title I resolution plans prepared by the Category II and Category III Triennial Full Filers, which includes the largest regional banks with assets between $250 and $700 billion, as well as several foreign-based institutions. This proposed guidance draws upon guidance previously issued to the global systemically important banking organizations, reflects observations drawn from the most recent resolution plan submissions, and addresses certain capabilities that are essential for firms to have to effect an orderly resolution under the Bankruptcy Code, such as those necessary to project the capital and liquidity needed to carry out their plan; operational capabilities related to payment, clearing, and settlement activities; collateral; management information systems; and shared and outsourced services.

IDI Resolution Planning

Section 360.10 of the FDIC's resolution and receivership rules 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 in a manner which focused on certain requirements for IDIs with $100 billion or more in total assets. Resolution plans for 21 IDIs were submitted on or before December 1, 2022. Two of these IDIs failed and were resolved by the FDIC during the course of the plan review. A third IDI was acquired by another filer. The remaining plans have been reviewed and feedback has been provided to the institutions. New resolution plans for an additional 12 IDIs were submitted in 2023 and are under review. For IDIs with less than $100 billion in total assets, the April 2019 moratorium on submission of IDI resolution plans remains in effect. However, on August 29, 2023, the FDIC proposed amending the section 360.10 resolution planning rule which would modify the scope and requirements for these submissions as described further below under "Resolution Policy".

The FDIC also undertakes institution-specific resolution planning under the FDI Act for IDIs that are LCFIs, drawing on both IDI plans submitted by the 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. The FDIC is incorporating lessons learned from the three large bank failures that occurred in the spring of 2023 into its development of these plans.

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 backup authority for resolving a company for which the bankruptcy process is not viable. There are strict parameters on the use of the Title II Orderly Liquidation Authority, however, and it can only be invoked under a statutorily prescribed recommendation and determination process, coupled with an expedited judicial review process.

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 that have been designated as systemically important by the FSOC, particularly the five that are central counterparties (CCPs).

As noted in response to the Office of Inspector General's Orderly Liquidation Authority Evaluation Report (No. EVAL-23-004), the FDIC is committed to continuing to improve and mature its framework for the orderly resolution of a SIFI, including strengthening governance practices, improving internal process documentation, further specifying roles and responsibilities, enhancing training, and allocating additional resources. This work will continue to be part of the FDIC's ongoing strategic initiatives over the next several years.

Resolution Policy

The failures of Silicon Valley Bank, Signature Bank, and First Republic Bank in the first half of 2023 demonstrated the risks that banks – even those that are not G-SIBs – can pose to financial stability. These regional banking failures informed the development of several resolution policy initiatives already underway at the time of their demise.

In August 2023, the federal banking agencies proposed a set of rulemakings and guidance to enhance resolution planning and preparedness, particularly for large IDIs. This included three complementary proposals.

Long-Term Debt Requirements

The FDIC, FRB, and OCC jointly issued an NPR to require IDIs that are not consolidated subsidiaries of U.S. G-SIBs and that (i) have total consolidated assets of $100 billion or more or (ii) are affiliated with IDIs that have at least $100 billion in consolidated assets to maintain outstanding a minimum amount of eligible long-term debt (LTD) that can be used to absorb losses in the event of their failure. In addition to the IDI-level requirement, the FRB is proposing to require the covered entities of such IDIs to also maintain outstanding a prescribed amount of LTD and to comply with specified clean holding company requirements akin to those required of G-SIBs.

In addition to increasing the options for the resolution of large banks, the proposed rule, if enacted, would reduce the risk of loss to depositors and the Deposit Insurance Fund in the event of a large regional bank failure. Many large banks already maintain significant amounts of long-term debt, though most banks would need to issue additional new long-term debt to meet the proposed requirement.

The proposed LTD requirement would take full effect three years after the date on which a covered IDI first becomes subject to the proposed rule. The full amount of LTD that covered IDIs would be required to hold, however, would be phased in over the three-year implementation period to reduce the potential for market disruption.

Resolution Plans and Informational Filings

The FDIC's proposed IDI Planning Rule would strengthen the existing IDI resolution planning requirements under 12 CFR § 360.10. The proposal would require a resolution submission from covered IDIs every two years with more limited supplements filed in the other years.

IDIs with total assets of at least $100 billion would be required to submit comprehensive resolution plans to support the FDIC's efficient and effective resolution of a large IDI under the FDI Act. These resolution plans would enhance current IDI resolution planning requirements by incorporating useful elements of existing guidance and important lessons learned from past plan reviews and from past large IDI resolutions, including those that occurred in the spring of 2023.

Under this proposal, IDIs with total assets of at least $50 billion but less than $100 billion would submit limited informational filings to provide the FDIC with critical information to assist in their potential resolution. These IDIs would not be required to develop a resolution strategy as part of their submissions.

Under the proposed submission schedule, IDIs would file a complete resolution plan on a date that will be specified by the FDIC every other year, beginning at least 270 days from the effective date of the final rule.

Guidance for Title I Resolution Plan Submissions

The FDIC and FRB have proposed new guidance to help certain large banks to further develop and enhance their resolution plans required under Title I of the Dodd-Frank Act.

The guidance is organized around key areas of potential vulnerability, such as capital, liquidity, and operational capabilities that could be needed in resolution. Distinct from the guidance to the largest and most complex companies, the proposal would provide agency expectations for both single point of entry and multiple point of entry strategy needs, which are different strategies companies may adopt for their rapid and orderly resolution. It also would propose that FBOs develop their U.S. resolution strategies to be complementary to their global resolution plans.

The comment period for these resolution policy proposals closed on November 30, 2023. The FDIC, along with the other federal regulatory agencies are reviewing the comments submitted and would aim to finalize the rules and guidance in 2024.

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 such institutions' compliance with those regulations.

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 permits 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 the Secretary of the 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 of "troubled condition" to provide detailed QFC reporting to the FDIC.

Both rules require institutions within their scope to prepare in advance and provide the information about their QFC portfolios, which may be of a significant size and complexity, in order to facilitate well-informed decisions about how to manage the QFCs if the FDIC were ever 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 such institutions to assess their adherence to these rules.

Cross-Border Cooperation

Cross-border cooperation and advance planning are critical components of resolution and crisis management planning due to the international nature of services and overseas operations of many LCFIs. In 2023, 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 and preparedness. 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 2023, 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 deepen 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 Union (EU) financial regulatory authorities. Contributors to this work include senior staff and senior officials of participating financial regulatory agencies from these jurisdictions. The FDIC maintains a close working relationship on cross-border resolution planning topics with EU and UK authorities, among other jurisdictions, 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 2023. In collaboration with the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC), the FDIC held meetings for three U.S. CCP CMGs in 2023. Due to continued international travel challenges, these meetings were held using a mix of hybrid and fully virtual formats.

Joint U.S.–EU Financial Regulatory Forum

FDIC staff participated in three Joint U.S.-EU Financial Regulatory Forum meetings held in 2023, 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. Authorities also shared experiences related to the spring 2023 bank failures.

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 2023, the FRWG meeting discussion focused on a number of themes, such as international and bilateral cooperation, sustainable finance, non-bank financial intermediation, operational resilience, cross-border regimes, and resolution-related updates, among other topics. Authorities also shared experiences from the spring 2023 bank failures.

Principals Tabletop Exercise Meeting

In October 2023, senior officials from the FDIC, CFTC, SEC, FRB, and the Bank of England convened a hybrid exercise to identify, consider, and discuss key information that would need to be shared between authorities, as well as strategic direction and decisions that respective authorities would need to make, in a potential scenario where the resolution of a systemically important CCP may become necessary. This exercise was conducted as part 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.

Senior Staff Exercise

In June 2023, senior officials from the FDIC, U.S. Treasury, FRB, Federal Reserve Bank of New York, OCC, CFPB, SEC, CFTC, the Bank of England, UK Treasury, European Central Bank, European Commission, and Single Resolution Board convened a 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, and addressed lessons learned from recent bank failures in each jurisdiction.

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, and academia. The FDIC held an SRAC meeting in December 2023 that focused on the March bank failures and lessons learned, large bank strategy and resolution options, and large bank policy considerations.

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.

Public Awareness of Deposit Insurance Coverage

Throughout 2023, the FDIC continued its efforts to educate bankers and consumers about FDIC insurance coverage.

In October 2023, the FDIC launched a national deposit insurance awareness campaign to raise awareness about how it can protect consumers' money in the event of a bank failure. "Know Your Risk. Protect Your Money," is a consumer-focused campaign that aims to reach those who may have lower confidence in the U.S. banking system or who are unbanked, as well as those who use mobile payment systems, alternative banking services, and financial products that may appear to be FDIC-insured but are not.

The campaign features a piggy bank, which is commonly associated with money and personal savings, placed in potentially risky situations. The campaign consists of digital display ads, including web banners, as well as search engine marketing and sponsored social media that connect consumers to deposit insurance information and resources on the FDIC's website in English and Spanish. The digital campaign ran through November 2023 and resumed in January 2024 with the start of traditional tax filing season and when many consumers receive refund payments.

DEPOSITOR AND CONSUMER PROTECTION RULEMAKING AND GUIDANCE

In 2023, the FDIC made a number of updates to compliance examination principles and procedures, including the following:

Small-Dollar Lending

In April 2023, the FDIC published *Small-Dollar Lending Examination Procedures*, which provide a framework for examiners when reviewing small-dollar loan programs. The procedures should support examiners in their reviews of small-dollar lending programs that are significant in volume or concentration levels.

Fair Debt Collection Practices Act

In September 2023, updates were made to this section of the FDIC Compliance Examination Manual to reflect the 2020 and 2021 amendments to Regulation F by the CFPB and the corresponding interagency examination procedures, including debt collection communications.

Fees Arising from Re-Presented Items

In June 2023, the FDIC issued updated guidance to clarify its current supervisory approach relating to consumer compliance risks associated with assessing multiple non-sufficient funds (NSF) fees arising from the re-presentment of the same unpaid transaction. The updated guidance explains that the FDIC will not request that an institution conduct a lookback review absent a likelihood of substantial consumer harm.

Overdraft Fees

In April 2023, the FDIC issued guidance to ensure that supervised institutions were aware of the consumer compliance risks associated with assessing overdraft fees on a transaction that was authorized against a positive balance but settled against a negative balance (APSN). The guidance expands on an FDIC 2019 Supervisory Highlights article titled "Overdraft Programs: Debit Card Holds and Transaction Processing" by discussing the FDIC's concerns with both the available and ledger balance methods used by institutions when assessing overdraft fees. FDIC-supervised institutions should be aware of heightened risks of violations of section 1036(a)(1)(B) of the Dodd-Frank Act and section 5 of the Federal Trade Commission Act when assessing overdraft-related fees on APSN transactions. The guidance also encourages institutions to review their overdraft practices to ensure compliance, including overdraft programs administered by a third party.

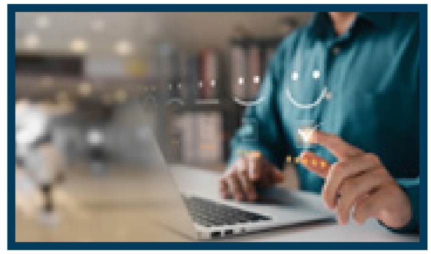
HMDA's Closed-End Mortgage Loan Volume Reporting Threshold

In February 2023, the FDIC issued FIL-06-2023, *FDIC Supervisory Approach Regarding Changes to HMDA's Closed-End Mortgage Loan Volume Reporting Threshold,* to inform supervised institutions of recent changes regarding the Home Mortgage Disclosure Act (HMDA) reporting threshold for closed-end mortgage loans and the FDIC's supervisory approach for enforcing related requirements. For FDIC-supervised institutions that meet Regulation C's coverage requirements, the threshold for reporting data on closed-end mortgage loans is now 25 loans in each of the two preceding calendar years. In addition, for closed-end mortgage data collected in the years 2022, 2021, or 2020, the FDIC does not intend to initiate enforcement actions or cite HMDA violations for certain failures to report such loan data.

Consumer Compliance Supervisory Highlights

The FDIC issued the *Consumer Compliance Supervisory Highlights* in March 2023. The purpose of this publication is to enhance transparency regarding consumer compliance supervisory activities. The publication includes a high-level overview of consumer compliance issues identified by the FDIC during the prior year's supervision of state nonmember banks.
The Spring 2023 issue includes: a summary of the overall results of the FDIC's consumer compliance examinations of supervised institutions in 2022; a description of the most

frequently cited violations and other consumer compliance examination observations; information on examination observations and regulatory developments; a summary of consumer compliance resources and information available to financial institutions; and an overview of trends in consumer complaints that were processed by the FDIC in 2022.



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. The agency's 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 developed the first multi-year *Economic Inclusion Strategic Plan* for the FDIC in 2014. Since then, the number of unbanked households has reached historic lows, and both consumers' needs and the market for financial services have evolved. In 2023, the FDIC updated its Plan to support progress toward a state in which all U.S. households can establish, sustain, and benefit from banking relationships to create and grow a strong financial foundation. In addition, the updated plan incorporates the findings and recommendations of the Office of the Inspector General's evaluation of the FDIC's efforts to increase consumer participation in the insured banking system. The updated Plan includes a comprehensive list of key performance indicators based on the community outcomes the FDIC would like to advance. The updated Plan and outcomes measurement framework will be implemented in 2024.

Advisory Committee on Economic Inclusion

The Advisory Committee on Economic Inclusion (ComE-IN) provides the FDIC with advice and recommendations on important initiatives focused on expanding access to banking services for underserved populations. This includes reviewing basic retail financial services (e.g., low-cost, safe transaction accounts; affordable small-dollar loans; and savings accounts). ComE-IN members also provide perspectives regarding demand-side factors such as consumer perceptions of financial institutions and a broad range of consumers' financial services needs. In 2023, the ComE-IN met and discussed the following topics:

- Opportunities to increase account access through collaborations with federal and state programs that distribute government financial assistance;
- Special purpose credit programs;
- The *Economic Inclusion Strategic Plan*;
- Community Reinvestment Act (CRA) modernization efforts; and
- Small-dollar lending.

Leveraging "Bankable Moments"

During the COVID-19 global pandemic, the FDIC increased and expanded its messaging about the importance of having a bank account to encourage more Americans, particularly those in LMI communities, to access government relief payments via direct deposit in a secure and timely manner. These efforts contributed to an uptick in bank account ownership, as reported in the *2021 FDIC National Survey of Unbanked and Underbanked Households*. Among the survey's key insights was that unbanked households can be reached by taking advantage of such "bankable moments" (i.e., when they are receiving government payments as part of existing federal programs) if they are aware of, and able to locate and open, bank accounts that can meet their needs.

In light of this success, in 2023, the FDIC focused on additional opportunities to connect consumers to safe and affordable bank accounts for other bankable moments. For example:

- The FDIC partnered with Treasury to include #GetBanked inserts with 6.2 million mailed checks to individuals receiving government payments from July through October 2023. The inserts indicated the importance of opening a bank account and encouraged recipients to visit the FDIC's #GetBanked webpage to find an account and learn more about the benefits of having one. As a result, visits to the #GetBanked webpage during this time (August) increased more than 44 percent from prior months.
- The FDIC promoted affordable accounts during tax-filing season through collaborations with affordable tax preparation services, such as the IRS's VITA program. During this period, the FDIC facilitated national and local events, which contributed to at least 35 VITA organizations collaborating with 26 local banks to offer affordable accounts.

In addition to these national efforts, the FDIC was featured in the National Association of State Treasurers' digital newsletter, which reaches more than 11,000 subscribers principally from state treasurers and state government fiscal officers, to encourage state government agencies to help more households access bank accounts.

COMMUNITY AND ECONOMIC DEVELOPMENT

Alliances for Economic Inclusion

FDIC-led Alliances for Economic Inclusion (AEI) are coalitions of local financial institutions and consumer, faith-based, community, and government organizations that support economic opportunity, particularly for LMI households and communities and small businesses. The FDIC currently manages 12 AEI coalitions, which support working groups of bankers and community leaders responding to the financial capability and services needs in their communities.

In 2023, the Los Angeles AEI coordinated efforts in which 17 banks provided 204 volunteers that supported 17 VITA sites, which prepared over 10,000 tax returns, resulting in more than $10 million in tax refunds. Many of these VITA sites promoted bank account access and savings. One organization's VITA site, for example, helped over 300 individuals locate and open bank accounts. The Los Angeles AEI was also recognized by America Saves with a Community Impact Award because of their successful efforts during America Saves Week 2023, during which nearly 500 people made savings pledges totaling nearly $1 million; the median pledge was $600.

In addition, several Milwaukee AEI members launched a pilot program entitled the "Financial Health Counselor Network" for leaders from organizations that primarily serve Milwaukee, Wisconsin residents who are African American, Hispanic, or Asian and who are unbanked. The network mission is to build high-quality financial coaching to enhance social service networks serving Milwaukee.

Outreach Highlights

As of December 31, 2023, the FDIC hosted approximately 190 events, providing opportunities for financial institutions to collaborate with partners on approaches to increase consumer access to a broad range of financial products and services including: bank accounts and credit services, affordable mortgages, financial products and services for small businesses; as well as efforts to help consumers build savings and improve credit histories. These events helped organizations identify and develop collaborations with IDIs that may receive favorable consideration under the CRA. For example, Community Affairs events facilitated collaborations between banks and community-based organizations that contributed to more than $12 million of bank investments in community partners.

More specifically, throughout the year, the FDIC also coordinated activities to support efforts to increase consumer account access to affordable and sustainable bank accounts in LMI communities and to encourage more banks to offer these accounts. The FDIC conducted 26 events in collaboration with members of AEIs, Bank On coalitions, bank trade associations, and other community-based organizations across the country. For example, the FDIC hosted a webinar to increase awareness of the *2021 FDIC National Survey of Unbanked and Underbanked Households*, the #GetBanked initiative, and free income tax resources available to LMI individuals and small businesses in the Kansas City area through community development partnerships. As a direct result of this event, two banks partnered with a local Bank On coalition to provide volunteers at VITA sites, two banks provided funding to the Missouri University Extension for tax time initiatives, and one bank opened a VITA site at their branch and at a local community-based organization.

The FDIC encouraged access to sustainable consumer credit through nine events and provided technical assistance to banks and their partners. These activities highlighted credit building/rebuilding strategies for LMI and minority borrowers, including persons with disabilities, and strategies designed to expand access to small-dollar loans. In one instance, the FDIC helped a community organization in northwest Indiana develop strategies to approach banks to invest in an employer-based small-dollar loan model. As a result, three financial institutions made a CRA investment of $40,000 into this loan pool. In addition, nine events focused on Special Purpose Credit Programs (SPCPs) recently created by lenders to meet the credit needs of economically disadvantaged classes of persons. At one CRA banker interagency roundtable in California, presenters discussed SPCP models and sparked interest from at least 15 local banks interested in offering SPCPs.

The FDIC continued to engage with banks, federal agencies, housing counseling agencies, and national and regional housing coalitions to expand homeownership programs to LMI borrowers in an effort to support a foundation for wealth building. The FDIC held 13 roundtables and forums that resulted in increased engagement by banks to support affordable housing programs, including grants. For example, the FDIC and the Federal Reserve Bank of San Francisco co-hosted a community development forum in Hawaii that resulted in one bank making an investment of over $4 million to expand homeownership for native Hawaiians through a nonprofit organization that will provide interim construction loans with no down payment. The same bank committed to providing a $365,000 grant to the nonprofit to support the operations of the construction loan fund. Another event in Boston helped increase awareness of the Boston Housing Authority's homeownership programs, resulting in 20 families becoming first-time homeowners in 2023.

The FDIC is committed to promoting access to capital for small businesses in underserved communities. As of December 31, 2023, the FDIC engaged with banks and community organizations through 34 outreach events. These events increased shared knowledge and supported collaboration among financial institutions and other community, and small business development organizations. In Michigan, the FDIC's *Supporting Black and Brown Small Businesses* event led to a featured bank committing $600 training scholarships for small business clients. In Kansas City, the *Expanding Access to Small Business Credit Resources* event resulted in $7,500 in bank donations to nonprofits serving small businesses, while fostering five new partnerships between community development financial institutions (CDFIs) and banks.

Also in 2023, the FDIC continued its collaboration with the Small Business Administration (SBA) and U.S. Department of Agriculture (USDA) on the "Path to Prosperity" economic development series. The series reached small businesses in rural communities, with an emphasis on underserved and minority-owned firms. The FDIC co-hosted ten regional small business conferences with the SBA and USDA. Information gained through this interagency partnership indicated that these conferences were collectively attended (in person or virtually) by over 1,700 attendees. Registration data indicates that over 1,000 attendees identified as small business owners. Participants engaged with financial institutions, technical assistance providers, and administrators of federal and municipal small business programs. As a result of this interagency collaboration, tracking data indicates 459 small businesses were matched to lending, capacity-building, contracting, and technical assistance opportunities. The series covered various public programs designed to support small businesses and included the participation of 71 state and federal agency partners.

As part of the FDIC's engagement with Historically Black Colleges and Universities (HBCUs) during 2023, the FDIC continued participation in the Economic Development Cluster, a Federal Interagency Working Group of the White House Initiative on HBCUs, to host a series of forums to leverage HBCU economic assets to expand capital projects, infrastructure, and programming for their growth and advancement. For example, the Chicago Region hosted an event at Central State University in Ohio encouraging financial institutions to support community development and service opportunities at HBCUs. Also, a webinar in the Kansas City Region focused on workforce development opportunities at HBCUs in Missouri. As a result of this engagement, the FDIC fostered several new partnerships with banks and federal agencies resulting in career opportunities for HBCU students, including a collaboration between a bank and Harris-Stowe State University to help HBCU students to obtain professional attire as they enter the workforce.

The FDIC also provided banks with CRA technical assistance. This included 33 CRA roundtables or forums designed to help banks identify CRA-qualifying collaboration opportunities. One event in New England provided insight into how financial institutions and community-based organizations can partner with the State Small Business Credit Initiative to access capital needed to invest in job-creating opportunities. Following the event, Community Affairs staff convened a meeting with the leader of a state bank trade group and a Native American Tribe to explore regional bank support for the tribe.

FINANCIAL EDUCATION AND OUTREACH

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 22 years, the FDIC *Money Smart* financial education curricula and supporting resources have offered non-copyrighted, high-quality, free financial education training resources for banks, schools, colleges, nonprofits, community-based organizations, and other stakeholders to meet the financial education needs of people of all ages and small businesses.

The FDIC works to raise awareness about the importance of consumer financial education and share its resources through outreach events and activities to consumers and communities across the nation. This includes conducting FDIC-led national training webinars and town halls, as well as exhibiting and speaking at conferences with community leaders, practitioners, and other stakeholders. The FDIC also maintains resources that help consumers and communities understand important consumer protection information, such as how deposit insurance works, how to resolve issues with their banks, and understanding consumer financial protection laws and consumer rights.

Money Smart Program

Money Smart instructor-led curricula and self-paced resources are designed to help communities and people of all ages by providing 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. Regular updates ensure that *Money Smart* benefits from user feedback and current instructional best practices. The FDIC helps consumers and organizations effectively use *Money Smart*, including through over 1,000 *Money Smart* Alliance members, as well as national webinars to the general public.

How Money Smart Are You? is one of the FDIC's most popular resources with more than 1.8 million views on www.fdic.gov. Since launching *How Money Smart Are You?* in September 2021, the FDIC has issued more than 260,000 certificates of completion and has more than 75,000 player accounts. More than 94 percent of players who access *How Money Smart Are You?* indicate they learned something from the experience. *How Money Smart Are You?* also allows organizations such as schools, colleges, nonprofits, housing counseling centers, and banks to create organization accounts. More than 1,200 organizations now have accounts so they may track player progress and enhance learning. 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 www.fdic.gov. In 2023, FDIC launched a formal evaluation of *How Money Smart Are You?* to learn how to make user-focused improvements to the platform.

Outreach and Engagement Highlights

Throughout 2023, the FDIC held 17 *Money Smart* Alliance events or meetings online, reaching more than 1,200 trainers, or potential trainers, with an in-depth overview of FDIC consumer education resources. 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 (such as, educators, HUD-certified financial counselors, Black, Indigenous, and People of Color (BIPOC)-serving organizations, and veterans) looking for additional information about integrating or learning more about *Money Smart*.

In April 2023, the FDIC launched its revamped *Money Smart for Young Adults* (MSYA) curriculum during National Financial Capability Month. The new MSYA seeks to help young adults make better financial choices early in life that can contribute to a long-lasting, positive impact on their financial futures. The webinar also featured the *Money Smart Guide to Organizing Reality Fairs*, designed to help banks and other intermediaries offer youth and young adults a real-world simulation of an adult's financial life. Since launching in December 2022, MSYA has been downloaded more than 3,500 times and viewed online 21,700 times. The *Guide to Organizing Reality Fairs* has been downloaded nearly 4,800 times and received more than 3,600 page views.

In June 2023, the FDIC worked with the CFPB to conduct a *Money Smart* Train-the-Trainer and *Money Smart* Alliance national webinar for World Elder Abuse Awareness Day. The FDIC and

CFPB highlighted the growing prevalence of scams targeting older adults and how *Money Smart for Older Adults* (MSOA) can be deployed to combat this troubling trend. Visits to the CFPB MSOA website increased 1,000 percent compared to the two days immediately prior to the event while increasing traffic to the FDIC MSOA website by 25 percent. In March of 2023, the FDIC MSOA product was featured in a CFPB Webinar series aimed at Combatting Elder Financial Exploitation. That event had over 1,464 views by December 31, 2023. And in September of 2023, the MSOA was once again featured at a *Meet the Bank Regulators* event hosted by the CFPB and had over 390 individuals in attendance.

As of October 1, 2023, MSOA has been distributed in hard copy to over a million recipients during in-person sessions. The American Bankers Association (ABA) Foundation found that the MSOA is the number one used Instructor-led curricula, after bank proprietary products aimed at preventing financial abuse of older adults. The FDIC also unveiled an updated MSOA website, featuring improved navigability of the available resources.

In 2023, for the first time, MSOA was featured in AARP (formerly, the American Association of Retired Persons) publications. The results of a joint study with the AARP on the MSOA was completed in 2022 and its findings, released in December 2023, revealed that older adults who received the MSOA curriculum demonstrated improved behaviors, skills, confidence, and knowledge about financial exploitations scams, even among those who were already highly aware of these types of scams.

Advancing Financial Education and Capability

Throughout 2023, the FDIC continued to support consumer financial education collaborations at the local and national levels by providing technical assistance and resources throughout the country, with a focus on unbanked and underbanked households and LMI communities. In particular, the FDIC continued its efforts to improve the financial capability and economic empowerment among BIPOC communities. Highlights of our work in this area are presented below.

Juntos FDIC (Together FDIC) Pilot

The Juntos FDIC (Together FDIC) pilot utilizes the *Money Smart* program to bring financial education to more Hispanic-serving organizations (HSOs). The pilot began in January 2023, recognizing the importance of increasing access to financial education and financial services for the U.S. Hispanic population in response to stakeholder feedback.[14]

Through Juntos FDIC, the FDIC has established collaborative partnerships with two national HSOs with affiliate networks of more than 200+ Hispanic-serving community-based organizations. Through these partnerships, Juntos FDIC has connected with over 80 organizations dedicated to strengthening and advancing economic mobility in Latino communities. Juntos FDIC conducted two kick-off meetings (in English and Spanish) with 44 participating organizations. As a result of these interactions, the FDIC forged new relationships

[14] The 2021 FDIC National Survey of Unbanked and Underbanked Households found that Hispanic households are unbanked at a rate that is more than twice the national average, and 4.5 times more than white households. Additionally, stakeholder feedback (June 2022) indicated a lack of awareness by the U.S. Hispanic population of the FDIC's mission and its economic inclusion resources.

with 40 HSOs and provided these organizations with technical support and tools to implement financial education programs, including delivering *Money Smart* Train-the-Trainer sessions to 23 organizations.

The pilot program leverages FDIC professional staff, most bilingual, to deliver financial education. As a result, Juntos FDIC delivered the first *Money Smart* Train- the-Trainer events in Spanish (for *Money Smart for Small Business* and *How Money Smart Are You?)* within a span of six months, and has conducted needs assessment and follow-up meetings with HSOs in Spanish. Approximately 217 prospective *Money Smart* Instructors from 23 HSOs benefited from these comprehensive training sessions.

Juntos FDIC also has facilitated collaborations between banks and community organizations to increase awareness of resources and to provide technical assistance. For example, one pilot participant, an FDIC-supervised state savings bank, requested guidance on how to expand outreach and support to a growing population of minority-owned small businesses in its market. Juntos FDIC connected the bank with a fellow pilot participant, a local CDFI, which shared lessons learned resulting in the organizations establishing a referral-based relationship.

Additional accomplishments from the Juntos FDIC pilot include:

- Onboarded ten FDIC professional staff from across the Corporation on the FDIC *Money Smart* financial education curriculum as Train-the-Trainer instructors;
- Developed an internal online client-relationship management tool to facilitate participant follow-up and monitoring;
- Created and translated into Spanish new training materials for Train-the-Trainers sessions;
- Provided consulting and technical assistance to community bank staff on strategies to develop bank-led financial education programs, targeted outreach to minorities and the integration of emerging minority consumer segments into financial institutions' core businesses;
- Deployed financial capability building programs in Puerto Rico, Maryland, Pennsylvania, Florida, Illinois, New York, Colorado, Texas, New Jersey, Connecticut, South Carolina, North Carolina, Georgia, Delaware, Massachusetts, Tennessee, Kansas, and California; and
- Reached more than an estimated 130 Spanish-speaking households since the start of the pilot through a range of initiatives, including financial education workshops, capacity-building trainings, small business development series, financial literacy webinars, and savings club programs.

Collaborations with Federal Agencies

In 2023, the FDIC continued its active membership on the federal Financial Literacy and Education Commission (FLEC). This includes participating on various working groups, notably the FLEC Digital Assets, Basic Financial Capability, and Post-Secondary Education working groups. Alongside other FLEC member agencies, the FDIC provided technical assistance and contributed resources to the drafting of the U.S. Department of the Treasury report entitled *The Impact of Climate Change on American Household Finances*.

The FDIC also continued to support and actively participate in the Federal Trade Commission (FTC) Stop Seniors Scams Act Advisory Group, which consists of federal agency partners, consumer advocates, and industry representatives, as well as state and local governmental entities, that focus on ways to better identify and stop scams that affect older adults. The FDIC's contributions to the Advisory Group will be included in congressionally-mandated reports from the FTC in October 2024. The FDIC is also participating in the Institute of Museum and Library Services Interagency Task Force on Information Literacy. The task force seeks to facilitate the development of a portal of resources, including *Money Smart*, to bridge information literacy research and practice to advance information literacy within communities.

In 2023, the FDIC expanded its collaboration with the U.S. Department of Housing and Urban Development (HUD). The agencies jointly hosted a national webinar targeting HUD-assisted communities in order to share strategies to support financial education. During the event, the FDIC shared information on its *Money Smart* and *How Money Smart Are You?* programs and #GetBanked Initiative and how the agency works to ensure affordable mortgage lending. Through this effort, the FDIC provided resources to over 1,000 attendees.

As a part of its commitments under Interagency Task Force PAVE, in April 2023, the FDIC published several public-facing resources to provide education and information to consumers and bankers. These included a webpage on www.fdic.gov titled *FDIC Tips on Appraisal Bias and Valuation to Address Consumers' Frequently Asked Questions,* regulatory updates in *Consumer Compliance Supervisory Highlights*, and an article in the June 2023 issue of *FDIC Consumer News* titled *Understanding Appraisals and Why They Matter.* In addition, the FDIC's Information and Support Center complaint submission form has been updated to include appraisal-related issues.

Consumer News

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

The FDIC released 12 issues of *Consumer News* in 2023, addressing some of the biggest concerns consumers face, including rising interest rates, crypto-assets, and cybersecurity. New areas of discussion in 2023 included banking service products and financial tips for individuals with disabilities, what consumers ought to consider when using a nonbank, and understanding appraisals in support of the PAVE Interagency Task Force Initiatives.

The subscriber list continues to grow, surpassing 169,000 in 2023, furthering the outreach to communities throughout the country. All *Consumer News* articles are scheduled for release in both English and Spanish during the first week of each month and promoted through subscriptions, social media, and the www.fdic.gov website.

Money Smart News

Money Smart News is a monthly publication that highlights how organizations successfully implement and promote the *Money Smart* curricula and resources. In 2023, *Money Smart News* featured nine success stories documenting how financial institutions, educators, nonprofits, and other community-based organizations used *Money Smart* curricula and resources to improve the financial well-being of the consumers and communities they serve. New features included "Tips and Techniques" and "Reality Fair Toolkit" for youth. *Money Smart News* is distributed to more than 109,000 people interested in delivering financial education to others.

CONSUMER COMPLAINTS AND INQUIRIES

The FDIC National Center for Consumer and Depositor Assistance (NCDA) is comprised of staff from coast-to-coast, 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, 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. The webpage is located at https://www.fdic.gov/transparency/consumers.html.

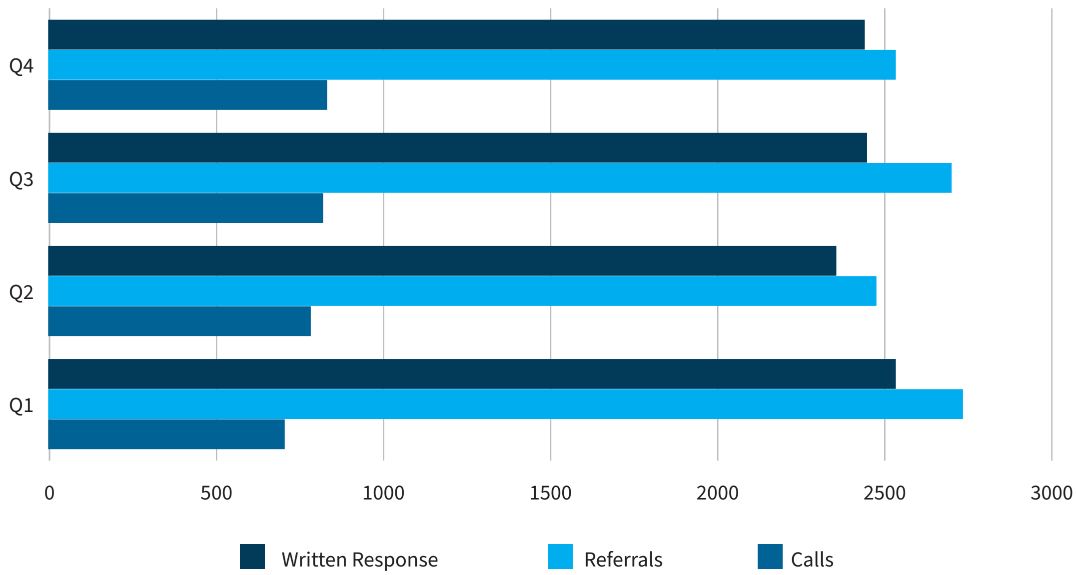
CONSUMER COMPLAINTS BY TOPIC AND ISSUE

Through December 31, 2023, the FDIC closed 20,185 written consumer complaints and inquiries. Of these, 10,426 were referred out to other federal banking agencies for review, while the FDIC handled the remaining 9,759. The FDIC responded to 98.3 percent of written complaints within timeframes established by corporate policy and acknowledged 100 percent of all consumer complaints and inquiries within 14 days. The FDIC Annual Performance Goal for both metrics is 95 percent and 100 percent, respectively.

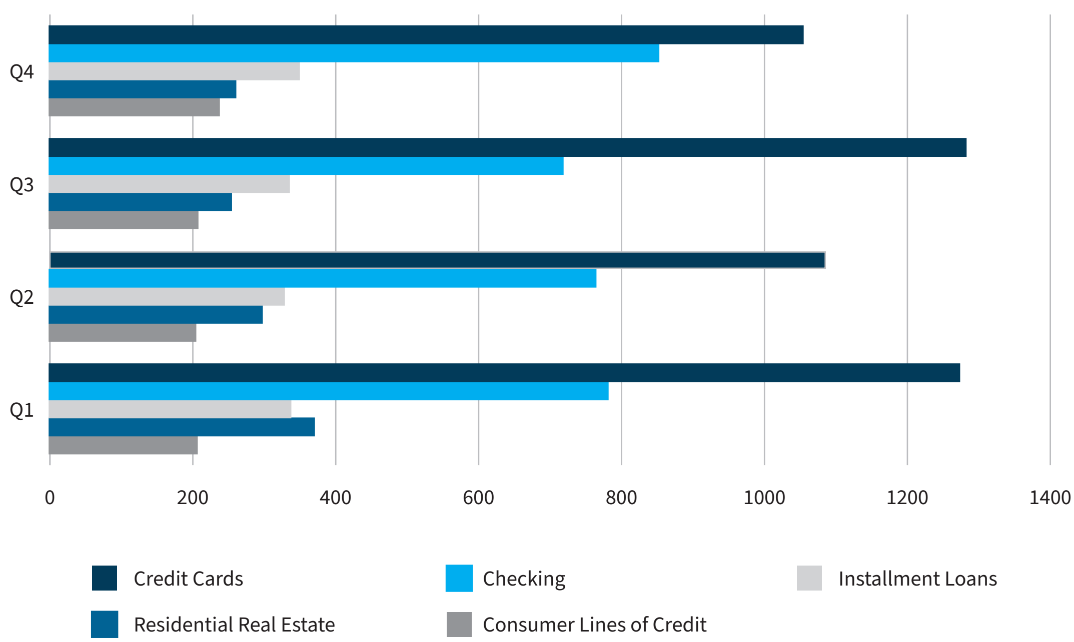
The top five identified products among consumer complaints and inquiries about FDIC-supervised institutions, as percent of total volume, included credit cards (30 percent of total), checking accounts (20 percent), consumer lines of credit and installment loans (16 percent), and residential real estate (5 percent).

The top five issues identified among consumer complaints and inquiries, as a percent of total volume, included credit reporting (15 percent), disclosures (7 percent), loan forgery/ID theft (6 percent), deposit account transaction discrepancies (5 percent), and error resolution procedures (5 percent). The FDIC helped consumers receive approximately $7 million in refunds and voluntary compensation from financial institutions through December 31, 2023.

CASES CLOSED 2023 YTD



TOP PRODUCTS 2023 YTD



Deposit Insurance Coverage Information Assistance and Outreach

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 FDIC rules for deposit insurance coverage. Through December 31, 2023, the FDIC's Contact Center handled 88,381 telephone cases pertaining to a variety of issues, including 37,779 that were identified as deposit insurance-related inquiries. The majority of deposit insurance inquiries are forwarded to the Deposit Insurance (DI) Unit for handling. In addition to the telephone inquiries, the FDIC received over 3,900 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 assist depositors in identifying potentially fraudulent websites posing as legitimate FDIC-insured institutions. Additionally, the FDIC received over 750 inquiries or complaints regarding potentially false or misleading statements about FDIC deposit insurance through a complaint portal that was established in mid-2022; 100 percent of the complaints received were reviewed by staff in the Legal division.

The two large bank failures that occurred in March of 2023 resulted in a 565 percent surge increase for that month in deposit insurance calls and correspondence received and handled. This resulted in just-in-time training of approximately 60 FDIC employees to temporarily provide supplemental assistance in handling incoming deposit insurance calls. Through December 31, 2023, the FDIC received and handled 34,046 deposit insurance-related calls (forwarded from the FDIC Contact Center) and written inquiries combined, the largest number of inquiries handled since 2009.

The top five deposit insurance issues identified as a percent of total volume among calls and correspondence handled through December 31, 2023, include informal revocable trust accounts (26 percent), formal revocable trust accounts (11 percent), single accounts (7 percent), joint accounts (7 percent) and Electronic Deposit Insurance Estimator (EDIE) inquiries (4 percent).

Through December 31, 2023, the FDIC identified and took appropriate action on over 200 other matters. This number includes actions taken regarding websites that used the Member FDIC logo or FDIC name but were not operated by FDIC-member banks, reviews of potential violations of section 18(a)(4) of the Federal Deposit Insurance Act,[15] referrals to other law enforcement and regulatory agencies for further action, and issuances of cease and desist letters.

Failed Bank Resolution and Receivership Management

Within the FDIC, the Division of Resolutions and Receiverships (DRR) is responsible for resolving the failure of IDIs with assets less than $100 billion; the Division of Complex Institution Supervision and Resolution (CISR) is responsible for resolving the failure of IDIs with assets of more than $100 billion.

[15] The Federal Deposit Insurance Act establishes and sets powers, responsibilities, and administration of the FDIC. Section 18(a)(4) of the Act states, "No person may represent or imply that any deposit liability, obligation, certificate, or share is insured or guaranteed by the Corporation, if such deposit liability, obligation, certificate, or share is not insured or guaranteed by the Corporation."

When an IDI fails, the chartering authority typically appoints the FDIC as receiver, and 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 2023, there were five IDI failures. Prior to this year, the last IDI failure occurred in 2020.

For every IDI failure in 2023, the FDIC successfully contacted all qualified and interested bidders to market and sell these institutions. In those cases where the failure occurred on a Friday, the assuming institution assumed all deposits and all depositors had access to insured funds within one business day. In those cases where the failure occurred on any other day of the week, depositors had access to insured funds within two business days. Further, there were no losses to insured depositors, and no appropriated funds were required to pay insured depositors. The following chart provides a comparison of IDI failure activity over the past three years.

Failure Activity Dollars in Billions

	2023	2022	2021
Total Institutions	5	0	0
Total Assets of Failed Institutions*	$532.2	$0	$0
Total Deposits of Failed Institutions*	$440.6	$0	$0
Estimated cost of Failure	$40.4	$0	$0
Covered by the Special Assessment	($20.4)	$0	$0
Estimated Loss to the DIF	$20.0	$0	$0

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

The five IDI failures in 2023 are discussed below.

Silicon Valley Bank

Silicon Valley Bank (SVB), Santa Clara, California was closed by the California Department of Financial Protection & Innovation on March 10, 2023. The FDIC was appointed receiver. At the time of closure, SVB had approximately $167 billion in total assets and about $119 billion in total deposits. Following the closure, the FDIC created Silicon Valley Bridge Bank, National Association. The deposits and substantially all assets and all Qualified Financial Contracts were transferred to the bridge bank. The transfer of deposits was completed under the systemic risk exception. Generally, such a transaction is subject to the statutory "least cost test" requiring that the transaction be less costly to the Deposit Insurance Fund than any other possible transactions, including liquidation of the failed bank. There is an exception to that requirement in the event that it is determined that the least costly transaction would have serious adverse effects on economic conditions or financial stability. Such a determination must be made by the Secretary of the Treasury in consultation with the President, based on recommendations by both the FDIC and the Board of Governors of the Federal Reserve System. This exception, commonly referred to as the systemic risk exception, was undertaken in this case, enabling the FDIC receiver of SVB to transfer all of the deposits, as defined in the FDIA, to the bridge bank.

On March 26, 2023, the FDIC entered into a purchase and assumption agreement for the deposits and loans of Silicon Valley Bridge Bank, National Association, by First-Citizens Bank & Trust Company, Raleigh, North Carolina. The transaction included the purchase of about $72 billion of Silicon Valley Bridge Bank, National Association's assets at a discount of $16.5 billion. Approximately $90 billion in securities and other assets were retained in the receivership for later disposition by the FDIC. In addition, the FDIC received equity appreciation rights in First Citizens BancShares, Inc., Raleigh, North Carolina, common stock with a potential value of up to $500 million. On March 28, 2023, the FDIC exercised these rights and received the maximum proceeds of $500 million. The FDIC and First-Citizens Bank & Trust Company entered into a shared-loss transaction on the commercial loans it purchased from the former Silicon Valley Bridge Bank, National Association. First-Citizens Bank & Trust Company also assumed all loan-related Qualified Financial Contracts. The estimated cost of SVB's failure is approximately $21.8 billion of which $19.2 billion will be recovered under the special assessment for a net estimated loss to the DIF of $2.6 billion. The exact cost will be determined when the FDIC terminates the receivership.

Signature Bank

Signature Bank, New York, New York, was closed by the New York State Department of Financial Services on March 12, 2023. The FDIC was appointed receiver. To protect depositors, the FDIC transferred the deposits and substantially all of the assets of Signature Bank to Signature Bridge Bank, National Association. The transfer of the deposits was completed under the systemic risk exception, as described above. Signature Bank had total assets of $110.4 billion and total deposits of $88.6 billion as of December 31, 2022.

On March 19, 2023, the FDIC entered into a purchase and assumption agreement for substantially all deposits and certain loan portfolios of Signature Bridge Bank, National Association, by Flagstar Bank, National Association, Hicksville, New York, a wholly owned subsidiary of New York Community Bancorp, Inc., Westbury, New York. The transaction included the purchase of about $38.4 billion of Signature Bridge Bank, National Association's assets, including loans of $12.9 billion purchased at a discount of $2.7 billion. Approximately $60 billion in loans remained in the receivership for later disposition by the FDIC. By December 31, 2023, the FDIC had disposed of substantially all of these retained loans. In addition, the FDIC received equity appreciation rights in New York Community Bancorp, Inc., common stock. On May 16, 2023, the FDIC received $392 million from the sale of the stock, which was received upon the FDIC exercising the rights noted above. The estimated cost of Signature Bank's failure is approximately $1.8 billion of which $1.2 billion will be recovered under the special assessment for a net estimated loss to the DIF of $600 million. The exact cost will be determined when the FDIC terminates the receivership.

Signature Bank, New York, New York, was the 29th largest bank in the country, and its failure constituted the fourth largest bank failure in U.S. history. The FDIC was the primary federal regulator of Signature Bank and in late March, the FDIC Chairman commissioned an internal review of the agency's supervision of Signature Bank, and asked the FDIC's Chief Risk Officer (CRO) to produce a report to the FDIC Board of Directors for release to the public. The CRO issued the report on April 28, 2023. The report clearly identifies the root cause of Signature Bank's failure as poor management; it also identifies areas where the FDIC's supervisory efforts could have been more timely, forward looking, and forceful. Also, the report includes thoughtful recommendations on matters for further study by the FDIC related to examination guidance, processes, and resources. The FDIC continues to focus attention and action on these recommendations.

First Republic Bank

First Republic Bank, San Francisco, California, was closed by the California Department of Financial Protection and Innovation on May 1, 2023. The FDIC was appointed receiver. To protect depositors, the FDIC entered into a purchase and assumption agreement with JPMorgan Chase Bank, National Association, Columbus, Ohio, to assume the deposits and substantially all of the assets of First Republic Bank. The FDIC and JPMorgan Chase Bank entered into two shared-loss transactions on the single family and commercial loans it purchased. As of April 13, 2023, First Republic Bank had approximately $229.1 billion in total assets and $103.9 billion in total deposits. The estimated cost to the DIF for this failure is about $16.7 billion. The final cost will be determined when the FDIC terminates the receivership. The resolution of First Republic Bank involved a highly competitive bidding process and resulted in a transaction consistent with the least-cost requirements of the FDI Act.

First Republic was the fourteenth largest bank in the country, and the second largest bank supervised by the FDIC, and its failure constituted the second largest bank failure in U.S. history. In May 2023 the FDIC Chairman commissioned an internal review of the agency's supervision of First Republic led by the CRO. The CRO issued the report on September 8, 2023. The report cites a loss of market and depositor confidence, resulting in a bank run following the March 2023 failures of Silicon Valley Bank and Signature Bank as the primary cause of failure, but notes there were attributes of First Republic's business model and management strategies that made it more vulnerable to interest rate changes and contagion that ensued following the failure of SVB. Also, the internal review identifies items for further study focusing on FDIC examiner guidance and processes. The FDIC continues to focus attention and action on these items.

Heartland Tri-State Bank

Heartland Tri-State Bank, Elkhart, Kansas, was closed by the Kansas Office of the State Bank Commissioner on July 28, 2023. The FDIC was appointed receiver. To protect depositors, the FDIC entered into a purchase and assumption agreement with Dream First Bank, National

Association, of Syracuse, Kansas, to assume the deposits of Heartland Tri-State Bank. The FDIC and Dream First Bank entered into a shared-loss transaction agreement on the commercial loans it purchased. As of March 31, 2023, Heartland Tri-State Bank had approximately $139 million in total assets and $130 million in total deposits. The estimated cost to the DIF for this failure is $54.2 million. The final cost will be determined when the FDIC terminates the receivership. Compared to other alternatives, Dream First Bank, National Association's acquisition was the least costly resolution for the DIF.

Citizens Bank

Citizens Bank, Sac City, Iowa, was closed by the Iowa Division of Banking on November 3, 2023. The FDIC was appointed receiver. To protect depositors, the FDIC entered into a Purchase and Assumption Agreement with Iowa Trust & Savings Bank, Emmetsburg, Iowa, to assume the deposits and purchase essentially all of the assets of Citizens Bank. As of September 30, 2023, Citizens Bank had approximately $66 million in total assets and $59 million in total deposits. The estimated cost to the DIF for this failure is $14.8 million. The final cost will be determined when the FDIC terminates the receivership. Compared to other alternatives, Iowa Trust & Savings Bank's acquisition was the least costly resolution for the DIF.

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.

As a result of the large IDI failures in 2023, the book value of assets in inventory increased to a historical high of $202.3 billion. During 2023, the FDIC engaged in numerous activities to liquidate these retained assets. These activities included the exercise and sale of equity appreciation rights previously noted, as well as the significant sales of loans and securities resulting in total proceeds to the FDIC of over $108.4 billion. The cumulative effect of these activities resulted in a total book value of assets in liquidation of $84.6 billion at the end of 2023.[16]

Also, during 2023, for 95 percent of failed institutions, at least 90 percent of the book value of marketable assets was marketed for sale within 90 days of an institution's failure for cash sales, and within 120 days for structured sales.

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

[16] In January 2024, the FDIC, as receiver for Silicon Valley Bridge Bank, N.A. (SVBB), used structured transactions (structured sale of guaranteed notes (SSGNs) and a securitization or collectively, "trusts") to sell $10.5 billion of Ginnie Mae Project Loan Securities and a $36.1 billion Purchase Money Note (PMN) issued by First-Citizens Bank & Trust Company (FCB), respectively.

Assets in Liquidation Inventory by Asset Type Dollars in Millions

Asset Type	12/31/23	12/31/22	12/31/21
Securities	$12,917	$5	$7
Consumer Loans	0	0	0
Commercial Loans	10	1	2
Real Estate Mortgages	162	1	2
Other Assets/Judgments	4,237	6	18
Owned Assets	30	0	0
Net Investments in Subsidiaries	622	18	20
Structured and Securitized Assets	66,663	8	43
Total	**$84,641**	**$39**	**$92**

Proceeds generated from asset sales and collections are used to pay receivership claimants, including depositors whose accounts exceeded the deposit insurance limit. During 2023, receiverships paid dividends of $289,519 to depositors whose total deposits were not assumed by an acquiring institution and whose accounts exceeded the deposit insurance limit.

Once the assets of a failed institution have been sold and liabilities extinguished, the final distribution of any proceeds is made, and the FDIC terminates the receivership. In 2023, a total of 65 receiverships were terminated, which resulted in a net decrease of 58 active receiverships under management. Further, the FDIC terminated at least 75 percent of receiverships that were at least two years old and were not subject to unresolved loss-share, structured transaction, environmental, legal, or tax impediments at the start of the year.

The following chart shows overall receivership activity for the FDIC in 2023.

Receivership Activity	
Active Receiverships as of 12/31/22	132
New Failed Bank Receiverships[17]	7
Receiverships Terminated	65
Active Receiverships as of 12/31/23	74

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.

[17] Silicon Valley Bank and Signature Bank are counted as both a Bridge Bank Receivership and a Failed Bank Receivership.

During 2023, the FDIC recovered $40.8 million from professional liability settlements. The FDIC authorized five professional liability lawsuits during 2023. As of December 31, 2023, the FDIC's caseload included 24 professional liability lawsuits (up 9 from 15 at year-end 2022), and open investigations in 74 claim areas out of 8 institutions. The FDIC continued to conduct investigations of claims out of recently failed IDIs, but no investigations reached the 18-month point (an internal goal) after the institutions' failure dates in 2023.

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 $5.1 million in 2023. As of December 31, 2023, there were 1,601 active restitution and forfeiture orders (down 34 from 1,635 at year-end 2022). This includes 11 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).

Minority Depository Institutions and Community Development Financial Institutions

MINORITY DEPOSITORY INSTITUTION 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 play 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." During 2023, 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; promoting the MDI sector through advocacy; providing outreach, technical assistance, and education and training for MDIs; and building internal capacity.

ENGAGEMENT AND REPRESENTATION

The FDIC's MDI Subcommittee of CBAC is composed of nine diverse MDI executives representing all types of MDIs across the country with varying asset sizes and lines of business. The FDIC 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 and one serves on the ComE-IN to further bring MDI perspectives and issues to the table.

In 2023, the MDI Subcommittee held two in-person meetings. The meetings included discussions on topics such as banking and economic conditions, supervisory issues, third-party risk guidance, cybersecurity, and an update on the DIF. The meetings also included an MDI Spotlight segment that featured three private funds that provide resources to MDIs and bank executives sharing experiences with new, unconventional growth opportunities.

During 2023, the FDIC continued to engage with mission-driven bank trade groups and large and regional financial institutions to facilitate effective implementation of some of the new resources becoming available to mission-driven banks.

PARTNERSHIPS

The FDIC co-sponsored the biennial interagency MDI and CDFI Bank Conference in November 2023, along with the FRB and OCC. The conference, MDI and CDFI Bank Partnership Exchange, featured opportunities for MDIs and CDFI banks to explore partnership opportunities with large and regional banks and other supporting resources. The conference included regulatory updates, a panel where various agencies and private sector representatives discussed programs and initiatives that could benefit MDIs and CDFI banks, opportunities for attendees to engage in one-on-one conversations with federal banking regulatory experts regarding supervisory topics, and an update on the modernization of CRA regulations. The conference concluded with a networking event where MDIs and CDFI banks had the opportunity to meet one-on-one with large and regional banks interested in exploring partnerships supportive of mission-driven banks.

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 2023, 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 2023, the FDIC provided 152 individual technical assistance sessions on approximately 38 risk management, consumer compliance, and resolution topics, including:

- 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,
- Corporate Governance and Strategic Planning,
- Fair Lending,
- Funding and liquidity,
- Home Mortgage Disclosure Act (HMDA),
- Information technology risk management and cybersecurity,
- Internal audit, and
- Unfair or Deceptive Acts or Practices (UDAP).

In response to questions raised by MDIs, the FDIC hosted two interagency technical assistance webinars along with the FRB and OCC to discuss supervisory expectations for MDIs and CDFI banks awarded funds from the U.S. Treasury Emergency Capital Investment Program and other new investments. The webinars addressed bank management's questions regarding the FDIC's examination approach for FDIC-supervised MDIs and CDFI banks 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 new investments and awards.

The FDIC also held outreach, training, and educational programs for MDIs through conference calls and regional banker roundtables. In 2023, topics of discussion for these sessions included many of those listed above, as well as liquidity, interest rate risk and deposit monitoring practices, accounting, emerging risks and areas of concern, commercial real estate trends and activity, IT vendor management, and industry and customer reactions to bank failures.

BUILDING INTERNAL CAPACITY

In 2023, the FDIC continued an initiative that started in December 2022, training examiners of MDIs on 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 CDFI banks, as well as information regarding tools to help understand the communities served by MDIs. The FDIC also continued quarterly meetings of its interdivisional task force on MDIs to share information, identify new opportunities for supporting mission-driven banks, and ensure appropriate resources support program initiatives.

Diversity, Equity, Inclusion, and Accessibility

The FDIC continues its efforts to integrate diversity, equity, inclusion, and accessibility (DEIA) in all aspects of its work to support its important mission. Effective DEIA programs and initiatives enhance the FDIC's work to preserve and promote public confidence in the U.S. financial system. The agency takes a broad view of diversity and prioritizes fostering an inclusive work environment built on mutual trust, respect, and dignity.

In 2023, it became apparent that the agency needed to do more to make employees feel safe, valued, and respected. On December 1, 2023, the FDIC issued and began to implement an *Action Plan for a Safe, Fair, and Inclusive Work Environment* that outlines steps the agency is taking to address harassment and discrimination in the workplace and support employees. The FDIC's senior leaders are working with staff to execute each initiative in the plan.

In general, the Office of Minority and Women Inclusion (OMWI) spearheads the FDIC's DEIA efforts, including implementation of its *2021-2023 Diversity, Equity and Inclusion Strategic Plan*, and is a resource to FDIC Divisions and Offices as they implement their own DEIA goals.

Agency-wide, OMWI conducts workforce demographic analyses to identify any representation gaps and recommends recruitment and retention strategies to support diverse applicant pools. OMWI also works with Divisions and Offices to maintain a model Equal Employment Opportunity (EEO) program by providing training and issuing notices to all employees about legal rights and responsibilities. In addition, the agency performs outreach and provides technical assistance to ensure the fair inclusion and utilization of minority- and women-owned businesses (MWOBs), minority- and women-owned law firms (MWOLFs), and investors in contracting and investment opportunities. Further, OMWI collects and evaluates self-assessment information that FDIC-supervised institutions submit voluntarily about their diversity-related policies and procedures.

In 2023, the FDIC made further progress in implementing agency DEIA initiatives under its *DEI Strategic Plan*. Specifically, OMWI provided training support, launched empathy training for all employees, and continued to work with the FDIC's Divisions and Offices to help them execute their own DEIA operational plans tailored to their mission and needs. The agency also maintained its focus on three strategic areas: 1) implementing workforce DEIA initiatives; 2) enhancing Hispanic recruitment and retention; and 3) promoting financial institution diversity.

WORKPLACE DEIA INITIATIVES

FDIC leadership promotes the vision and business case for DEIA by taking action to increase workforce diversity, providing avenues to hear from employee groups, maintaining equitable practices, and fostering an inclusive workforce. The FDIC continued to focus attention on recruitment and retention diversity initiatives, support for first-generation professionals, and career development programs for the next generation of leaders, among several other initiatives designed to maintain a diverse and inclusive workforce.

In 2023, the FDIC made small but promising progress in reducing the gap in its workforce participation by individuals who self-identify as Hispanic. Hispanics continue to have a lower-than-expected participation rate in the overall workforce and some mission-critical occupations as compared to the civilian labor force. The FDIC's executive-level task force established to address challenges for Hispanic recruitment and retention continued to develop and implement outreach strategies to diversify the applicant pool for FDIC mission-critical positions. The agency also enhanced strategies designed to address female workforce participation, which in 2023 remained below female participation rates in the civilian labor force. The FDIC remains committed to recruiting strategically to reach all available talent in the labor market, providing advancement opportunities to all current employees, and enhancing employee engagement at all levels.

FINANCIAL INSTITUTION DIVERSITY

Regularly assessing a financial institution's diversity policies and practices pursuant to Section 342 of the Dodd-Frank Act supports a safer, fairer, and more inclusive banking system. Bringing together a variety of perspectives, experiences, and skills can foster innovation, improve decision making, and achieve better financial performance. Effective diversity-related policies and programs can help financial institutions meet the diverse interests of shareholders, depositors, and the general public.

In 2023, 157 FDIC-supervised financial institutions voluntarily participated in the diversity self-assessment (DSA) and submitted information for the 2022 reporting period. This represents an 8.7 percent decrease from the previous reporting period. Throughout the year, the FDIC continued its outreach to community banks and trade associations to increase awareness of and participation in the DSA. In support of this objective, the FDIC also launched a new office hours initiative to provide more hands-on technical assistance to the financial institutions.

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. In 2023, to promote economic inclusion, the FDIC conducted outreach to MWOBs on contracting opportunities and provided technical assistance to educate prospective vendors on FDIC programs, policies, and procedures. The FDIC continued to support increased participation of MWOBs by conducting market research and outreach to identify MWOBs eligible to compete for FDIC contracts. Further, the FDIC held Pitch Days to give MWOBs the opportunity to highlight their business capabilities, which helped connect MWOBs to OMWI.

MWOB participation in 2023 FDIC contracting opportunities was strong. The FDIC awarded 197 contracts (31.1 percent) to MWOBs out of a total of 634 issued. Total awarded contracts had a combined value of $1,331.2 million, of which $376.0 million (28.2 percent) went to MWOBs. The FDIC paid $171.4 million of its total contract payments (24.5 percent) to MWOBs under 317 contracts.

DIVERSE LEGAL SERVICE PROVIDER OUTREACH

The FDIC Legal Division had several major accomplishments relating to increasing diversity in legal contracting in 2023. This year the Legal Division hosted a Pitch Day to afford diverse MWOLFs, diverse attorneys at majority firms, and legal support services providers an opportunity to share their legal expertise and support capabilities. Legal support services providers assist in e-discovery, court reporting, trial preparation, expert consultation and testimony, and other areas in support of the Legal Division’s mission.

In addition, the FDIC promoted meaningful relationship building between outside counsel and in-house attorneys responsible for engaging outside counsel through outreach events held by affinity organizations and bar associations. In particular, the Legal Division partnered with the National Association of Minority and Women Owned Law Firms (NAMWOLF) to reach out to prospective MWOLFs to match those firms to the FDIC’s anticipated need for outside legal services. The Legal Services and Special Contracts Group (LSSCG) also periodically provided a reference list of newly available legal services providers, highlighting MWOLFs and MWOBs for Legal Division personnel.

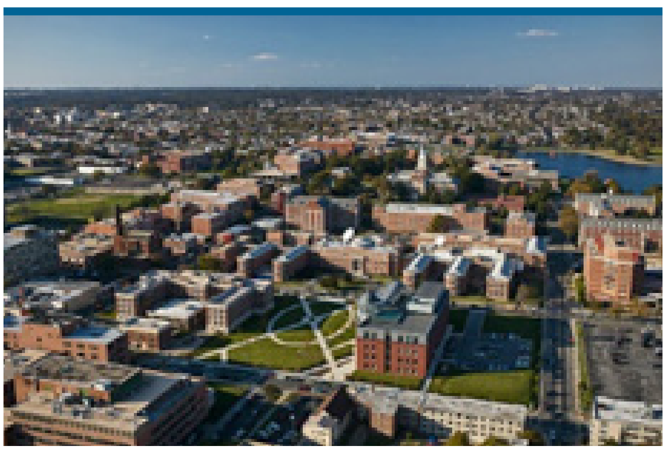
Further, the Legal Division published an internal monthly newsletter, *In the Spotlight*, to encourage referrals of legal contracting opportunities to MWOLFs and other diverse legal services providers. Each issue of *In the Spotlight* highlighted the expertise of an individual diverse legal services provider. Recruitment and utilization of diverse legal services providers remained a prominent part of the periodic training that LSSCG provided to Legal Division personnel.

As a result of these initiatives, the FDIC made 21 referrals to MWOLFs, which accounted for almost 7 percent of all legal referrals. The FDIC paid more than $960,000 in legal fees to MWOLFs and paid more than $4.9 million to diverse attorneys. 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 $5.9 million to MWOLFs and diverse attorneys out of more than $24.3 million spent on outside counsel services. This represents an aggregate 24 percent diversity participation rate in outside legal contracting.

HISTORICALLY BLACK COLLEGES AND UNIVERSITIES ENGAGEMENT

In 2023, the FDIC continued to implement a plan for outreach to HBCUs and their students focused on three long-term goals: 1) develop and promote free, high-quality financial education to strengthen consumer financial capability and sustainable banking relationships; 2) inform HBCU students and graduates about career opportunities within the FDIC's workforce, including paid internships and leadership positions; and 3) build and strengthen positive connections between insured financial institutions and HBCUs.

The Consumer and Community Affairs Section of DCP strengthened its connections with HBCUs through in-person events on HBCU campuses and webinars. Through these events, the FDIC promoted homeownership opportunities, financial education, and economic development. Several events provided a forum for HBCU students and administrators to engage with financial institutions and featured presentations by HBCU officials.



Aerial view of Howard University

The FDIC regularly engaged with HBCU students at career and recruitment fairs hosted by individual HBCUs. Also, to highlight economics career pathways, the FDIC hosted a Careers and Networking Event for students in the American Economic Association Summer Program held at Howard University.

Attendees included students from Howard University, North Carolina Agricultural & Technical State University, and Spelman College. A panel of FDIC leaders shared insights on the mission of their respective economics-related section, available career opportunities, and desirable skills. A networking lunch provided a forum for students to engage with FDIC personnel who are in the early stages of their careers.

FDIC participation in the 2023 National HBCU Week Conference addressed all three of the agency's HBCU outreach goals. A *Money Smart* exhibit highlighted the newly updated *Money Smart for Young Adults* curriculum for ages 16-24, the *How Money Smart Are You?* suite of 14 online interactive financial capability games, and other resources. HBCU representatives were able to request a special organization account to use for their financial education initiatives at no charge. The FDIC also participated in the 2023 National HBCU Week Conference Career and Recruitment Fair, where HBCU students and alumni engaged with recruiters.

At the HBCU conference, the FDIC convened a panel with the directors of the Offices of Minority and Women Inclusion of several agencies and a Small Business Administration official. The panel presented information to entrepreneurs about doing business with the agencies and discussed ways to highlight company capabilities and successfully compete for agency contracts. In addition, agency personnel provided one-on-one technical assistance and shared practical information with the entrepreneurs.

Information Technology Modernization

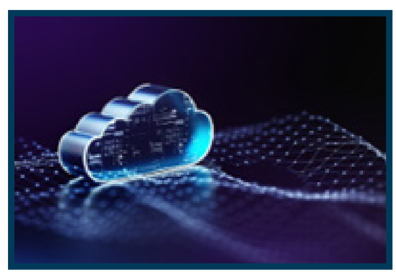
Information Technology is an essential component in virtually all FDIC business processes. The integration of IT and business processes provides opportunities for efficiencies and requires both an awareness and mitigation of potential risks.

MIGRATION TO THE CLOUD

In 2023, the FDIC made progress on its Cloud Infrastructure Migration project, which is composed of Cloud Setup, Back-Up Data Center (BDC) Phase Out, Cloud Data Management and Analytics (CDMA), and Data Orchestration and Integration for Applications (DOIA).

Cloud Set-up

The Cloud Platform project is comprised of the foundational components that will deliver both infrastructure and application services, and 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 2023, the Chief Information Officer Organization (CIOO) developed a Database Platform Licensing Strategy white paper to outline a cost savings approach and alternative cloud technologies. The CIOO conducted a Cloud Infrastructure Migration project strategy workshop to redefine the program's overall strategy, vision, objectives, scope, and outcomes and identify four strategic work streams: Program Governance, Outreach and Adoption, Capability and Capacity Building, and Onboarding and Operations.

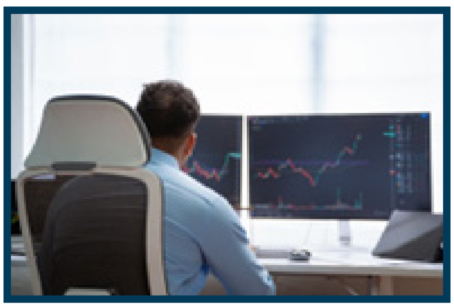
Back-Up Data Center Phase Out

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 the phase-out program is to remove the dependency of on-premises infrastructure that host the PMEF applications.

During 2023, the FDIC successfully demonstrated that mission-essential and mission-critical services remained available on Azure platforms during failover activities. A full test of the FDIC's Business Continuity and Disaster Recovery capabilities was conducted in October, one result of which was to strengthen the back-up plan to recover systems, infrastructure, and data after a potential catastrophic event. Some applications reduced failover/failback activity from 12 hours to 1 hour. Additionally, a policy was developed and successfully implemented to shut down non-production servers after hours and weekends, resulting in material cost savings.

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 the FDIC's Chief Data Officer Staff, 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 2023, the CIOO completed the initial design, architecture, and development of the new Machine Learning (ML) and Natural Language Processing (NLP) capability in the CDMA Enterprise Data Lake Capability Development environment. With the use of CDMA, FDIC Divisions and Offices data management and data analytics information was migrated to enable them to create new business capabilities that will improve FDIC data and mission delivery decisions.

Data Orchestration and Integration for Application

DOIA provides engineering support to the Cloud Infrastructure Migration project and other efforts involving migrating applications, data, and workloads to the cloud. It also involves mitigating dependencies for on-premises infrastructure, and developing modern processes to manage data throughout the organization. In 2023, DOIA continued to support the movement of data and applications to the cloud, which resulted in easy access to data and advanced data analysis of Mission Essential/Mission Critical (ME/MC) applications. CIOO continues to work with the Divisions and Offices to modernize data analytic platforms.

MODERNIZING OBSOLETE SYSTEMS

In 2023, the FDIC published its *2027 Target State Architecture* to strengthen the resilience of its IT infrastructure through intelligent automation and use of cloud-smart technologies, proactively reducing the risk of cyber-attacks against the FDIC IT infrastructure, increasing staff access to the corporate data, and delivering new/modernized capabilities with speed and scale.

To meet the demands of an ever-evolving regulatory environment, the FDIC envisions operationalizing an Adaptive IT Architecture that can be redesigned by the business lines to meet changing needs. This year, comprehensive multi-year business roadmaps were compiled to facilitate effective IT investment decisions by identifying strategic objectives with high impact for appropriately prioritizing the use of limited IT resources. An analysis of the complete application portfolio was also initiated to identify the need to retire or replace legacy and unsupported technology platforms. In addition, the FDIC established a standardized framework and guidance to streamline development and implementation of custom web-based applications which will reduce the number of supported infrastructure configurations.

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 the 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. In 2023, the FDIC completed its effort to define the business, technical, and compliance requirements for this project, and to procure funding. CIOO and RMS will continue to work together to begin development in 2024.

Enhancing Data Governance

In 2023, the FDIC established its cloud-based Enterprise Data Lake Capability, which serves as the foundation for modernizing enterprise data management and data-driven mission delivery using new cloud-based advanced data analytics capabilities. The FDIC's Enterprise Data Lake Capability establishes cloud-based capabilities that enable its data to be managed and used as an enterprise resource. The Enterprise Data Lake Capability also provides advanced self-service data analytics to support modernizing data-based decision making and improve mission delivery.

Also in 2023, the FDIC's Failed Bank Data System developed and deployed new technologies and capabilities to support the resolution of three large complex financial institutions. The program expanded the current FDIC boundary to incorporate a Government Cloud Component, enabling increased scalability options, particularly for hardware and both long-term and short-term storage. In addition, it supported FDIC Legal with over 300 cases and subpoenas related to open bank matters and receiverships.

In addition, the FDIC advanced its artificial intelligence program in 2023. Specifically, it established an AI Use Case Inventory (as required by the National Defense Authorization Act of 2023) as a central repository for FDIC AI use cases to provide visibility on AI activities across the Corporation. In response to evolving technology, the FDIC established a cross-functional Generative AI Working Group to evaluate Generative AI benefits and risks as an integral part of the FDIC AI Governance framework. The program also published the FDIC NIST AI Risk

Management Framework (RMF) Evaluation with recommendations on managing AI risks, collaborating with more than 20 volunteers across FDIC Divisions and Offices to perform evaluations and identify recommendations that can help the FDIC manage AI risks.

Adoption of Agile Software Development

The FDIC subscribes to "agile" practices when it comes to software development, which involves an ongoing process of continuous software code releases and customer feedback. In 2023, the CIOO made significant progress to adopt agile software development methods, including the formation of the Agile Working Group (AWG) whose goal is to accelerate the movement from projects to products. The AWG identified key incremental and iterative steps (change management, process, development experience, metrics, and product management) to aid in product completion. In addition, the AWG has made substantial progress in training leadership and staff, communicating change, establishing key metrics, identifying areas of opportunity, and highlighting successes.

Also in 2023, the CIOO conducted its first Product Management Workshop to educate agile teams on the future adoption of a product model[18]; three of these teams were successful in moving to the product model. Starting in 2024, two of the Agile teams' products will be piloted using the product management model. CIOO plans to onboard additional teams depending on agile maturity and team stability. CIOO is also creating of a product management playbook, which will allow agile teams to reference their journey from project to product management.

DEVSECOPS: Integration of Security Throughout Development Lifecycle

The FDIC's DevSecOps initiative is focused on providing product teams with a development platform that allows them to quickly implement enhancements; to support small, frequent releases; to minimize defects; and to quickly resolve any issues in the production environment. Successful milestones were achieved when the source code tool was implemented on the FDIC's Azure Cloud Computing Platform. Along with this, the tool the FDIC uses to curate, secure, and deliver software code was migrated to Azure. The application which proactively scans the software code for vulnerabilities was deployed to production at the same time. The migration to these tools and applications has allowed several teams to have projects in the FDIC's cloud-based service for software development and version control platform. In addition, a native DevSecOps tool for Salesforce platform to manage releases and deployment was migrated and deployed.

INFORMATION TECHNOLOGY SECURITY

Zero Trust

Zero Trust is an IT security model that requires identity verification for every person and device trying to access resources on a private network, regardless of whether they are sitting within or outside of the network perimeter. It provides security against ransomware and cybersecurity threats, and all federal agencies are required to adopt a Zero Trust Architecture

[18] A Product Model is a foundational organizing framework to align the technology team with business strategy and objectives.

per Executive Order.[19] In 2023, FDIC achieved significant milestones in the adoption of Zero Trust principles to safeguard its operations and the critical data it manages. By advancing foundational Zero Trust capabilities, the FDIC continues to improve its enterprise security posture and enhance process and capabilities to provide secure and accurate data access.

Identity, Credential, and Access Management (ICAM)

In 2023, the FDIC made advancements in ICAM technologies that contributed to our success in adopting Zero Trust principles. Our progress with respect to ICAM technologies will enable the FDIC to have a comprehensive view of all users, centralize the verification of user identities, and provide expanded identity proofing for business entities and public users. These technologies will help reduce burden on the FDIC to manage identities and credentials, allow quick detection of irregular behavior, and provide public users a secure way to access FDIC systems.

International Outreach

The FDIC takes a leadership role in supporting the global development of deposit insurance, bank supervision, and bank resolution systems. In 2023, 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

The FDIC continued its leadership at IADI in 2023. FDIC officials and experts continued to support IADI programs, including reviewing and providing input on the Core Principles for Effective Deposit Insurance Systems (Core Principles). The FDIC serves as a member of IADI's Executive Council, Core Principles and Research Council Committee, Reimbursement Technical Committee, and the Regional Committee of North America. Additionally, the FDIC chairs the Training and Technical Assistance Council Committee and the Capacity Building Technical Committee.

[19] In May of 2021, the President issued Executive Order (EO) 14028, *Improving the Nation's Cybersecurity*, initiating a sweeping Government-wide effort to ensure that baseline security practices are in place, to migrate the Federal Government to a Zero Trust architecture, and to realize the security benefits of cloud-based infrastructure while mitigating associated risks.

During the year, the FDIC contributed to IADI's second thematic review – a high-level view of the membership's self-reported compliance with four of the 16 Core Principles. The Capacity Building Technical Committee provided support for developing and facilitating virtual and in-person workshops for the Africa, Asia-Pacific, Caribbean, European, Eurasian, Latin American, and North American regions of IADI, among other activities. With FDIC support, IADI technical assistance and training activities reached more than 1,298 participants.

During 2023, the FDIC supported IADI's Governance Working Group, which realigned IADI's structure. Additionally, the FDIC participated in a joint IADI – FSB Resolution Steering Group (ReSG) meeting. Finally, FDIC Chairman Gruenberg provided a keynote speech at the IADI Annual Conference in September in Boston, MA.

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. Committed to strengthening ASBA's leadership, in 2023 the FDIC was represented on ASBA's board of directors with the FDIC Director of International Affairs beginning a two-year term as the North America Director. The FDIC also serves on the Training Committee and Working Groups on Financial Technology and climate-related financial risk.

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 2023, FDIC officials and staff were able to share their expertise with more than 325 individuals, representing more than 60 jurisdictions. The FDIC provided technical assistance to multiple ASBA members through virtual courses on Operational Risk and Model Risk and an in-person course on Banking Crisis and Resolution.

Outreach included hosting two virtual training programs, Virtual FDIC 101, which provides a high-level overview of the Corporation's key activities as a bank supervisor, deposit insurer, and resolution authority for 150 participants representing 57 organizations and a new program on Setting a Deposit Insurance Fund Target for 25 participants representing 25 jurisdictions.

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.

HUMAN CAPITAL MANAGEMENT

The FDIC's human capital management programs are designed to attract, develop, reward, and retain a highly skilled, diverse workforce. In 2023, 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 2023, 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 has begun 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. 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 2023, the FDIC leveraged its modernized training center and learning management system to fully support the return to in-person classroom training and an increase in examiner hiring.

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 2023, the FDIC's Corporate University delivered nearly 140 in-person course offerings to more than 2,700 participants, as well as more than 155 virtual course offerings to more than 8,000 participants.

EMPLOYEE ENGAGEMENT

Employee engagement plays an important role in empowering employees and helps maintain, enhance, and institutionalize a positive workplace environment. The FDIC strives to be an employer of choice, and continually evaluates its human capital programs and strategies to ensure that all of its employees are fully engaged and aligned with the mission. The FDIC uses the Federal Employee Viewpoint Survey mandated by Congress to solicit feedback from employees, and takes an agency-wide approach to address key issues identified in the survey.

The FDIC engages employees through the Workplace Excellence (WE) Program and other formal channels 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-National Treasury Employees Union (NTEU) Labor Management Forum (LMF) serves as a mechanism for the union and employees to have pre-decisional input on workplace matters. WE and LMF enhance communication, provide additional opportunities for employee input, and improve employee engagement.