

I.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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OVERVIEW

During 2019, the FDIC continued to fulfill its mission-critical responsibilities. In addition, the agency is working to further strengthen the banking system, modernize its approach to supervision, and increase transparency surrounding its programs. The FDIC also continued to engage in several community banking and community development initiatives.

Cybersecurity remained a high priority for the FDIC in 2019; the agency worked to strengthen infrastructure resiliency, enhance data governance, help financial institutions mitigate risk, and respond to cyber threats. This *Annual Report* highlights these and other accomplishments during the year.

DEPOSIT INSURANCE

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

Long-Term Comprehensive Fund Management Plan

In 2010 and 2011, the FDIC developed a comprehensive, long-term DIF management plan designed to reduce the effects of cyclicalities and achieve moderate, steady assessment rates throughout economic and credit cycles, while also maintaining a positive fund balance, even during a banking crisis.

Under the long-term DIF management plan, to increase the probability that the fund reserve ratio (the ratio of the fund balance to estimated insured deposits) would reach a level sufficient to withstand a future crisis, the FDIC Board set the Designated Reserve Ratio (DRR) of the DIF at 2.0 percent. The FDIC views the 2.0 percent DRR as a long-term goal and the minimum level needed to withstand future crises of the magnitude of past crises. In December 2019, the Board voted to maintain the 2.0 percent ratio for 2020.

Additionally, as part of the long-term DIF management plan, the FDIC has suspended dividends indefinitely when the fund reserve ratio exceeds 1.5 percent. In lieu of dividends, the plan prescribes progressively lower

assessment rates that will become effective when the reserve ratio exceeds 2.0 percent and 2.5 percent.

State of the Deposit Insurance Fund

Four small institutions with total assets of \$209 million failed in 2019. Despite these failures, the fund balance continued to grow through 2019, as it has every quarter after the end of 2009. Assessment revenue was the primary contributor to the increase in the fund balance, while earnings on investments, unrealized gains on investment securities held by the DIF, and a reduction in losses from past failures were also significant contributors to growth in 2019. The fund reserve ratio rose to 1.41 percent at September 30, 2019, from 1.36 percent a year earlier.

Minimum Reserve Ratio

Section 334 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which increased the minimum reserve ratio of the DIF from 1.15 percent to 1.35 percent, mandates that the reserve ratio reach that level by September 30, 2020.

To achieve this ratio, the FDIC imposed surcharges on the quarterly assessments of insured depository institutions (IDIs) with total consolidated assets of \$10 billion or more (i.e., large banks). The surcharge equaled an annual rate of 4.5 basis points applied to an institution's regular quarterly deposit insurance assessment base after subtracting \$10 billion, with additional adjustments for banks with affiliated IDIs.

As of September 30, 2018, the reserve ratio exceeded the required minimum of 1.35 percent, and the surcharges were suspended.

Application of Small Bank Assessment Credits

Because the Dodd-Frank Act mandates that the FDIC offset the effect of the increase in the reserve ratio on small banks (i.e., banks with assets less than \$10 billion), these banks were exempt from the surcharges. Also in accordance with the Dodd-Frank Act, FDIC regulations provide assessment credits to small banks for the portion of their regular assessments that contributed to growth in the reserve ratio between 1.15 percent and 1.35 percent. The FDIC awarded these banks an aggregate amount of approximately \$765 million in credits after the reserve

ratio surpassed 1.35 percent as of September 30, 2018. The FDIC notified all eligible banks of their respective assessment credit amounts in January 2019.

FDIC regulations provide that the FDIC will automatically apply assessment credits to reduce a small bank's regular assessment up to the entire amount beginning in the first assessment period in which the reserve ratio is at least 1.38 percent. The reserve ratio increased to 1.40 percent as of June 30, 2019, thereby exceeding 1.38 percent for the first time since small bank assessment credits were awarded, and was 1.41 percent as of September 30, 2019. As a result, the FDIC automatically applied approximately \$559 million of small bank assessment credits to offset banks' second and third quarter 2019 assessments. After applying these credits, \$206 million in small bank credits remain.

In November 2019, the FDIC approved a final rule amending the deposit insurance assessment regulations that govern the use of small bank assessment credits and one-time assessment credits (OTACs) by certain IDIs.¹ Under the final rule, the FDIC will apply small bank assessment credits to quarterly deposit insurance assessments as long as the DIF reserve ratio is at least 1.35 percent (instead of, as originally provided, 1.38 percent). In addition, after small bank assessment credits have been applied for four quarterly assessment periods, and as long as the reserve ratio is at least 1.35 percent, the FDIC will remit the full nominal value of any remaining small bank assessment credits and OTACs in lump-sum payments to each IDI holding such credits in the next assessment period.

SUPERVISION

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

Examination Program

The FDIC's strong bank examination efforts are at the core of its supervisory program. As of December 31, 2019, the FDIC was the primary federal regulator for 3,347 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System (generally referred to as "state nonmember" institutions). Through risk management (safety and soundness), consumer compliance, Community Reinvestment Act (CRA), and other specialty examinations, the FDIC assesses an institution's operating condition, management practices and policies, and compliance with applicable laws and regulations.

As of December 31, 2019, the FDIC conducted 1,458 statutorily required risk management examinations, including reviews of Bank Secrecy Act (BSA) compliance, and all required follow-up examinations for FDIC-supervised problem institutions, within prescribed time frames. The FDIC also conducted 1,147 statutorily required CRA/consumer compliance examinations (933 joint CRA/consumer compliance examinations, 210 consumer compliance-only examinations, and four CRA-only examinations). In addition, the FDIC performed 3,270 specialty examinations (which include reviews for BSA compliance) within prescribed time frames.

The table on the following page illustrates the number of examinations by type, conducted from 2017 through 2019.

Risk Management

All risk management examinations have been conducted in accordance with statutorily-established time frames. As of September 30, 2019, 55 insured institutions with total assets of \$48.8 billion were designated as problem institutions—defined as those institutions having a composite CAMELS² rating of 4 or 5—for safety and soundness purposes. By comparison, on September 30, 2018, there were 71 problem institutions with total assets of \$53.3 billion. This represents a 23 percent decline in the number of problem institutions and an 8 percent decrease in problem institution assets.

¹ The Federal Deposit Insurance Reform Act of 2005 (FDI Reform Act) required the FDIC to provide OTACs to IDIs that existed on December 31, 1996, and paid a deposit insurance assessment prior to that date, or that were successors to such an institution. The purpose of the OTAC, which was described as a "transitional" credit when it was enacted, was to recognize the contributions that certain institutions made to capitalize the Bank Insurance Fund and Savings Association Insurance Fund, which had been recently merged into the DIF.

² The CAMELS composite rating represents an institution's adequacy of Capital, quality of Assets, capability of Management, quality and level of Earnings, adequacy of Liquidity, and Sensitivity to market risk, and ranges from "1" (strongest) to "5" (weakest).

FDIC EXAMINATIONS			
	2019	2018	2017
Risk Management (Safety and Soundness):			
State Nonmember Banks	1,310	1,333	1,440
Savings Banks	148	159	171
State Member Banks	0	0	0
Savings Associations	0	0	0
National Banks	0	0	0
Subtotal—Risk Management Examinations	1,458	1,492	1,611
CRA/Consumer Compliance Examinations:			
Consumer Compliance/Community Reinvestment Act	933	876	770
Consumer Compliance-only	210	337	393
CRA-only	4	2	5
Subtotal—CRA/Compliance Examinations	1,147	1,215	1,168
Specialty Examinations:			
Trust Departments	313	308	347
Information Technology and Operations	1,466	1,503	1,627
Bank Secrecy Act	1,491	1,523	1,640
Subtotal—Specialty Examinations	3,270	3,334	3,614
TOTAL	5,875	6,041	6,393

For the 12 months ended September 30, 2019, 28 institutions with aggregate assets of \$4.5 billion were removed from the list of problem financial institutions, while 12 institutions with aggregate assets of \$1.6 billion were added to the list. The FDIC is the primary federal regulator for 39 of the 55 problem institutions, with total assets of \$4.4 billion.

In 2019, the FDIC's Division of Risk Management Supervision (RMS) initiated 100 formal enforcement actions and 119 informal enforcement actions. Enforcement actions against institutions included, but were not limited to, 17 actions under Section 8(b) of the Federal Deposit Insurance Act (FDI Act), one of which was a notice of charges, three civil money penalties (CMPs), and 83 memoranda of understanding (MOUs). Of these enforcement actions against institutions, five consent orders, three CMPs and 18 MOUs were based, in whole or in part, on apparent violations of BSA and anti-money laundering (AML) laws and regulations. In addition, enforcement actions were also initiated against individuals. These actions included, but were not limited to, 34 removal and prohibition actions under Section 8(e) of the FDI Act (33 consent orders and one notice of intention to remove/prohibit), five actions under Section

8(b) of the FDI Act, and 10 CMPs, (nine orders to pay restitution and one notice of assessment), including two CMPs related to BSA.

The FDIC conducts risk examination through a risk-focused, forward-looking supervision program. The objective of a risk-focused examination is to evaluate the safety and soundness of the financial institution by assessing its risk management systems, financial condition, and compliance with applicable laws and regulations, while focusing on the bank's highest risks. The risk-focused examination process seeks to strike an appropriate balance between evaluating the condition of an institution at a certain point in time and evaluating the soundness of the institution's processes for managing risk in all phases of the economic cycle. By evaluating an institution's risk management practices, examiners look beyond the financial condition of a bank at a point in time, to how well it can respond to changing market conditions given its particular risk profile.

Examiners communicate their views about changes needed in its practices, operations or financial condition through supervisory recommendations, including Matters Requiring Board Attention (MRBA). A

principal purpose of supervisory recommendations is to communicate supervisory concerns to a bank so that it can make appropriate changes in its practices, operations, or financial condition and thereby avoid more formal remedies in the future, such as enforcement actions. RMS tracks bank managements' responsiveness to MRBAs through examination follow up activities.

For example, in 2019, a total of 312 institutions were assigned a composite CAMELS rating of 2 and had MRBAs identified in the examination reports. To ensure that MRBAs are being appropriately addressed at these institutions, the FDIC timely reviews progress reports and follows up with bank management as needed. More specifically, within six months of issuing the examination reports, the FDIC conducted appropriate follow up and review of these MRBAs at 301 (96.5 percent) of these institutions. Follow up and review of the MRBAs at the remaining 11 institutions (3.5 percent) occurred more than six months after issuing the examination reports primarily due to delayed responses from some banks, as well as the need for additional information in order to complete a full review.

Consumer Compliance

As of December 31, 2019, 36 insured state nonmember institutions (collectively, with total assets of \$33 billion), about 1 percent of all supervised institutions, were problem institutions for consumer compliance, CRA, or both. All of the problem institutions for consumer compliance were rated "4" for consumer compliance purposes, with none rated "5." For CRA purposes, the majority were rated "Needs to Improve"; only two were rated "Substantial Noncompliance." As of December 31, 2019, all follow-up examinations for problem institutions were performed on schedule.

As of December 31, 2019, the FDIC conducted and achieved all required consumer compliance and CRA examinations and, when violations were identified, completed follow-up visits and implemented appropriate enforcement actions in accordance with FDIC policy. In completing these activities, the FDIC achieved its internally established time standards for the issuance of final examination reports and enforcement actions.

Overall, FDIC examiners concluded that the vast majority of FDIC-supervised institutions were rated satisfactory or better for consumer compliance and demonstrated the ability to maintain effective programs to manage their

consumer compliance responsibilities. Some noteworthy issues that emerged from 2019 consumer compliance examinations include continuing concerns about banks' monitoring of third-party service providers and their implementation of the Truth in Lending Act (TILA) – Real Estate Settlement Procedures Act (RESPA) Integrated Disclosure Rule (TRID). The TRID implementation issues were the most frequently cited violations of TILA in 2019. In response, the FDIC developed and hosted a banker teleconference on *Understanding the TRID Rule* (see discussion under the Technical Assistance Program section).

As of December 31, 2019, the FDIC's Division of Depositor and Consumer Protection (DCP) initiated 19 formal enforcement actions and 15 informal enforcement actions to address consumer compliance examination findings. This included three consent orders to strengthen consumer compliance management systems, 16 CMPs, and 11 MOUs. The CMPs were issued against institutions to address violations of the Flood Disaster Protection Act, the RESPA, and Section 5 of the Federal Trade Commission Act for unfair or deceptive acts or practices. The CMP orders totaled in excess of \$2.1 million. In addition to the consumer refunds resulting from the assistance provided by the FDIC's Consumer Response Center (see discussion under the Consumer Complaints and Inquiries section), consumer compliance examination findings resulted in banks making voluntary restitution of approximately \$4.7 million to over 19,000 consumers and TILA reimbursements of approximately \$1.3 million to more than 6,000 consumers.

Consumer Compliance Supervision Strategic Plan

DCP has established a *Supervision Strategic Plan* to identify near-term initiatives that are aligned with long-term objectives. The *Supervision Strategic Plan* for consumer compliance is built around four pillars: Technology and Financial Innovation, Supervisory Efficiency, Emerging Risk Identification, and Communication Effectiveness. DCP established 20 key near-term initiatives in alignment with these pillars, and set forth strategies to leverage technology, expand industry engagement, and efficiently conduct risk-focused examination activities to pursue these initiatives. DCP will continue to advance these strategic priorities, and is updating the plan to reflect 2021 – 2024 initiatives and goals. Current development of plans for 2021 – 2024 initiatives will continue to advance strategic priorities.

External stakeholders—in particular, community banks—will benefit from the plan through continued transparency in the supervisory process, which includes changes to examination report formats, access to information and resources, tools that will improve the exchange of data and documents with the FDIC, and increased engagement with the FDIC's exceptionally knowledgeable and well-equipped examiners.

Large Bank Supervision Program

The Large Bank Supervision Branch (LBSB) within RMS addresses the growing complexity of large banking organizations with assets from \$10 billion to \$100 billion of all charters, plus all FDIC-supervised banks over \$10 billion. This branch is responsible for supervisory oversight and ongoing monitoring, while supporting the insurance business line. For state nonmember banks with assets exceeding \$10 billion, the FDIC generally applies a continuous examination program, whereby dedicated staff conduct ongoing on-site supervisory examinations and institution monitoring.

The Large Insured Depository Institution (LIDI) Program remains the primary instrument for off-site monitoring of IDIs supervised by LBSB, as well as select banks supervised by the Division of Complex Institution Supervision and Resolution (CISR) where the FDIC has on-site examination staff. 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. In 2019, the LIDI Program covered 122 institutions with total assets of \$6.8 trillion. The LIDI Program 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.

The Shared National Credit (SNC) Program is an interagency initiative administered jointly by the FDIC, the Office of the Comptroller of the Currency (OCC), and the Federal Reserve Board (FRB) to promote consistency in the regulatory review of large, syndicated credits, as well as to identify risk in this market, which comprises a large volume of domestic commercial lending. In 2019,

outstanding credit commitments identified in the SNC Program totaled \$4.8 trillion. The FDIC, FRB, and OCC report the results of their review in an annual, joint public statement.

In the third and fourth quarter of 2018, the LBSB completed a horizontal commercial loan underwriting review at 32 large FDIC-supervised institutions to further understand and assess recent commercial loan underwriting practices. In July 2019, the overall findings and observations from that review were shared via a letter to each covered bank's Chief Executive Officer.

Operational Risk Supervision Program

Information Technology and Cybersecurity

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

During 2019, the FDIC collaborated with the FRB and state banking departments to enhance the Information Technology Risk Examination (InTREx) Program used to conduct financial institution IT examinations. For example, the InTREx information technology profile used to risk-focus IT examinations was streamlined, and redundancies in examiner questions were eliminated.

The FDIC also enhanced its examinations of service providers. For example, the interagency Cybersecurity Examination Program became a standard component of the most significant service provider examinations. The FDIC, FRB, and OCC, also horizontally reviewed the contracts between financial institutions and large service providers to evaluate how well the agreements provide for protecting customer nonpublic personal information.

The FDIC collaborated with the other FFIEC member entities³ to update the FFIEC *IT Examination Handbook* booklet titled Business Continuity Management.

³ FFIEC member agencies include the FDIC, FRB, National Credit Union Administration (NCUA), OCC, and Consumer Financial Protection Bureau (CFPB). The FFIEC also includes a State Liaison Committee (SLC) as a voting member; the SLC includes representatives from the Conference of State Bank Supervisors (CSBS), American Council of State Savings Supervisors (ACSSS), and National Association of State Credit Union Supervisors (NASCUS).

Examiners use this booklet as a reference, and it contains detailed procedures for examining more complex entities. Finally, the FDIC, FRB, and OCC conducted IT examinations of services provided to banks by third parties, with a particular focus on the strength of the contracts between banks and their service providers.

The FDIC also continued to build its IT examination workforce. For example, an entry-level IT and Cyber Risk Management Analyst position was created. The new analysts will focus only on IT (including cybersecurity) examinations, and are expected to reach proficiency at those tasks quicker than examiners who have broader responsibilities. The FDIC also updated its advanced IT training for safety and soundness examiners. Examiners take this training to prepare them to examine the most complex institutions and service providers.

The FDIC actively engages with both the public and private sectors to assess emerging cybersecurity threats and other operational risk issues. The information obtained from these engagements is shared with financial institutions and examiners, when appropriate. FDIC staff meet regularly with the Financial and Banking Information Infrastructure Committee (FBIIC), the Financial Services Sector Coordinating Council for Critical Infrastructure Protection, the Department of Homeland Security (DHS), the Financial Services Information Sharing and Analysis Center, other regulatory agencies, and law enforcement to share information regarding emerging issues and to coordinate responses. For example, in June 2019, the FDIC sent a DHS cybersecurity alert to all FDIC-supervised institutions highlighting the need for them to defend against a rise in malicious cyber activity directed at the United States. Additionally, in October 2019, the FDIC and other FFIEC members conducted a webinar to raise awareness about the increased frequency of email compromise fraud. The webinar featured a guest speaker from the Financial Crimes Enforcement Network (FinCEN), which has researched this type of fraud.

Bank Secrecy Act/Anti-Money Laundering

Throughout 2019, the FDIC, FRB, and OCC and the Department of the Treasury (including FinCEN), focused on improving the efficiency and effectiveness of the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) regime. In July 2019, the agencies issued a joint statement to clarify the risk-focused approach to BSA/AML supervision. The FDIC, FRB, OCC, Treasury, and FinCEN also issued

a statement on providing financial services to customers engaged in hemp-related businesses.

The FFIEC made significant progress in updating the FFIEC BSA/AML Examination Manual that is expected to be released in early 2020. Revised sections of the manual reinforce instructions to examiners regarding depository institutions' policies, procedures, and processes designed to reasonably meet the requirements of the BSA and safeguard institutions from money laundering, terrorist financing, and other illicit financial activity. The manual emphasizes that examiners should tailor the BSA/AML examination scope and planned procedures to the money laundering/terrorist financing risk profile of the depository institution.

Cyber Fraud and Financial Crimes

The FDIC has undertaken a number of initiatives in 2019 to protect the banking industry from criminal financial activities. These include developing a financial crimes conference that will be held in 2020 for examiners, lawyers, and others from federal banking and law enforcement agencies. Another initiative helped financial institutions identify and shut down "phishing" websites that attempt to fraudulently obtain an individual's confidential personal or financial information. Finally, in August 2019, the FDIC published a *Consumer News* article that offered tips consumers can use to protect themselves from fake check scams.

Examiner Training and Development

Examiner training continued to be a top priority in 2019. The FDIC strives to deliver effective and efficient on-the-job, classroom, and computer-based instruction. A cadre of highly trained and skilled instructors provides classroom learning to FDIC examination staff, as well as staff of regulatory partners from international and state agencies. Oversight of the training program is provided by senior and mid-level management to ensure that content and delivery are effective, appropriate, and current. The FDIC works in collaboration with partners across the organization and with the FFIEC to ensure that emerging risks and topics are incorporated and conveyed timely. Examination staff at all levels benefit from targeted and tenure-appropriate content. The FDIC also recognizes the critical role peer-to-peer knowledge transfer plays in preserving institutional knowledge and experience, and encourages opportunities for employees to learn from each other.

In 2019, the FDIC held training for all of its commissioned risk management examiners and case managers on a variety of topics, including root cause analysis, emerging technologies, model risk management, and operational risk. In addition, the FDIC launched refresher foundational training for all examination-related staff on the Bank Secrecy Act; this training will be completed in first quarter 2020.

In addition, a Current Expected Credit Losses (CECL) Examiner Training and Development Plan was launched in 2018 to begin a multi-year initiative to ensure examination staff understand the requirements of the new credit losses accounting standard, and are consistent in conveying the FDIC's expectations with respect to banks' CECL implementation efforts.

The FDIC has also undertaken a multi-year project to expand and strengthen its examiner development programs for specialty areas, such as IT, BSA/AML, trust, capital markets, and accounting. As banks become more specialized, enhancing examiner skills in these areas is key to ensuring an effective examination program. The goal of this project is to standardize the skills needed to examine banks of varying levels of risk and complexity in each specialty area, and to develop on-the-job training (OJT) programs to provide opportunities for examiners to acquire higher-level competencies in these specialty areas.

In 2019, the FDIC released the second of its IT OJT programs and continued to develop specialty OJT programs in accounting, capital markets, BSA/AML, and trust.

Minority Depository Institution Activities

The preservation and promotion of minority depository institutions (MDIs) remains a long-standing and high priority for the FDIC. In 2019, the FDIC expanded engagement with MDIs and continued to promote and support MDI and Community Development Financial Institution (CDFI bank) industry-led strategies to better serve their communities. These strategies include increasing collaboration between MDIs and other financial institutions; partnering to share costs, raise capital, or pool loans; and making innovative use of available federal programs. The FDIC supports these efforts through research, outreach, and engagement to better understand MDI issues, as well as by providing technical assistance and education and training for MDI and CDFI banks.

During 2019, the FDIC published a research study, *Minority Depository Institutions: Structure, Performance, and Social Impact* that explores changes in FDIC-insured MDIs, their role in the financial services industry, and their impact on the communities they serve. The study showed that MDI financial performance improved significantly over the past five years; MDIs consolidated significantly, but more gradually than community banks overall; and MDIs are important service providers to low- or moderate-income and minority communities.

The FDIC established a new MDI Subcommittee of the Advisory Committee on Community Banking (CBAC), which held its inaugural meeting in December 2019. The subcommittee provides an opportunity for minority bankers to discuss key issues and share feedback directly with FDIC Board Members and senior management.

In addition, the FDIC added additional MDI bankers to the CBAC membership to further bring MDI perspectives and issues to the table.

Throughout 2019, the FDIC hosted three roundtables with large banks and MDI bankers to foster collaboration in support of the continued vibrancy of MDIs and their communities. During the roundtables, executives from 29 large banks and 24 MDIs discussed potential partnerships including financial support, lending activities, or service activities including technical assistance. Each roundtable outlined how both MDIs and other institutions may realize business and regulatory benefits by developing partnerships, drawing upon the FDIC's *Resource Guide for Collaboration with Minority Depository Institutions* published in December 2017. In addition, the FDIC clarified how relationships with MDIs receive consideration under the Community Reinvestment Act. The FDIC is following up to monitor the outcomes of the roundtables and highlight successful partnerships at future roundtables.

One of the FDIC's statutory goals is to preserve the minority character of MDIs in failed bank acquisitions. In 2019, the FDIC hosted three workshops and two webinars with MDI bankers to discuss the failed bank bidding process and special marketing procedures for MDIs. In addition, the FDIC implemented a new marketing procedure that provides a two-week window exclusively for MDIs. During this window, the FDIC contacts all qualified MDIs on the bid list to ensure they received an invitation to bid, and provides full access to



FDIC Chairman McWilliams is introduced to Alden J. McDonald's son, Todd McDonald at the June 2019 Interagency MDI and CDFI Bank Conference. Alden McDonald founded Liberty Bank and Trust in 1972 in New Orleans, Louisiana.

the data room if an MDI is interested. The FDIC also describes in detail the failing bank transaction and offers to provide technical assistance on the bidding process. Following the two-week period, the FDIC invites all other qualified bidders to the failing bank project.

One MDI failed in 2019, and the acquirer was another MDI. In fact FDIC's research shows that over a 17-year period, most of the assets of merged and failed MDIs have been acquired by other MDIs. Of the nearly \$23 billion in MDI failed-bank assets during this period, 86 percent were acquired by another minority bank.

In June 2019, the FDIC hosted the interagency MDI and CDFI bank conference, *Focus on the Future: Prospering in a Changing Industry*, in collaboration with the OCC and FRB. The conference featured a dialogue with federal leadership, who provided updates on programs and policies that can help MDI and CDFI banks achieve their goals. Minority bank CEOs discussed strategies for their customers, employees, and communities in order to succeed in today's marketplace. Experts discussed innovation, collaboration, supervision, and FDIC research. Interactive workshops addressed topics such as cybersecurity and threat-monitoring tools and resources, understanding MDIs and their markets, succession management, federal programs supporting MDIs, the benefits of participating in the CDFI Fund's programs, and preserving the minority character in failing bank transactions.

The FDIC also continuously pursued efforts to improve communication and interaction with MDIs and to respond to the concerns of minority bankers in 2019.

The FDIC 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 routinely contacts MDIs to offer return visits and technical assistance following the conclusion of FDIC safety and soundness, consumer compliance, CRA, and specialty examinations to help bank management understand and implement examination recommendations. These return visits, normally conducted within 90 to 120 days after the examination, are intended to provide useful recommendations or feedback for improving operations, not to identify new issues.

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 2019, the FDIC provided 134 individual technical assistance sessions on nearly 50 risk management, consumer compliance, and resolution topics, including:

- ◆ Accounting,
- ◆ Bank Secrecy Act and Anti-Money Laundering,
- ◆ Community Reinvestment Act,
- ◆ Compliance management,
- ◆ Funding and liquidity,
- ◆ Information technology risk management and cybersecurity,
- ◆ Internal audit, and
- ◆ Failed bank acquisition.



Chairman McWilliams (center) in discussion with John Hope Bryant, founder, Chairman and CEO of Operation HOPE, and Evelyn Smalls, President and CEO of United Bank of Philadelphia at the National Bankers Association Annual Convention in October 2019.

The FDIC also held outreach, training, and educational programs for MDIs through conference calls and regional banker roundtables. In 2019, topics of discussion for these sessions included many of those listed above, as well as collaboration and partnerships, the CECL accounting methodology, IT vendor management, cybersecurity, CRA, innovation, BSA, CDFI Fund Programs, and emerging technology.

SUPERVISION POLICY

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

Risk-Focused Supervision Program

During 2019, the FDIC undertook an effort to memorialize its long-standing practices regarding risk-focused, forward-looking supervision. The result of this effort was referenced in RMS's August 2019 update to the *Risk Management Manual of Examination Policies*, which incorporated a new section titled "Risk-Focused, Forward-Looking Safety and Soundness Supervision." The new section describes the FDIC's long-standing philosophy and methods for supervising institutions by focusing on institutions and the areas within institutions presenting the greatest risks. It also describes principles for communication, risk-tailoring of examination procedures, examination planning, and off-site examination activities that are followed during safety and soundness examinations.

As part of this effort, RMS also implemented more robust examination planning procedures, including increasing the amount of notice bankers are provided before examinations begin and allowing examiners more time to understand the institution and tailor procedures to the institution's risk profile accordingly. Additionally, procedures for loan review have been enhanced and electronic document-transfer systems with institutions have been improved.

Current Expected Credit Losses Implementation

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

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

- ◆ The FDIC participated on the FFIEC Task Force on Reports that developed revisions to the Call Report and other FFIEC reports to address the changes in the accounting for credit losses under the new standard. Because the standard could be early adopted by institutions effective January 1, 2019, these revisions were implemented for quarterly reports as of March 31, 2019, and take effect for annual reports as of December 31, 2019. Institutions were notified of the final reporting changes in an interagency FFIEC Financial Institution Letter (FIL) and an FDIC-only FIL.
- ◆ In December 2018, the FDIC, FRB and OCC issued the CECL Regulatory Capital final rule revising the regulatory capital rules for the implementation of, and capital transition to, the CECL methodology. The final rule allows banks to transition the day-one effects of the credit losses accounting standard on regulatory capital over three years. The final rule also revises the agencies' regulatory capital rule and other rules to take into consideration differences between the new accounting standard and existing U.S. generally accepted accounting principles.
- ◆ In April 2019, the FDIC, FRB, OCC, and NCUA issued an updated set of frequently asked questions (FAQs) that focus on the application of the new credit losses accounting standard and related regulatory reporting. This updated set includes the initial set of FAQs issued in December 2016 and the second set of FAQs issued in September 2017. Certain of the previously issued FAQs were updated in response to recent developments. An appendix includes links to relevant resources that are available to institutions to assist with the implementation of CECL.
- ◆ In April 2019, the FDIC, FRB, OCC, NCUA, FASB, SEC, and CSBS conducted a webinar covering one possible simplified method of calculating allowances under CECL, which is known as the Weighted Average Remaining Maturity (WARM) Method. In January 2019, the FASB issued a Staff questions and answers (Q&A) document confirming that the WARM method is one of many acceptable methods that can be used to estimate allowances for less

complex financial asset pools under CECL. The webinar also discussed the use of reasonable and supportable forecasts when estimating allowances.

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

The economy is in its eleventh year of expansion. Amid increasing competition for loans, a large majority of insured institutions continue to grow their loan portfolios, albeit more slowly than in prior years. Some institutions have increased existing concentrations, leaving them with greater exposure to market sector changes.

Loan growth, accompanied by a reduction in holdings of liquid assets and increased reliance on funding sources other than traditionally stable deposits, is particularly prevalent among institutions with rising or elevated concentration levels. Competition for deposits is increasing and intensified by long-term trends like declining rural populations and consumers' adoption of innovative financial technology.

A lengthy period of historically low interest rates and tightening net interest margins have created incentives for insured depository institutions to reach for yield in their lending and investment portfolios by extending portfolio durations, potentially increasing their vulnerability to higher interest rates. Long-term rates have been falling in recent years, resulting in a flatter yield curve and, in 2019, the yield curve temporarily inverted. The uncertainty in the direction of rates and shape of the yield curve create a challenging environment for managing exposure to interest-rate risk.

Through regular on-site examinations and interim contacts with state nonmember institutions, FDIC staff regularly engage in dialogue with institution management about the need to ensure that their practices to manage credit risk, liquidity risk, and interest-rate risk are effective. Where appropriate, FDIC staff work with institutions that have significant exposure to these risks and encourage them to take appropriate risk-mitigating steps. The FDIC employs off-site monitoring to help identify institutions that may have heightened exposure to these risks, and follows up with them to better understand their risk profiles.

Throughout 2019, the FDIC conducted outreach and offered technical assistance regarding these risk issues. The FDIC also published *Supervisory Insights* articles on

the risks associated with potential transitions in financial instrument reference rates and the risk management practices of insured banks with commercial real estate loan concentrations and leveraged lending. FDIC examiners continue to assess how well banks are managing the risks associated with credit and funding concentrations. The findings of these assessments are shared with bank management in the Report of Examination.

CAMELS Request for Information

In October 2019, the FDIC and FRB issued a request for information and comments from interested parties regarding the consistency of ratings assigned by the agencies under the Uniform Financial Institutions Rating System (more commonly known as CAMELS ratings). The agencies are also requesting feedback on the use of CAMELS ratings by the agencies in their bank application and enforcement action processes. Comments are due by February 28, 2020.

Applications Procedures Manual

During 2019, the FDIC issued updated, public facing sections of the Applications Procedures Manual. The manual provides comprehensive direction to FDIC staff assigned to review and process applications, notices, and other requests (collectively, applications) submitted to the FDIC. In June, 17 sections of the manual were released, and in December an additional 18 sections were released.

As part of Chairman McWilliams' "Trust Through Transparency" initiative, making the manual publicly available provides greater transparency to the banking industry and other interested parties regarding the FDIC's application processes. As appropriate, the manual will be updated periodically for changes in laws, regulations, and processes. FDIC-insured institutions and other interested parties may access application-related information through the FDIC's Bank Applications webpage located at <https://www.fdic.gov/regulations/applications/>.

Supervisory Guidance

Regulatory Relief - Areas Affected by Severe Storms

During 2019, the FDIC issued eight advisories through FILs to provide guidance to financial institutions in areas affected by hurricanes, tornadoes, flooding, wildfires, and other severe storms, and to facilitate recovery. In

these advisories, the FDIC encouraged banks to work constructively with borrowers experiencing financial difficulties as a result of natural disasters, and clarified that prudent extensions or modifications of loan terms in such circumstances can contribute to the health of communities and serve the long-term interests of lending institutions.

Allowance for Credit Losses

On October 17, 2019, the three banking agencies and the NCUA, with input from CSBS, issued for public comment a proposed Interagency Policy Statement on Allowances for Credit Losses (ACLs) in response to CECL, the new credit losses accounting standard. The proposed policy statement would replace the agencies' December 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL) and the July 2001 Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions (collectively, the 2006 and 2001 ALLL Policy Statements). The comment period closed December 16, 2019.

- ◆ The principles outlined in the policy statement on ACLs would become of interest to an institution upon the institution's adoption of the CECL.
- ◆ Once CECL is effective for all institutions, the agencies will rescind the 2006 and 2001 ALLL Policy Statements.
- ◆ The proposed new policy statement addresses most of the topics covered in the 2006 and 2001 ALLL Policy Statements, but in the context of CECL. Thus, the new policy statement describes:
 - The measurement of expected credit losses under CECL and the accounting for impairment on available-for-sale (AFS) debt securities in accordance with the new credit losses accounting standard;
 - Principles related to designing, documenting, and validating expected credit loss estimation processes, including the internal controls over these processes;
 - Maintaining appropriate ACLs;
 - The responsibilities of boards of directors and management; and
 - Examiner reviews of ACLs.

Credit Risk Review

In October 2019, the FDIC, jointly with the FRB, OCC, and NCUA, issued a request for comment on proposed *Guidance for Credit Risk Review Systems*. The proposed supervisory guidance updates and reaffirms, as a stand-alone document, the elements of an effective credit risk review system currently contained in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses (Attachment 1 - Loan Review Systems)*, issued in 2006. The proposed supervisory guidance also reflects current industry credit review practices and terminology associated with the CECL methodology. The comment period closed on December 16, 2019.

Codification of Section 19 Statement of Policy

On November 18, 2019, the FDIC approved an NPR to codify the Section 19 Statement of Policy (SOP) in the FDIC's regulations and seek public comment on all aspects of the Section 19 SOP. Section 19 of the FDI Act generally prohibits individuals convicted of certain crimes from becoming employed by, or participating in the affairs of, an IDI. Specifically, the proposal seeks comment on whether and how the FDIC should expand the criteria for what constitutes a *de minimis* offense. This proposal also supports the ongoing initiative among the federal financial regulators to address the appropriate role of supervisory guidance compared to notice and comment rulemakings. The comment period closes on March 16, 2020.

Regulatory Tailoring

Tailoring of Capital and Liquidity Standards

In October 2019, the FDIC, FRB and OCC approved a final rule to tailor the regulatory capital and liquidity requirements for large depository institution holding companies, U.S. intermediate holding companies of foreign banking organizations (U.S. IHCs), and certain depository institutions. Under the final rule, the requirements for U.S. Global-Systemically Important Banks (U.S. G-SIBs) are unchanged and these institutions remain subject to the most stringent standards. However, the final rule tailors the capital and liquidity requirements for all other banking organizations with greater than \$100 billion in total consolidated assets, commensurate with their size, complexity, and potential systemic risks. The final rule is consistent with considerations and factors set forth under section 165 of the Dodd-Frank Act, as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).

The final rule established risk-based categories for determining the tailored regulatory capital and liquidity requirements applicable to large U.S. banking organizations and the U.S. IHCs. Under the final rule, banking organizations fall into one of four categories based on five risk-based indicators: total assets, cross-jurisdictional activity, short-term wholesale funding, nonbank assets, and off-balance sheet exposure.

In addition to tailoring the agencies' capital requirements, the final rule tailors the application of the liquidity coverage ratio, which was finalized in 2014 and requires large banking organizations to hold a minimum amount of high-quality liquid assets that can be easily and quickly converted into cash to meet net cash outflows over a 30-day stress period. The final rule will also tailor the application of the net stable funding ratio, which the agencies plan to finalize in 2020 and would apply a one-year liquidity standard that examines the stability of a bank's funding profile.

Capital Simplifications

In May 2019, the FDIC, FRB, and OCC approved a final rule to simplify aspects of the capital rule for non-advanced approaches banking organizations, which responds to industry feedback on the Economic Growth and Regulatory Paperwork Reduction Act (EGRPA). The final rule simplifies the treatment of threshold deduction items and increases the individual common equity tier 1 deduction thresholds for mortgage servicing assets, certain deferred tax assets, and investments in the capital of other financial institutions. The final rule also simplifies the calculation of minority interests includable in regulatory capital and makes a number of technical corrections.

Volcker Rule

In July 2019, the FDIC, FRB, OCC, SEC, and Commodity Futures Trading Commission (CFTC) published a final rule pursuant to Section 203 of EGRCPA to amend Section 13 of the Bank Holding Company Act, commonly referred to as the Volcker Rule, by exempting community banks from the requirements of the rule. To qualify for the exclusion, neither the bank nor any controlling company may have more than \$10 billion in total consolidated assets, or total trading assets and trading liabilities of more than 5 percent of total consolidated assets, as reported on the most recent

regulatory filing. The final rule also implements Section 204 of EGRCPA to amend the restrictions applicable to the naming of a hedge fund or private equity fund to permit certain banking entities that are not banks or bank holding companies to share a name with the fund under certain circumstances.

In November 2019, the FDIC, FRB, OCC, SEC, and CFTC published a final rule to simplify and tailor requirements under the Volcker Rule, which generally prohibits banking entities from engaging in proprietary trading and from owning or controlling hedge funds or private equity funds. The final rule tailors compliance requirements based on the size of a firm's trading assets and liabilities, with the most stringent requirements applied to banking entities with the most trading activity. The rule also provides greater clarity, certainty, and objectivity about what activities are prohibited by the Volcker Rule. The final rule has an effective date of January 1, 2020, and a compliance date of January 1, 2021. However, a banking entity may voluntarily comply, in whole or in part, with the changes to the rule prior to January 1, 2021.

A pending Notice of Proposed Rulemaking (NPR) is planned for early 2020 to address the outstanding issues related to the prohibitions and restrictions on investments in private equity and hedge funds (i.e., "covered funds").

Brokered Deposits

In the thirty years since Congress enacted restrictions on brokered deposits, the banking industry has undergone dramatic changes. Technology, law, business models, and product ranges have evolved. In 2018, the FDIC decided to undertake a comprehensive review of its brokered deposits regulation. The FDIC approved an advance notice of proposed rulemaking (ANPR) on December 18, 2018, to seek comment on both the brokered deposit regulation and restrictions on interest rates. The ANPR was published in the *Federal Register* on February 6, 2019. The FDIC accepted comments on the ANPR until May 7, 2019, and received more than 130 comments. The FDIC then divided the brokered deposit rulemaking process into two sections: the first will address possible changes in the interest rate restrictions; the second will address specific brokered deposit issues. The FDIC approved an NPR on brokered deposits in December 2019 that would establish a new framework for regulating brokered deposits.

The FDIC will be seeking comments for 60 days after publication in the *Federal Register*.

Interest Rate Restrictions

On August 20, 2019, the FDIC approved an NPR on interest rate restrictions applicable to institutions that are less than well capitalized. The NPR was published in the *Federal Register* on September 4, 2019. In the NPR, the FDIC proposed changing the calculation of the national rate cap, as well as greatly simplifying the local rate cap for less than well-capitalized institutions in areas where prevailing rates may exceed the national rate or cap. The FDIC accepted comments through November 8, 2019.

Community Bank Leverage Ratio

In November 2019, the FDIC, FRB, and OCC approved a final rule to implement Section 201 of EGRRCPA to establish a community bank leverage ratio (CBLR) framework designed to reduce burden for qualifying community banks that opt into the framework. The framework provides a simple measure of capital adequacy for qualifying community banks and allows them to alleviate the burden of calculating and reporting risk-based capital ratios. If a qualifying community bank exceeds a CBLR of 9 percent, it is deemed to meet the generally applicable leverage and risk-based capital requirements and the well-capitalized ratio requirements under the prompt corrective action regulatory capital framework. Eligible banks may elect to adopt the framework beginning in 2020 and do so simply through reporting on their quarterly Call Report.

In September 2019, the FDIC approved a final rule amending the deposit insurance assessment system to address the application of the leverage ratio for qualifying community banks.

Appraisal Threshold for Residential Real Estate Loans

In October 2019, the FDIC, FRB, and OCC published a final rule to amend the agencies' regulations requiring appraisals for certain real estate-related transactions. The final rule raises the threshold from \$250,000 to \$400,000 at which appraisals are required for residential real estate-related transactions. The final rule also makes conforming changes to exempt certain transactions secured by residential property in rural areas from the agencies' appraisal requirement pursuant to the EGRRCPA.

Pursuant to the Dodd-Frank Act, the final rule amends the agencies' appraisal regulations to require institutions to subject appraisals performed for federally related transactions to appropriate review for compliance with the Uniform Standards of Professional Appraisal Practice.

Federal Interest Rate Authority

In November 2019, the FDIC approved an NPR to clarify the federal law governing interest rates state banks may charge their customers. The FDIC's proposal would codify longstanding legal interpretations of the FDI Act and provides that a permissible interest rate on a loan, as permitted by the law where the bank is located, would not be affected by subsequent events, such as a change in state law, a change in the relevant commercial paper rate, or the sale/assignment/transfer of the loan. Comments will be accepted on this proposal until February 4, 2020.

Management Interlocks

Part 348 of the FDIC's Rules and Regulations generally restricts the ability of a management official to serve at more than one depository organization to foster competition. Since 1996, the Major Assets Prohibition prevented a management official of a bank with total assets greater than \$2.5 billion from serving at an unaffiliated bank with total assets of \$1.5 billion. On October 10, 2019, the FDIC, FRB, and OCC finalized a rule to increase both lower and upper thresholds to \$10 billion. Thus, only banks above the threshold are required to seek an exemption to permit a prohibited management interlock.

Supplementary Leverage Ratio

In November 2019, the FDIC approved a final rule for custodial banking organizations, pursuant to Section 402 of EGRRCPA, which amends the Supplementary Leverage Ratio of the regulatory capital rule. The final rule allows large banking organizations predominantly engaged in custody, safekeeping, and asset-servicing activities to exclude certain central bank deposits from total leverage exposure when calculating their supplementary leverage ratio.

High Volatility Commercial Real Estate

In November 2019, the FDIC approved a final rule to revise the risk-based capital definition for high volatility commercial real estate (HVCRE) loans, which are a subset

of acquisition, development, and construction loans. The final rule implements the changes outlined in Section 214 of EGRRCPA and provides interpretation on certain aspects of the HVCRE exposure definition. The final rule also addresses the public comments received on a July 2019 interagency proposal that clarifies whether certain lot development loans qualify for the 1-4 family exemption.

Derivatives

In November 2019, the FDIC, FRB, and OCC approved the Standardized Approach for Counterparty Credit Risk (SA-CCR) final rule. The framework provided in the SA-CCR final rule is required for banking organizations subject to the advanced approaches, but other institutions may elect to use it. The SA-CCR final rule amends the regulatory capital rule and implements a new approach for calculating the exposure amount for derivative contracts. Specifically, the final rule implements a new framework for calculating derivatives' exposure at default, in addition to the previously available Current Exposure Method and Internal Models Method (IMM). The final rule also amends capital requirements associated with the IMM, bank exposures to central counterparties, and the leverage ratio to the degree they are impacted, and introduces a number of derivatives-related technical amendments.

In November 2019, the FDIC, FRB, OCC, Federal Housing Finance Agency (FHFA), and Farm Credit Administration (FCA) published a proposed rule that would amend the swap margin rule, which establishes capital and margin requirements for non-cleared swaps. Specifically, the proposal would:

- ◆ Preserve the status quo for legacy swaps transferred to or by a covered swap entity in the event of the U.K. withdrawal from the E.U. without a Withdrawal Agreement (i.e., Brexit);
- ◆ Preserve the status quo for legacy swaps amended as part of the London Inter-bank Offered Rate (LIBOR) transition;
- ◆ Modify inter-affiliate margin treatment to repeal initial margin requirements but retain the variation margin requirements; and
- ◆ Extend the compliance period for certain smaller counterparties and clarifies the existing trading documentation requirements in the swap margin rule.

Office of Thrift Supervision Regulations

The FDIC also streamlined and clarified certain regulations through the Office of Thrift Supervision (OTS) rule integration process. Under Section 316(b) of the Dodd-Frank Act, former OTS rules remain in effect “until modified, terminated, set aside, or superseded in accordance with applicable law” by the relevant successor agency, a court of competent jurisdiction, or operation of law. When the FDIC republished the transferred OTS regulations as new FDIC regulations applicable to state savings associations, the FDIC stated in the *Federal Register* notice that its staff would evaluate the transferred OTS rules and might later recommend incorporating them into other FDIC rules, amending them, or rescinding them. This process began in 2013 and continues, involving publication in the *Federal Register* of a series of NPRs and final rules.

In June 2019, the FDIC removed a transferred rule regarding lending and investment that is duplicative of standards in existing FDIC regulations. The final rulemaking also removed rules related to the registration of residential mortgage loan originators in light of Title X of the Dodd-Frank Act, which transferred this authority to the CFPB. In November 2019, the FDIC removed transferred rules regarding the maintenance of deposit-related records and, in December 2019, removed the transferred rules regarding regulatory reporting standards and accounting requirements and operations of state savings associations. The final rulemaking also made conforming amendments to existing FDIC regulations so that all FDIC-supervised institutions would follow substantially the same regulations and guidance regarding their operation. Staff will continue to review the remaining six transferred regulations.

INNOVATION/FINANCIAL TECHNOLOGY

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

FinTech and the Future of Banking Conference

In April 2019, the FDIC and Duke University's Fuqua School of Business and Innovation and Entrepreneurship Initiative jointly sponsored the *Fintech and the Future of*



Treasury Secretary Steven Mnuchin and FDIC Chairman McWilliams in discussion at the April 2019 Fintech and the Future of Banking Conference.

Banking conference. The event drew broad interest from representatives of banks, nonbanks, technology service providers, federal regulatory and other government agencies, Congress, nonprofit organizations, and research institutions, with approximately 275 people in attendance. Treasury Secretary Steven Mnuchin and FDIC Chairman Jelena McWilliams opened the conference with a conversation about the role of financial technology and innovation in banking, and Comptroller of the Currency Joseph M. Otting followed with a discussion of fintech from a regulatory perspective. Throughout the conference, prominent academic experts presented highlights from research focused on technology's impact on lending, financial advice, and competition alongside the perspectives of senior leaders in policy and industry. Separate policy discussions also explored the topics of regulatory innovation and fintech funding.

FDiTech and FDIC Emerging Technology Steering Committee

In 2019, Chairman McWilliams established the FDIC Tech Lab, or FDiTech. The FDIC is currently seeking a Chief Innovation Officer to lead this new office, and has worked over the last year to establish a concept of operations to support engagement with stakeholders and innovative approaches to technology development to support the FDIC and the financial services industry. Through these efforts, FDiTech will focus on its mission to:

- ◆ Engage bankers, fintechs, technologists, and other regulators on innovations that will lay the foundation for banking's future;

- ◆ Conduct "tech sprints" and pilot projects to test emerging technologies in cooperation with states and affected federal regulators;
- ◆ Support and promote the adoption of new technologies by financial institutions, particularly at community banks; and
- ◆ Expand banking services to the unbanked, underbanked, and individuals in underserved communities through new technologies.

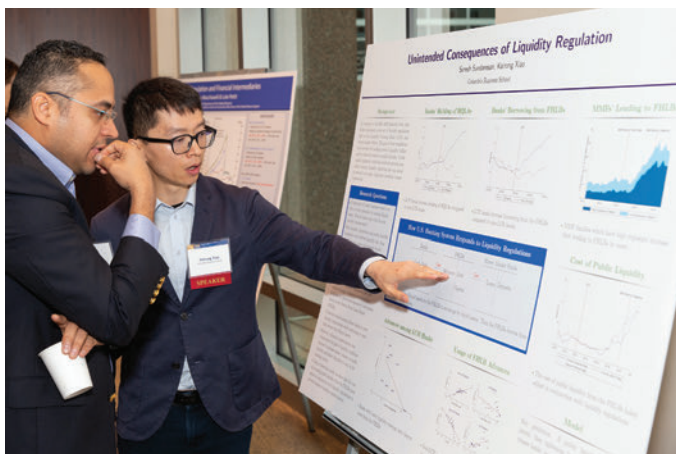
In addition to FDiTech, the FDIC's Emerging Technology Steering Committee has provided focused resources on the importance of technology on the financial services landscape. The committee is comprised of the Directors of RMS, DCP, Division of Insurance and Research (DIR), Division of Resolutions and Receiverships (DRR), and Division of Complex Institution Supervision and Resolution, as well as the General Counsel, the Chief Risk Officer, the Chief Financial Officer and the Chief Information Officer.

In 2019, the Emerging Technology Steering Committee continued work on its established objectives:

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

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

- ◆ The Basel Committee on Banking Supervision's Task Force on Financial Technology, which focuses on the impact of financial technology on banks' business models, risk management, and implications for bank supervision;
- ◆ The Financial Stability Oversight Council (FSOC) Digital Assets Working Group, which is examining



The 19th Annual Bank Research Conference featured a poster session with six additional papers. Here, an attendee listens to a researcher as he describes his project.

potential policy areas as they relate to digital assets and the application of distributed ledger technology;

- ◆ An interagency fintech discussion forum, which focuses on issues related to consumer compliance;
- ◆ The Global Financial Innovation Network, which seeks to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas;
- ◆ The US-UK Financial Innovation Partnership, which focuses on regulatory and commercial engagements by encouraging collaboration in the private sector, sharing information and expertise about regulatory practices, and promoting growth and innovation; and
- ◆ The Financial Stability Board Financial Innovation Network, which looks at FinTech innovations from the perspective of financial stability.

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 published papers in leading banking, finance, and economics journals, including the *American Economic Review*, the *Review of Economic Dynamics*, and *The Journal of Law and Economics*. In addition, CFR researchers presented their research at major conferences, regulatory institutions, and universities.

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

In September 2019, the CFR and the *Journal of Financial Services Research* jointly sponsored the 19th Annual Bank Research Conference. FDIC Chairman McWilliams kicked-off the conference by highlighting the importance of scholarly research in providing a solid foundation on which to make good public policy. The conference has become a premier forum in its field.

Conference organizers received more than 400 submissions for the 25 available presentation slots, and approximately 200 participants attended. Discussion sessions focused on capital regulation, the effect of regulation on banks, deposit insurance, resolution of failed banks, liquidity regulation, systemic risk, fintech, and leveraged lending, among other topics.

COMMUNITY BANKING INITIATIVES

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

As defined for FDIC research purposes, community banks made up 92 percent of all FDIC-insured institutions at mid-year 2019. While these banks hold just 12 percent of banking industry assets, community banks are of critical importance to the U.S. economy and local communities across the nation. They hold 41 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 2019, community banks held more than 75 percent of deposits in more than 1,200 U.S. counties. In more than 600 of these counties, the *only* banking offices available to consumers were those operated by community banks.

Community Banking Research

The FDIC pursues an ambitious, ongoing agenda of research and outreach focused on community banking issues. Since the 2012 publication of the *FDIC Community Banking Study*, FDIC researchers have published more than a dozen additional studies on topics ranging from small business financing to the factors that have driven industry consolidation over the past 30 years.

The *FDIC Quarterly Banking Profile* (QBP) includes a section focused specifically on community bank performance, providing a detailed statistical picture of the community banking sector that can be accessed by analysts, other regulators, and bankers themselves. The most recent report shows that net income at community banks continued to grow at a healthy annual rate in the first nine months of 2019.

The long-term trend of consolidation has done little to diminish the role of community banks in the banking industry. Just over 71 percent of the community banks that merged during the period September 2018 through

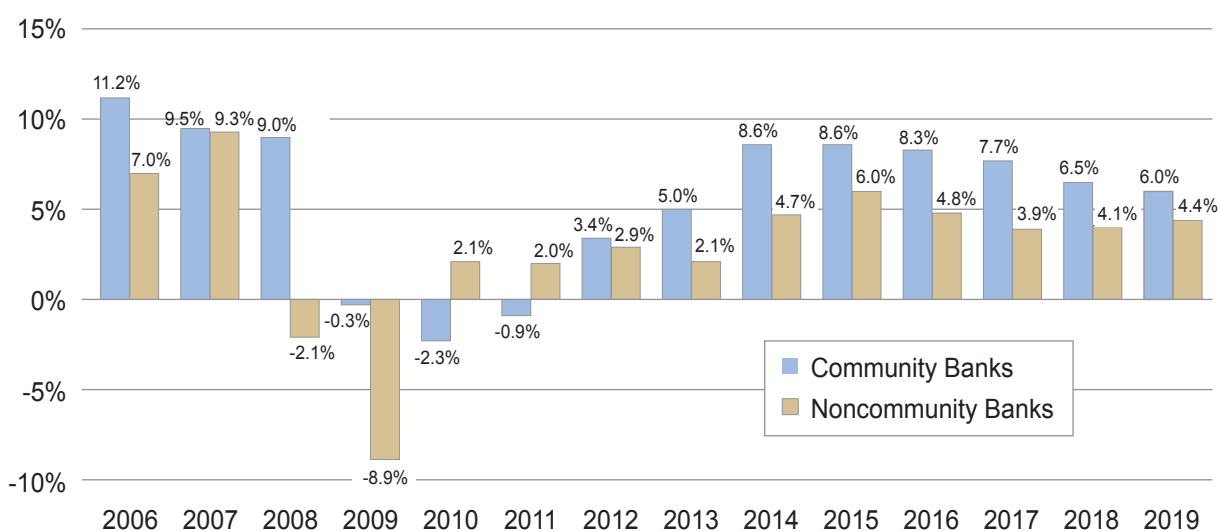
September 2019 were acquired by other community banks. On a merger-adjusted basis, loan growth at community banks exceeded growth at noncommunity banks in every year between 2012 and 2019. (See the chart below.) From June 2018 to June 2019, currently operating noncommunity banks closed far more offices than they acquired. In contrast, currently operating community banks acquired offices and opened more offices, on net, during the year. (See the table on the following page.)

Community Bank Advisory Committee

The FDIC's CBAC is an ongoing forum for discussing current issues and receiving valuable feedback from the industry. The committee, which met three times during 2019, is composed of as many as 18 community bank executives from around the country. It is a valuable resource for information on a wide range of topics, including examination policies and procedures, capital and other supervisory issues, credit and lending practices, deposit insurance assessments and coverage, and regulatory compliance issues.

COMMUNITY BANK LOAN GROWTH HAS OUTPACED NONCOMMUNITY BANK LOAN GROWTH FOR EIGHT CONSECUTIVE YEARS

Merger Adjusted Annual Growth in Total Loans and Leases



Source: FDIC.

Note: Data as of third quarter for 2019, data as of year-end for all other years.

COMMUNITY BANKS ADDED OFFICES WHILE NONCOMMUNITY BANKS CLOSED OFFICES FROM JUNE 2018 TO JUNE 2019

	Offices of Currently-Operating Banks in June 2018	Offices of Acquired Banks	Number of Offices in June 2018 (Merger-adjusted)	New Offices Opened	Offices Closed	Net Offices Purchased or Sold	Number of Offices in June 2019
Community Banks	29,092	518	29,610	628	401	26	29,863
Noncommunity Banks	56,990	1,426	58,416	498	2,387	-26	56,501
TOTAL	86,082	1,944	88,026	1,126	2,788	0	86,364

Source: FDIC Summary of Deposits Data as of June 2019

At each of the 2019 Advisory Committee meetings, there was a discussion of local banking conditions, an update from the FDIC Ombudsman, a supervisory policy update, and an update on the Supervision Modernization Subcommittee. Further, at the March meeting, representatives from FinCEN provided a briefing on the use of bank filings required by the BSA, and FDIC staff discussed the *2017 FDIC National Survey of Unbanked and Underbanked Households*. At the July 2019 meeting, discussion included FDIC and U.S. Small Business Administration (SBA) collaboration efforts; the FDIC's *Money Smart* financial education materials; and findings of the 2019 research study, *Minority Depository Institutions: Structure, Performance, and Social Impact*. At the October 2019 meeting, FDIC staff also discussed the 2019 Risk Review, current financial performance of community banks, small bank assessment credits, and tools and resources relating to Opportunity Zones.

Supervision Modernization Subcommittee

In 2019, the FDIC established the Subcommittee on Supervision Modernization to support the CBAC. The subcommittee, which met three times during 2019, is composed of individuals from technology firms, academia, and banks. The subcommittee considered how the FDIC can leverage technology and refine processes to make the examination program more efficient, as well as manage and train a geographically dispersed workforce.

As part of the subcommittee, a working group reviewed workflows of the consumer compliance and risk management examination processes from planning an examination through conducting examination completion activities, while identifying concerns and opportunities for improvement in the current processes. At the September 2019 meeting, the working group considered the types of data used and data availability in presenting their recommendations to subcommittee members.

The subcommittee is evaluating recommendations to explore technology solutions that would use advanced data analytics in loan reviews, update and enhance several existing software platforms, expand the learning and development experience to include a virtual learning environment for the current and future examination workforce, and evaluate hiring specialists to examine advanced data analytics and new technology that exists today. The subcommittee will make its recommendations to the CBAC early in 2020.

MDI Subcommittee

As noted in the "Minority Depository Institutions Activities" section, the FDIC established a new MDI Subcommittee of the CBAC to bring forward the perspectives of minority bankers and to focus on the issues, tools, and resources that are unique to MDIs.

De Novo Banks

Throughout 2019, the FDIC continued multiple initiatives aimed at streamlining the deposit insurance application process. Based on feedback received in response to a 2018 Request for Information and a nationwide series of six roundtable events, the FDIC clarified that applicants need not identify a specific location for the proposed institution's main office or all senior executive officers at the time an application is submitted. These changes can significantly reduce the costs of the application process, while not impeding the FDIC's review of the application or the public's ability to comment on the application.

In addition, after revising the process for reviewing deposit insurance proposals to provide initial feedback to organizers on draft applications prior to submission, the FDIC began engaging in more fulsome pre-filing discussions with organizers.

The FDIC also updated its delegations of authority so that the vast majority of deposit insurance applications for traditional community banks can be approved at the Regional Office level without requiring input from the Washington Office. Consistent with the FDIC's updated timeframes and guidelines, Regional Offices should issue most decisions on deposit insurance applications for traditional community banks within 120 days from receipt of a substantially complete application.

To help organizers through the application process, the FDIC issued updated versions of its *Applying for Deposit Insurance – A Handbook for Organizers of De Novo Institutions*, and *Deposit Insurance Applications Procedures Manual*, and released a supplement to FDIC procedures to address non-community and nonbank deposit insurance proposals. The handbook addresses organizers' informational needs, and offers information for navigating the application process. The manual provides comprehensive instructions to staff regarding the deposit insurance application process.

The FDIC also updated and publicly issued its *Applications Procedures Manual*, which includes an overview section that conveys important instructions regarding the review and processing of deposit insurance applications and other types of filings. This information should also prove helpful to organizers as they consider and develop a filing.

Technical Assistance Program

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

In 2019, to better understand the needs of community banks, the FDIC issued a Request for Information seeking feedback on the FDIC's methods and efforts to provide technical assistance. The FDIC requested information on additional steps the agency could take to support effective management and operation of FDIC-supervised institutions through technical assistance and collaboration on safety and soundness and consumer compliance matters. The agency received 18 responses. Responses affirmed the value of the technical assistance videos, commented favorably on a pilot topic-based resource page for bankers, and provided valuable suggestions

for webinars and teleconferences. Based in part on the feedback received, the FDIC expects to announce several new or revised technical assistance initiatives in 2020.

In 2019, the FDIC hosted Directors' College events in five of its six regions. These events were typically conducted jointly with state trade associations, and addressed issues such as corporate governance, regulatory capital, community banking, concentrations management, consumer protection, BSA, and interest-rate risk, among other topics.

The FDIC also offers a series of banker events, in order to maintain open lines of communication and to keep bank management and staff informed regarding important banking regulatory and emerging issues of interest to community bankers. In 2019, the FDIC offered 14 teleconferences or webinars focused on the following topics:

- ◆ Understanding Reasonably Expected Market Area (REMA) and Community Reinvestment Act (CRA) Assessment area,
- ◆ Liquidity and funding risk management,
- ◆ Current Expected Credit Losses (CECL) accounting methodology,
- ◆ The impact of rising interest rates on asset/liability management,
- ◆ *Money Smart for Small Businesses*,
- ◆ Regulatory and accounting update,
- ◆ Common exam findings,
- ◆ Update on consumer compliance and CRA,
- ◆ Information sharing on standardized export of imaged loan documents,
- ◆ Building collaboration between financial institutions and law enforcement to prevent and address elder financial abuse,
- ◆ Understanding and mitigating RESPA Section 8(a) risks,
- ◆ Understanding the requirements of the Truth In Lending Act (Regulation Z) and Real Estate Settlement Procedures Act (Regulation X) Integrated Disclosure Rule (TRID Rule),
- ◆ Final Private Flood Insurance Rule (along with the OCC, FRB, and FCA), and
- ◆ Fair Lending interagency webinar.

Economic Growth and Regulatory Paperwork Reduction Act

EGRPRA directs the federal banking agencies and the FFIEC to conduct a joint review of regulations every 10 years to determine whether any of those regulations are outdated or unnecessary.

In March 2017, the FFIEC submitted a report to Congress describing actions the member entities had already taken to address comments received during the EGRPRA process as well as actions they planned to take in the future. During 2019, the FDIC along with the other FFIEC member entities, continued to work together to reduce burden in the areas of Capital Simplifications, Management Interlocks, and OTS Regulations, which were raised during the EGRPRA review process.

ACTIVITIES RELATED TO LARGE AND COMPLEX FINANCIAL INSTITUTIONS

The FDIC is committed to addressing the unique challenges associated with the supervision, insurance, and potential resolution of large and complex financial institutions (LCFIs). The agency's ability to analyze and respond to risks in these institutions is particularly important, as they comprise a significant share of banking industry assets and deposits. In order to centralize and integrate the FDIC's operations related to the supervision and resolution of large and complex financial institutions, including systemically important financial institutions (SIFIs), financial market utilities (e.g., central counterparties), and all FDIC-insured depository institutions with assets above \$100 billion for which the FDIC is not the primary federal regulatory authority, the FDIC's Chairman formed the Division of Complex Institution Supervision and Resolution (CISR) effective July 21, 2019. At CISR's inception, the then-Office of Complex Financial Institutions (OCFI), RMS, and DRR transferred to CISR all branches having responsibility for supervision and monitoring and resolution planning and execution for LCFIs in the CISR portfolio.

The FDIC's Complex Financial Institution (CFI) Group and Large Bank Supervision Branch, now both within CISR, perform ongoing risk monitoring of Global Systemically Important Banks (G-SIBs), large Foreign

Banking Organizations (FBOs), and FSOC-designated nonbank financial companies; provide backup supervision of the firms' related IDIs; and evaluate the firms' required resolution plans. The CFI Group also performs certain analyses that support the FDIC's role as an FSOC member.

Resolution Plans – Title I Living Wills

In 2018, the EGRRCPA revised the application of resolution planning requirements by raising the \$50 billion asset threshold to \$250 billion, and provided the FRB with discretion to apply resolution planning requirements to firms with \$100 billion or more and less than \$250 billion in total consolidated assets.

In November 2019, the FDIC and FRB published a final rule to implement EGRRCPA by establishing three categories of firms for purposes of resolution planning: (1) U.S. and foreign banking organizations with \$250 billion or more in total consolidated assets, (2) U.S. banking organizations identified as U.S. G-SIBs, and (3) any designated nonbank financial companies that the FSOC has determined under section 113 of the Dodd-Frank Act should be supervised by the FRB.

In the resolution plan rule, the FRB determined to exercise its discretion under EGRRCPA to apply resolution planning requirements to the following firms:

- ◆ U.S. bank holding companies with a) average total consolidated assets equal to \$100 billion or more and less than \$250 billion and b) \$75 billion or more in any of the following risk-based indicators: cross-jurisdictional activity, total nonbank assets, weighted short-term wholesale funding, or off-balance sheet exposure; and
- ◆ Foreign banking organizations with a) total global assets equal to \$100 billion or more and less than \$250 billion, b) average combined U.S. assets equal to \$100 billion or more, and c) \$75 billion or more in any of the four risk-based indicators measured based on combined U.S. operations.

The final rule uses categories established by the agencies' tailoring rule to separate firms into three filing groups for the purpose of calibrating the timing of resolution plan submissions, and plan content.

Large Bank Holding Companies with Substantial Nonbank Assets

The eight domestic G-SIBs—Bank of America Corporation, Bank of New York Mellon Corporation, JPMorgan Chase & Co., State Street Corporation, Wells Fargo & Company, Goldman Sachs Group, Inc., Morgan Stanley, and Citigroup, Inc.—submitted resolution plans on or before July 1, 2019. On December 17, 2019, the FDIC and FRB issued letters to the eight firms providing their review findings and information about areas where additional work needs to be done to improve resolvability.

On July 26, 2019, the agencies extended the next full resolution plan submission date for four of the FBOs—Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, and UBS AG—to July 21, 2021. These banks remain required to submit limited plans by July 1, 2020, describing how they have addressed the shortcomings identified in December 2018 and providing updates concerning certain resolution projects.

Other Large Bank Holding Company Filers

In December 2018, 82 foreign-based banking organizations submitted resolution plans. In July 2019, the FDIC, jointly with the FRB, provided feedback and extensions of the next due date for resolution plans to July 2021. At the same time, 15 domestic firms also received extensions to July 2021. These extensions will give the banks additional time to prepare their plans in light of resolution plan rule changes proposed by the agencies in April 2019.

Insured Depository Institution Resolution Plans

Section 360.10 of the FDIC Rules and Regulations requires an IDI with total assets of \$50 billion or more, to periodically submit to the FDIC a plan for its resolution in the event of its failure (the “IDI rule”). The IDI rule requires covered IDIs to submit a resolution plan that would allow the FDIC, as receiver, to resolve the institution under Sections 11 and 13 of the FDI Act in an orderly manner that enables prompt access to insured deposits, maximizes the return from the sale or disposition of the failed IDI’s assets, and minimizes losses realized by creditors. The resolution plan must also describe how a proposed strategy will be least costly to the Deposit Insurance Fund.

Forty-one large insured banks covered by the IDI rule submitted their resolution plans by July 1, 2018. In April 2019, the FDIC issued an ANPR seeking comments on ways to tailor the IDI rule requirements and deferred future IDI Plan submissions until the completion of revisions to the rule.

Monitoring and Measuring Systemic Risks

The FDIC monitors risks related to G-SIBs and large FBOs at the firm level and industry wide to inform supervisory planning and response, policy and guidance considerations, and resolution planning efforts. As part of this monitoring, the FDIC analyzes each company’s risk profile, governance and risk management capabilities, structure and interdependencies, business operations and activities, management information system capabilities, and recovery and resolution capabilities.

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

Additionally, the FDIC has implemented and continues to expand upon various monitoring systems, including the Systemic Monitoring System (SMS) and the SIFI Risk Report (SRR). The SMS provides an individual risk profile and assessment for each G-SIB and large FBO by evaluating the level and change in metrics that serve as important indicators of overall risk. The SMS supports the identification of emerging and outsized risks within individual firms and the prioritization of supervisory and monitoring activities. The SMS also serves as an early warning system of financial vulnerability. Information from SMS and other FDIC-prepared reports is used to prioritize activities relating to SIFIs and to coordinate supervisory and resolution-related activities with the other banking agencies. The SRR identifies key vulnerabilities of systemically important firms, gauges the proximity

of these firms to a resolution event, and independently assesses the appropriateness of supervisory CAMELS ratings for the insured deposit institutions held by these firms.

The FDIC also conducts semi-annual “Day of Risk” meetings to present, discuss, and prioritize the review of emerging risks. In some cases, these discussions can lead to shifts in supervisory focus or priorities.

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

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

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

Through December 2019, FDIC staff participated in 117 targeted examination activities with the FRB or OCC in G-SIBs, large FBOs, and large regional banks. The reviews included, but were not limited to, engagement in the evaluation of corporate governance, BSA/AML compliance, credit risk, model risk management, market risk, interest rate risk, capital adequacy, asset management, and third party risk management. FDIC staff also participated in various interagency horizontal review activities, including the FRB’s Comprehensive Capital Analysis and Review, Comprehensive Liquidity Analysis and Review, as well as reviews of model risk management, risk appetite and risk limits, and cyber and operational resiliency.

Title II Orderly Liquidation Authority

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

Resolution Strategy Development

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

Cross-Border Efforts

Cross-border cooperation and advance planning are critical components of resolution planning for G-SIBs due to the international nature of their services and their extensive operations overseas. In 2019, the FDIC continued its robust engagement with foreign authorities to deepen mutual understanding of the complex legal and operational issues related to cross-border resolution. This work is underpinned by an understanding that transparency and confidence in resolution planning will serve as a stabilizing force during times of stress.

The FDIC continued to enhance cooperation on cross-border resolution through institution specific engagement as well as through bilateral and multilateral outreach, including through international forums such as the

Financial Stability Board's Resolution Steering Group and its subgroups on banks, insurance, and financial market infrastructures.

With regard to the FDIC's institution specific engagement, the FDIC co-chaired cross-border crisis management groups (CMGs) of supervisors and resolution authorities for U.S. G-SIBs and participated as a host authority in CMGs for foreign G-SIBs. This year, as part of the CMG work for U.S. G-SIBs, FDIC and FRB staff launched a pilot workshop to provide additional background to host CMG members regarding the U.S. bankruptcy framework and resolution under Title II of the Dodd-Frank Act. These CMG efforts improve resolution preparedness by strengthening our working relationships with key authorities, providing a forum to share institution-specific concerns and plans for the resolution, and supporting information-sharing arrangements.

The FDIC continued its bilateral and multilateral outreach through ongoing resolution-related dialogues with key foreign counterparts. In April 2019, the FDIC hosted senior officials representing resolution, regulatory, and supervisory authorities; central banks; and finance ministries from the U.S., U.K., and the European Banking Union for a planned exercise to enhance understanding of one another's resolution regimes and strengthen coordination on cross-border resolution. This meeting built upon two prior trilateral exercises in 2014 and 2016 and continued staff work across the jurisdictions is on-going.

The FDIC also participated in the joint U.S.-E.U. Financial Regulatory Forum meetings and the U.S.-U.K. Financial Regulatory Working Group meetings, discussing cross-border issues relevant to bank and CCP resolution and financial stability. The FDIC also progressed resolution planning for CCPs by working with domestic and international supervisors and resolution authorities to understand risks and to try to identify resolution options for U.S. CCPs, in addition to working within international groups on related issues.

Systemic Resolution Advisory Committee

The FDIC created the Systemic Resolution Advisory Committee (SRAC) in 2011 to receive advice and recommendations on a broad range of issues regarding the

resolution of systemically important financial companies pursuant to the Dodd-Frank Act.

Members of the SRAC have a wide range of experience, including managing complex firms, serving as bankruptcy judges, and working in the legal system, accounting field, and academia. The SRAC Charter was renewed in 2019. Planning continues for the next SRAC meeting, which is tentatively scheduled for the first quarter of 2020.

DEPOSITOR AND CONSUMER PROTECTION

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

Promoting Economic Inclusion

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

- ◆ Conducts research on unbanked and underbanked populations;
- ◆ Researches strategies, products, and services that banks can use to meet the needs of lower-income consumers;
- ◆ Supports partnerships to promote consumer access to and use of banking services;
- ◆ Advances financial education and literacy; and
- ◆ Facilitates partnerships to support community and small business development.

Advisory Committee on Economic Inclusion

The Advisory Committee on Economic Inclusion (ComE-IN) provides the FDIC with advice and recommendations on important initiatives to expand access to mainstream banking services to underserved populations. This includes reviewing basic retail financial services (e.g., low-cost, SAFE transaction accounts;



Appalachia Working Group members.

affordable small-dollar loans; and savings accounts), as well as demand-side factors such as consumers' perceptions of mainstream financial institutions. In October 2019, the ComE-IN held a meeting that included discussions of opportunities to engage underserved populations, an update on mortgage markets, and developments with the potential to expand access to consumer credit.

FDIC National Survey of Unbanked and Underbanked Households and Related Research

As part of its ongoing commitment to expanding economic inclusion in the United States, the FDIC works to fill the research and data gap regarding household participation in mainstream banking and the use of nonbank financial services. In addition, Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 mandates that the FDIC regularly report on underserved populations and bank efforts to bring individuals and families into the mainstream banking system. In response, the FDIC regularly conducts and reports on surveys of households and banks to inform the public and enhance the understanding of financial institutions, policymakers, regulators, researchers, academics, and others.

In 2019, the FDIC finalized and administered the 2019 *FDIC National Survey of Unbanked and Underbanked Households*. This version of the survey includes revisions intended to improve data quality by streamlining the survey instrument and provide additional insights into the experiences of unbanked and underbanked consumers. The FDIC continued to maintain a dedicated website at

<https://economicinclusion.gov>, that features survey results and data, and provides users with the ability to generate custom tabulations and access a wide range of pre-formatted information, including new five-year estimates that provide additional granularity for state and local results.

Public Awareness of Deposit Insurance Coverage

An important part of the FDIC's deposit insurance mission is to ensure that bankers and consumers have access to accurate information about the FDIC's rules for deposit insurance coverage. The FDIC has an extensive deposit insurance education outreach program consisting of seminars for bankers, a web-based calculator for estimating deposit insurance coverage as well as written and other web-based resources targeted to both bankers and consumers. For example, bankers and consumers can use the FDIC's *BankFind* tool to verify whether a website is operated by a legitimate FDIC-member bank. Through December 31, 2019, the FDIC identified and took appropriate action on more than 65 websites, some of which included the Member FDIC logo but were not operated by FDIC-member banks.

During 2019, the FDIC continued its efforts to educate bankers and consumers about the rules and requirements for FDIC insurance coverage. For example, as of December 31, 2019, the FDIC conducted four telephone seminars for bankers on deposit insurance coverage, reaching an estimated 4,725 bankers participating at

approximately 1,350 bank sites throughout the country. The FDIC also features deposit insurance training videos that are available on the FDIC's website and YouTube channel. Additionally, the FDIC operated the Electronic Deposit Insurance Estimator (EDIE), which had 751,418 user sessions in 2019.

As of December 31, 2019, the FDIC Call Center received 99,835 telephone calls, of which 25,365 were identified as deposit insurance-related inquiries. In addition to telephone inquiries about deposit insurance coverage, the FDIC received 1,524 written inquiries from consumers and bankers. Of these inquiries, 99 percent received responses within two weeks, as required by corporate policy.

Rulemaking and Guidance

Loans in Areas Having Special Flood Hazards

In February 2019, the FDIC, OCC, FRB, NCUA, and FCA issued a final private flood insurance rule to amend regulations regarding Loans in Areas Having Special Flood Hazards pursuant to the Biggert-Waters Flood Insurance Reform Act (the B-W Act).⁴

The final rule requires regulated lending institutions to accept a private flood insurance policy that meets both 1) the statutory definition of "private flood insurance," and 2) the mandatory purchase requirement. The final rule includes a streamlined compliance aid provision to assist regulated lending institutions with evaluating policies.

In addition, the final rule provides that institutions may accept private flood insurance policies that do not meet the B-W Act's criteria for mandatory acceptance, provided certain conditions are met, including that the policy (1) provides coverage in the amount required by the flood insurance purchase requirement, (2) is issued by an insurer that is licensed, admitted, or not disapproved by a state insurance regulator, (3) covers both lenders and borrowers as loss payees, and (4) provides sufficient protection of the loan consistent with general safety and soundness principles, which is documented in writing.

Furthermore, the final rule allows lending institutions to accept certain flood coverages provided by mutual aid societies as long as certain conditions are met, including a determination by an institution's primary supervisory

agency that such policies meet the requirement for flood insurance for purposes of federal flood insurance legislation.

Home Mortgage Disclosure Act

In April 2019, the FDIC and other FFIEC members issued a revised version of *A Guide to HMDA Reporting: Getting It Right*. The 2019 edition applies to 2019 HMDA data reported in 2020 and includes a summary of the EGRRCPA amendments to HMDA and the 2018 HMDA rule. The guide was designed to help financial institutions better understand the HMDA requirements, including data collection and reporting provisions.

Consumer Compliance Supervisory Highlights

The inaugural issue of the *FDIC Consumer Compliance Supervisory Highlights* was released in June 2019. The purpose of this publication is to enhance transparency regarding the FDIC's consumer compliance supervisory activities. The publication includes a high-level overview of consumer compliance issues identified during 2018 through the FDIC's supervision of state non-member banks and thrifts. Additionally, this issue features articles of interest to examiners, bankers, and supervisors. It provides examples that may be useful in mitigating risks and serves as a resource for supervised institutions to help stay up-to-date on issues identified during examinations.

Transparency and Accountability Report

The first annual *Transparency and Accountability Report* was published in spring 2019. This report highlights the public outreach activities of the Consumer Response Center and Deposit Insurance section. It details consumer contacts about deposit insurance coverage and account-titling specifics. It also references summary data on the various consumer contacts about operating financial institutions under FDIC jurisdiction. The report focuses on the public interactions along with providing educational insight to the public.

Additionally, metrics on requests from the public for FDIC assistance are updated and published monthly on the FDIC's Transparency and Accountability webpage (<https://www.fdic.gov/transparency/consumers.html>). Included on the webpage is the volume of public inquiries and the timeliness in responding to those requests.

⁴ 84 FR 4953 (Feb. 20, 2019).

Updated Examination Procedures

Updated examination procedures were communicated through revisions to the *FDIC Consumer Compliance Examination Manual* that is publicly available on the FDIC's website, including procedures on:

- ◆ **Interagency Home Mortgage Disclosure Act Examination Procedures:** These procedures incorporate amendments to HMDA made by the EGRRCPA, the 2018 HMDA rule, and amendments to Regulation C made by CFPB's final rules issued in 2015 and 2017. The procedures also incorporate the FFIEC HMDA Examiner Transaction Testing Guidelines.
- ◆ **Loans in Areas Having Special Flood Hazards:** These procedures reflect statutory and regulatory amendments made by the B-W Act and the agency's final rule on private flood insurance, including provisions pertaining to the mandatory and discretionary acceptance of private flood insurance by financial institutions, and the qualification and acceptance of mutual aid society plans in satisfaction of the flood insurance purchase requirement.
- ◆ **Protecting Tenants at Foreclosure Act:** These procedures address the permanent reinstatement of the Protecting Tenants at Foreclosure Act (PTFA) due to the enactment of the EGRRCPA. Examiners will use the procedures in assessing the quality of an institution's compliance management system regarding the PTFA, including notice requirements and the timing of eviction.
- ◆ **Fair Lending Scope and Conclusions Memorandum:** Sections and questions of the memorandum were revised to reflect changes to pre-examination interview questions and information requests made during the examination planning process.
- ◆ **Consumer Compliance Examinations and Third-Party Risk:** These sections were updated to add information on the Interagency Statement Clarifying the Role of Guidance and make minor conforming technical changes.
- ◆ **Truth in Lending Act and Electronic Fund Transfer Act:** These chapters were updated to incorporate the CFPB's amendments to Regulation E and Regulation Z related to Prepaid Accounts, effective April 1, 2019. Subsequently, the FDIC adopted the revised interagency examination procedures to incorporate these amendments.

Community and Small Business Development and Affordable Mortgage Lending

As of December 31, 2019, the FDIC engaged with banks and community organizations through more than 230 outreach events. These events increased shared knowledge and supported collaboration between financial institutions and other community, housing, and small business development resources.

The FDIC's work emphasized sharing information to support bank efforts to prudently provide affordable mortgages, small business credit, and access to SAFE accounts and financial education. As part of this effort, the FDIC launched the Affordable Mortgage Lending Center in 2016, a website (<https://www.fdic.gov/consumers/community/mortgagelending>) that houses various resources, including the *Affordable Mortgage Lending Guide*, a three-part guide designed to help community banks identify affordable mortgage products. The Affordable Mortgage Lending Center had more than 19,497 subscribers as of December 31, 2019. Materials from the center have been downloaded more than 15,600 times, and the site has had more than 82,000 page views since its inception.

In addition, the FDIC sponsored sessions with the FRB and OCC covering basic and advanced CRA training for banks. The agencies also offered basic CRA training for community-based organizations as well as seminars on establishing effective bank and community collaborations. The FDIC also focused on encouraging community development initiatives in rural communities. This work included workshops to highlight housing needs and programs, economic development programs, and community development financial institution collaborations, such as those serving Native American communities. The FDIC Community Affairs Branch and SBA Office of Entrepreneurial Development signed a MOU in April 2019 to continue efforts focused on small business. As of December 31, 2019, the FDIC sponsored 69 small business events and activities with more than 1,500 attendees.

Advancing Financial Education

Effective financial education helps people gain the skills and confidence necessary to establish and sustain a banking relationship, achieve financial goals, and improve

financial well-being. Through *Money Smart*, the FDIC offers non-copyrighted, high-quality, free financial education resources for banks, community organizations, and other stakeholders to train people of all ages and small businesses. First launched in 2001 as an instructor-led curriculum for adults, it now features materials to train people of all ages. Regular updates ensure that *Money Smart* benefits from user feedback and current instructional best practices. The FDIC helps organizations effectively use the curriculum, including through the Money Smart Alliance, which facilitates quarterly webinars for the more than 1,400 member organizations.

Youth Financial Education

The FDIC released an enhanced *Money Smart for Young People* curriculum in December 2019, providing updated tools to engage educators, parents, and young people in the financial education process. The curriculum now benefits from insights that we received from 26 educators who taught 83 sessions using *Money Smart for Young People* as part of a special project in 2018. In addition, as part of our ongoing collaboration with the CFPB, the curriculum helps educators identify opportunities to use some of the CFPB's Building Blocks Activities, which the CFPB developed through research to help promote lifelong learning and financial skills development.

Money Smart for Older Adults

The CFPB and the FDIC also released an updated Spanish-language version of the *Money Smart for Older Adults* curriculum. Its goal is to help prevent elder financial exploitation by raising awareness of fraud and scams among older adults and their caregivers. *Money Smart for Older Adults* also encourages advance planning and informed financial decision-making. The updates provide new information and resources to help older adults and their caregivers recognize and prevent fraud, scams, and other types of financial exploitation. More than one million copies of the curriculum have been ordered in English or Spanish since its original release in 2013.

Recognizing the impact of *Money Smart for Older Adults*, the American Society on Aging honored the curriculum with the 2019 Gloria Cavanaugh Award for Excellence in Training and Education. The award is presented to an individual or program that has demonstrated continued excellence in training and education in the field of aging. One non-profit in Texas that regularly uses

Money Smart for Older Adults provided feedback from dozens of participants who offered comments such as, “[t]his course was a lifesaver for me,” “[n]o other place that I know of to get all this information,” “the information helped to initiate conversations with friends who may be unaware of steps to take care for themselves,” and “the information opened my eyes to things I was not aware of.”

Money Smart for Adults

The FDIC expanded the reach of the updated *Money Smart for Adults*, which was released in late 2018, through several enhancements in response to requests by users. Updated curricula were released in Chinese, Korean, Spanish, and Vietnamese. The Financial Industry Regulatory Authority (FINRA) also reviewed the curriculum and confirmed its consistency with FINRA standards, a step pursued in response to feedback to make it easier for FINRA-regulated entities to conduct educational workshops with the curriculum.

A self-paced online learning game, “*How Money Smart Are You?*” is set for release in 2020. Using a gameshow format, the new product will allow people to build their financial skills and knowledge at their own pace, with an option to receive certificates of completion. The website for the new game will also include a financial glossary, frequently asked questions, and fillable tools to augment financial knowledge. Insights from users in targeted audiences of adults with low- to moderate-incomes have helped improve the product, as field testing of draft games was conducted in Phoenix, Arizona; Atlanta, Georgia; Bethesda, Maryland; Columbus, Ohio; and at the World Institute on Disability in Berkeley, California.

Money Smart for Small Business

Money Smart for Small Business is a product developed jointly by the FDIC and the SBA. For several months, the SBA and FDIC worked with other federal agencies; entrepreneurs; and small business training, counseling, and lending organizations, including financial institutions, to update the Banking Services and Credit Building modules. The purpose of the revision was to address important information gaps identified by entrepreneurs and organizations serving small businesses and to provide practical tools to enhance the learning experience, such as the addition of a case study, checklists, a more attractive graphic design, and other useful features.

Money Smart Outreach

During 2019, more than 4,000 prospective trainers were trained on how to use *Money Smart*, including representatives of banks, Volunteer Income Tax Assistance program sites, nonprofit program managers, and others. For example, the FDIC collaborated with a national bank to deliver two *Money Smart* webinar training sessions for more than 300 bank employees on *Money Smart for Adults* so that they can effectively use it throughout the communities they serve.

The FDIC leads the Money Smart Alliance to scale promising practices through periodic webinars and facilitate collaboration between members. More than 327 organizations joined the Alliance during 2019, bringing the total number of members to 1,409. One example of how Alliance members use Money Smart includes the University of Wyoming Extension's use of *Money Smart for Adults* with its Master Money Manager Coach initiative to help financially at-risk individuals improve their financial situation across Wyoming. Another example involves a community bank in Pennsylvania collaborating with a non-profit organization to provide *Money Smart for Adults* training to non-violent offenders finishing jail sentences. This program offers to connect the participants with appropriate basic banking services, which assists with their reintegration into society.

The FDIC also builds the capacity of organizations to use *Money Smart* through *Money Smart News*, a publication for financial educators to provide updates and ideas for implementation. For example, the publication highlighted Bank On South Alabama, a group of financial institutions, community groups, and government entities that promotes greater bank account access. Partnering financial institutions and their employees volunteer to help nonprofits bring the *Money Smart* program to their clients in shelters, substance abuse centers, and other locations. As an example, once a week for five weeks, bankers taught *Money Smart* to students participating in a summer youth program. These sessions helped people who might not otherwise have had an opportunity to engage with a bank to learn about finances and how to open a bank account. Another *Money Smart News* article highlighted one bank's advice for other trainers based on its experience having conducted 1,000 *Money Smart* workshops during the previous year.

Money Smart News also highlighted the 75 banks in the Youth Banking Network that continued to share ideas and approaches on how to better connect financial education to savings accounts for school-aged children. This diverse set of banks includes those with assets just over \$50 million to those with assets over \$350 billion, with a mix of banks operating in rural, suburban, and urban areas. The banks are at various stages, ranging from those building an internal business case for pursuing youth savings collaboration to banks with well-established programs that are seeking to expand them in scope or quality. One bank in the Network shared that its financial education efforts have resulted in about \$130 million of new deposits for the bank from adults and youth.

FDIC staff encourage financial education to be used as a tool for other work. For example, the FDIC and the CFPB cohosted the "Building Collaboration between Financial Institutions and Law Enforcement to Prevent and Address Elder Financial Abuse" webinar on July 25, 2019, drawing more than 4,300 registrations. During the presentation, *Money Smart for Older Adults* was promoted as a tool to foster local collaboration and education, and feedback after the session from banks confirmed examples of its use. Moreover, the FDIC participated in a Twitter event hosted by the Federal Emergency Management Agency (FEMA) during Financial Capability Month. The chat had more than 36 million potential impressions. Furthermore, the *Money Smart* website was also redesigned to improve the user experience, including new videos. The *Money Smart* related webpages had more than 250,000 views during the year.

In addition to *Money Smart*, the FDIC's *Consumer News* is a monthly, digital educational publication that provides practical guidance on how to become a smarter and safer user of financial services. There were 13 issues published online in 2019, including an extra, special edition issue in February for America Saves Week. The FDIC is also adding Consumer Resource Guides, which are plain language educational materials to explain how banking regulations impact consumers. Consumers can also take advantage of the FDIC Information and Support Center's searchable Knowledge Center at <https://ask.fdic.gov/fdicinformationandsupportcenter/s/public-information>, where they can search for topics of interest and recent news stories.

Partnerships for Access to Mainstream Banking

The FDIC supported community development and economic inclusion partnerships at the local level by providing technical assistance and information resources throughout the country, with a focus on unbanked and underbanked households and low- and moderate-income communities. Community Affairs staff support economic inclusion through work with the Alliances for Economic Inclusion (AEI), Bank On initiatives, and other coalitions originated by local and state governments, and in collaboration with federal partners and many local and national non-profit organizations. The FDIC also partners with other financial regulatory agencies to provide information and technical assistance on community development to banks and community leaders across the country.

In the 12 AEI communities and in other areas, the FDIC helped working groups of bankers and community leaders develop responses to the financial capability and services needs in their communities. To integrate financial capability into community services more effectively, the FDIC supported seminars and training sessions for community service providers and asset-building organizations, workshops for financial coaches and counselors, promotion of savings opportunities for low- and moderate-income people and communities, initiatives to expand access to savings accounts for all ages, outreach to bring larger numbers of people to expanded tax preparation assistance sites, and education for business owners to help them become bankable.

The FDIC conducted three forums in Spanish in Los Angeles and San Jose, California and Reno, Nevada to inform and educate banks, and identify local stakeholders to support community efforts to improve financial resiliency of the Spanish-speaking community. Additionally, the FDIC provided how-to guidance in establishing an in-school bank branch at a Native American Asset Building Conference in Niagara Falls, New York.

The FDIC supports coalitions working on access and use of SAFE and affordable accounts nationwide. In 2019, Community Affairs staff provided technical assistance to 35 Bank On coalitions to promote banking access. Specifically, the FDIC convened 20 outreach

events engaging 515 representatives from banks, local governments, and community organizations to help them understand opportunities and to advance strategies to expand access to SAFE and affordable deposit accounts and engage unbanked and underbanked consumers.

As of December 31, 2019, the FDIC hosted more than 54 events that provided opportunities for partners to collaborate on increasing access to bank accounts and credit services, opportunities to build savings and improve credit histories, and initiatives to significantly strengthen the financial capability of community service providers that directly serve consumers with low or moderate incomes and small businesses.

Consumer Complaints and Inquiries

The FDIC helps consumers by receiving, investigating, and responding to consumer complaints about FDIC-supervised institutions and answering inquiries about banking laws and regulations, FDIC operations, and other related topics. In addition, the FDIC provides analytical reports and information on complaint data for internal and external use, and conducts outreach activities to educate consumers.

The FDIC recognizes that consumer complaints and inquiries play an important role in the development of strong public and supervisory policy. Assessing and resolving these matters helps the agency identify trends or problems affecting consumer rights, understand the public perception of consumer protection issues, formulate policy that aids consumers, and foster confidence in the banking system by educating consumers about the protection they receive under certain consumer protection laws and regulations.

Consumer Complaints by Topic and Issue

The FDIC receives complaints and inquiries by telephone, fax, U.S. mail, e-mail, and online through the FDIC's website. In 2019, the FDIC handled 18,401 written and telephonic complaints and inquiries. Of the 12,943 involving written correspondence, 5,253 were referred to other agencies and 7,690 were handled by the FDIC. The FDIC responded to 99 percent of written complaints within time frames established by corporate policy, and acknowledged 100 percent of all consumer complaints and inquiries within 14 days. As part of the complaint

and inquiry handling process, the FDIC works with the other federal financial regulatory agencies to ensure that complaints and inquiries are forwarded to the appropriate agencies for response. The FDIC carefully analyzes the topics and issues involved in complaints about FDIC-supervised institutions. The number of complaints received about a specific bank topic and issue can serve as a red flag to prompt further review of practices that may raise consumer protection or supervisory concerns.

In 2019, the four most frequently identified topics in consumer complaints and inquiries about FDIC-supervised institutions concerned checking accounts (24 percent), consumer/business credit cards (17 percent), consumer lines of credit/installment loans (14 percent), and residential real estate (9 percent). Issues most commonly cited in correspondence about checking accounts were concerns for refusing to provide service, the error resolution process for disputes, and account discrepancies or transaction errors. Consumer correspondence about credit cards most often raised issues regarding reporting of account information, billing disputes, and fees. Consumer loan complaints and inquiries most frequently described issues with reporting of account information, collection practices, and billing disputes. Correspondence regarding residential real estate related to disclosures, inaccurate appraisal reports, and foreclosure and modification issues.

The FDIC also investigated 51 Fair Lending complaints alleging discrimination during 2019. The number of discrimination complaints investigated has fluctuated over the past several years but averaged approximately 69 complaints per year between 2014 and 2019. Over this period, 48 percent of the issues identified in complaints investigated alleged discrimination based on the race, color, national origin, or ethnicity of the applicant or borrower; 14 percent involved the sex of the applicant or borrower; 13 percent related to discrimination allegations based on age; and 7 percent concerned handicap.

Consumer refunds generally involve the financial institution offering a voluntary credit to the consumer's account, often as a direct result of complaint investigations and identification of a banking error or violation of law. Through December 2019, consumers received more than \$412,426 in refunds from financial institutions as a result of the assistance provided by the FDIC's Consumer Response Center.

FAILURE RESOLUTION AND RECEIVERSHIP MANAGEMENT

The FDIC has the unique mission of protecting depositors of insured banks and savings associations. No depositor has ever experienced a loss on the insured amount of his or her deposits in an FDIC-insured institution due to a failure. When an institution closes, its chartering authority—the state for state-chartered institutions and the OCC for national banks and federal savings associations—typically appoints the FDIC as receiver, responsible for resolving the failed institution.

The FDIC employs a variety of strategies and business practices to resolve a failed institution. These strategies and practices are typically associated with either the resolution process or the receivership process. Depending on the characteristics of the institution, the FDIC may utilize several of these methods to ensure the prompt and smooth payment of deposit insurance to insured depositors, to minimize the impact on the DIF, and to speed dividend payments to uninsured depositors and other creditors of the failed institution.

The resolution process involves evaluating and marketing a failing institution, soliciting and accepting bids for the sale of the institution, determining which bid (if any) is least costly to the DIF, and working with the acquiring institution through the closing process.

To minimize disruption to the local community, the resolution process must be performed as quickly and efficiently as possible. The FDIC uses two basic resolution methods: purchase and assumption transactions and deposit payoffs.

The purchase and assumption (P&A) transaction is the most commonly used resolution method. Typically, in a P&A transaction, a healthy institution purchases certain assets and assumes certain liabilities of the failed institution, including the option of acquiring either all deposits or only the insured portion. Because each failing bank situation is different, P&A transactions provide flexibility to structure resolution transactions that result in obtaining the highest value for the failed institution. For example, a P&A transaction could include a shared-loss feature, in which the FDIC as receiver agrees to share losses on certain assets with the acquirer for a specified period of time (e.g., five to 10 years). The FDIC used shared-loss P&A transactions extensively during periods

of economic distress, when asset values became highly uncertain. Shared-loss P&A transactions have not been offered since 2013; however, the FDIC continues to monitor agreements that remain in place. At year-end 2019, there were 59 receiverships with active shared-loss agreements. Total assets covered by shared-loss agreements were reduced by \$5.4 billion to \$4.2 billion.

Financial Institution Failures

During 2019, there were four institution failures, compared to no failures in 2018. In all four transactions, the FDIC successfully contacted all known, qualified, and interested bidders to market these institutions, and all depositors had access to insured funds within one business day.

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

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

FAILURE ACTIVITY Dollars in Billions			
	2019	2018	2017
Total Institutions	4	0	8
Total Assets of Failed Institutions*	\$0.2	\$0.0	\$5.1
Total Deposits of Failed Institutions*	\$0.2	\$0.0	\$4.7
Estimated Loss to the DIF	\$0.03	\$0.0	\$1.2

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

Asset Management and Sales

As part of its resolution process, the FDIC tries to sell as many assets as possible to an assuming institution. Assets that are retained by the receivership are promptly valued and liquidated in order to maximize the return to the receivership estate. During 2019, 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.

Cash sales of all assets for 2019 totaled \$482 million in book value.

As a result of the FDIC's marketing and collection efforts, the book value of assets in inventory decreased by \$654 million (56 percent) in 2019. Total assets in liquidation have not been lower than \$1 billion since April 2008.

The following chart shows the beginning and ending balances of these assets by asset type.

ASSETS-IN-LIQUIDATION INVENTORY BY ASSET TYPE Dollars in Millions			
Asset Type	12/31/19	12/31/18	12/31/17
Securities	\$10	\$50	\$160
Consumer Loans	0	0	8
Commercial Loans	1	34	50
Real Estate Mortgages	19	67	139
Other Assets/Judgments	44	151	260
Owned Assets	3	3	47
Net Investments in Subsidiaries	31	19	157
Structured and Securitized Assets	416	854	1,449
TOTAL	\$524	\$1,178	\$2,271

Receivership Management Activities

The FDIC, as receiver, manages failed insured depository institutions and oversees their subsidiaries with the goal of expeditiously winding up their affairs. The oversight and prompt termination of receiverships help to preserve value for the uninsured depositors and other creditors by reducing overhead and other holding costs. Assets remaining after resolution are liquidated by the FDIC in an orderly manner, and the proceeds are used to pay receivership claimants, including depositors whose accounts exceeded the insurance limit. During 2019, receiverships paid dividends of \$1.2 million to depositors whose accounts exceeded the insurance limit.

Once the assets of a failed institution have been sold and its liabilities extinguished, the final distribution of any proceeds is made, and the FDIC terminates the receivership. In 2019, the total number of active receiverships under management decreased by 28 (10 percent) to 248. Further, the FDIC terminated more than 75 percent of new receiverships within three years of the date of failure.

The following chart shows overall receivership activity for the FDIC in 2019.

RECEIVERSHIP ACTIVITY

Active Receiverships as of 12/31/18	272
New Receiverships	4
Receiverships Terminated	28
Active Receiverships as of 12/31/19	248

Professional Liability and Financial Crimes Recoveries

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

During 2019, the FDIC recovered \$626.4 million from professional liability claims and settlements. The FDIC authorized one professional liability lawsuit during 2019. As of December 31, 2019, the FDIC's caseload included 11 professional liability lawsuits (down from 21 at year-end 2018), eight residential mortgage malpractice and fraud lawsuits (down from nine), and open investigations in 51 claim areas out of nine institutions. The FDIC completed investigations and made decisions on 91 percent of the investigations related to failures that reached the 18-month point after the institution's failure date in 2019, thereby exceeding its annual performance target.

As part of the sentencing process, for those convicted of criminal wrongdoing against an insured institution that later failed, a court may order a defendant to pay restitution or to forfeit funds or property to the receivership. The FDIC, working with the U.S. Department of Justice in connection with criminal restitution and forfeiture orders issued by federal courts and independently in connection with restitution orders issued by the state courts, collected \$9.96 million in 2019. As of December 31, 2019, there were 2,187 active restitution and forfeiture orders (decreased from 2,346 at year-end 2018). This includes 56 orders held by the Federal Savings and Loan Insurance Corporation (FSLIC)

Resolution Fund (i.e., orders arising out of failed financial institutions that were in receivership or conservatorship by the FSLIC or the Resolution Trust Corporation).

INFORMATION TECHNOLOGY

Information technology (IT) is an essential component in virtually all FDIC business processes. This integration with the business provides opportunities for efficiencies but also requires an awareness of potential risks. In 2019, the Chief Information Officer Organization (CIOO) focused its efforts on managing information security risk, strengthening infrastructure resiliency, and modernizing FDIC applications and systems to support the FDIC's business processes and key stakeholders.

Managing Information Security Risk

The FDIC's information security program is integral to the agency's ability to carry out its mission of maintaining stability and public confidence in the nation's financial system.

The FDIC continues to strengthen its information security functions in accordance with the Federal Information Security Modernization Act of 2014 (FISMA) and in alignment with the standards and guidance provided by the National Institute of Standards and Technology (NIST). For example, in 2019 the FDIC:

- ◆ Continued progress towards optimizing the Security Operations Center (SOC) including implementation of new capabilities to monitor and analyze network traffic and cloud usage for indications of information security risk;
- ◆ Implemented a Privacy Continuous Monitoring (PCM) strategy, which strengthens privacy controls and facilitates ongoing privacy reviews to ensure personally identifiable information (PII) is effectively managed and protected;
- ◆ Enhanced monitoring capabilities over platforms supporting core business functions consistent with leading risk management practices for information security;
- ◆ Updated and published 34 System of Record Notices (SORNs) in the *Federal Register* and implemented delegation of SORN publication authority to align with federal guidance; and

- ◆ Introduced new policies and procedures for patching, risk assessments, remediation plans, and firewall and network security to further strengthen information security and privacy risk management.

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

Strengthening Infrastructure Resiliency

The FDIC must be able to provide and maintain an acceptable level of service in the face of threats and challenges to normal computer and network operations. Threats and challenges for services can range from simple misconfigurations to unforeseen large-scale natural disasters or targeted attacks. The FDIC works to ensure that its infrastructure can anticipate, absorb, adapt to, and/or rapidly recover from a potentially disruptive event.

To continue to support a resilient and effective infrastructure, in 2019, the FDIC executed a comprehensive initiative to expand and enhance its existing disaster recovery and business continuity capabilities. The FDIC's efforts were particularly focused on ensuring that designated IT systems and applications that support mission-essential functions could be recovered within targeted timeframes. As part of this multi-year project, the FDIC completed the migration of key IT systems and applications to a new and larger backup data center (BDC). This effort strengthens resiliency by extending geographic proximity of the FDIC's BDC from its primary data center. The new facility introduced new security capabilities including enterprise logging and expanded data loss prevention.

Additional enhancements include rapid restoration (failover) of mission-critical business applications. Automated foundational restoration processes minimize manual intervention, and equipment is maintained in a higher availability mode to enable faster restoration. As a result, the FDIC is better positioned to preempt and rapidly recover from an outage or threat. The CIOO completed a test of failover functionality in October 2019 that identified lessons that will continue to strengthen the BDC.

The FDIC also implemented a Resiliency and Performance Improvement Project to improve resiliency and performance of its IT infrastructure. The project allows faster restoration of network services and is part of the series of controls in place to support effective disaster recovery.

Modernizing IT and Enhancing Data Governance

The FDIC is committed to promoting efficient operations, treating data as a strategic asset, and providing IT resources that support its workforce and improve the FDIC's engagement with regulated institutions. To meet these key needs, in 2019 the FDIC:

- ◆ Developed and began implementing a comprehensive integrated five-year *IT Modernization Plan* to support several business drivers including Bank Supervision Modernization, Financial Crisis Preparedness, and the treatment of data as a corporate resource. The *IT Modernization Plan* supports a cost-effective, agile technology environment that fosters business innovation and efficiencies.
- ◆ Completed an Enterprise Architecture Target statement that outlines the basis for developing the FDIC's future IT environment in order to guide IT decision-making and support the FDIC in executing its mission.
- ◆ Launched a Cloud Technology Migration Modernization project and migrated applications for two of the Corporation's Divisions (Division of Resolutions and Receiverships and the Division of Insurance and Research).
- ◆ Launched an Enterprise Data Governance Initiative to provide strategic direction on the FDIC's data strategy, where trusted data are easily used and securely shared to support the FDIC's mission.
- ◆ Created a new Chief Data Officer position to provide strategic leadership to the FDIC's data strategy.

DIVERSITY AND INCLUSION

Consistent with the provisions of the Dodd-Frank Act, the FDIC maintains its commitment to provide diversity and inclusion in employment opportunities and all business areas of the FDIC. The Office of Minority and Women Inclusion (OMWI) supports the FDIC's mission through outreach efforts to ensure the fair inclusion and utilization of minority- and women-owned businesses (MWOBs), law firms (MWOLFs), and investors in contracting and investment opportunities. OMWI is also responsible for assessing the diversity policies and practices of FDIC-regulated financial institutions.

The *FDIC Diversity and Inclusion (D&I) Strategic Plan* is evaluated and updated regularly and delineates strategies to promote workforce and workplace inclusion and sustainability of diversity and inclusion efforts. The D&I Executive Advisory Council (EAC) oversees the plan's implementation and promotes the coordination and awareness of diversity and inclusion initiatives as an FDIC priority. Additionally, employees provide input on these efforts by serving on the regional and headquarters Chairman's Diversity Advisory Councils or joining one of the nine Employee Resource Groups.

Minority- and Women-Owned Business Outreach

OMWI's outreach efforts also ensure the fair inclusion and utilization of MWOBs, MWOLFs, and investors in contracting and investment opportunities. In 2019, the FDIC awarded 152 (29.3 percent) contracts to MWOBs out of a total of 518 issued. The FDIC awarded contracts with a combined value of \$554.0 million in 2019, of which 31.3 percent (\$173.5 million) were awarded to MWOBs, compared to 24.5 percent for all of 2018. The FDIC paid \$98.3 million of its total contract payments (21.1 percent) to MWOBs, under 287 MWOB contracts.

In 2019, the FDIC participated in a total of 18 business expos, one-on-one matchmaking sessions, and panel presentations. At these events, FDIC staff provided information and responded to inquiries regarding FDIC business opportunities for minorities and women. In addition to targeting MWOBs, these efforts also targeted veteran-owned and small disadvantaged businesses. Vendors were provided with the FDIC's general contracting procedures, prime contractors' contact information, and forecasts of possible upcoming solicitations. Also, vendors were encouraged to register through the FDIC's Contractor Resource List (the principal database for vendors interested in doing business with the FDIC).

On December 5, 2019, the FDIC and the other OMWI agencies partnered with the Minority Business Development Agency and the Northern Virginia Procurement Technical Assistance Center to host the "Connections That Count" technical assistance event in Arlington, Virginia. Technical assistance events are designed to provide information, resources, and tools to MWOBs in order to build and expand their federal

contracting opportunities. It is also a forum for MWOBs to network with representatives from various sources of business assistance, as well as OMWI representatives. In addition, the sponsoring agencies and various procurement trade organizations exhibited at the event.

Minority- and Women-Owned Law Firm Outreach

The Legal Division's legal contracting program endeavors to maximize the participation of both minority- and women-owned law firms (MWOLFs), minority and women partners, and associates employed at majority owned firms (Diverse Attorneys). This approach is consistent with Section 342 of the Dodd-Frank Act that encourages diversity and inclusion at all levels. For both MWOLFs and Diverse Attorneys, FDIC legal matters provide important learning and professional client development opportunities that can be quite meaningful to career advancement. For 2019, the Legal Division had an aggregate 34.0 percent diversity and inclusion participation rate in legal contracting as set forth below.

The FDIC made 20 referrals to MWOLFs, which accounted for 32.2 percent of all legal referrals. Total payments to MWOLFs were \$3.4 million in 2019, which is 10.7 percent of all payments to outside counsel, compared to 7.7 percent for all of 2018. In 2019, Diverse Attorneys earned \$7.4 million in legal fees, which is 23.3 percent of all payments to outside counsel. Taken together, FDIC paid \$10.8 million to MWOLF firms and Diverse Attorneys out of a total of \$31.7 million dollars spent on outside counsel services in 2019. This number represents 34.0 percent of total outside counsel fees, which is a significant increase from 2018, in which there was a 27.5 percent aggregate participation rate, despite the steep decline in overall outside counsel spending.

The keystone of the Legal Division diversity and inclusion outreach is the FDIC's partnerships with minority bar associations and specialized stakeholder organizations. In 2019, the FDIC Legal Division participated in seven minority bar association conferences and three stakeholder events in support of maximizing the participation of MWOLFs and Diverse Attorneys in FDIC legal contracting. The Legal Division divided its stakeholder event participation into events concentrating on outreach to MWOLF firms and focusing on outreach to Diverse Attorneys who work at majority owned law firms.

In 2019, National Association of Minority and Women Owned Law Firms again formally recognized the FDIC in a press release as a principal member of, and major contributor to, its Inclusion Initiative, a collaborative program among law departments of major corporations designed to increase the participation of MWOLF firms in legal contracting. The FDIC participates in the Inclusion Initiative along with major corporations.

The Legal Division understands the value of integrating FDIC in-house counsel in its legal contracting diversity and inclusion. Also in 2019, the Legal Division presented a Legal Contracting Diversity and Inclusion Workshop for the closed bank oversight attorneys at the Dallas Regional Office. These attorneys are responsible for assigning work to outside counsel. The program included a review of the prior year's legal contracting statistics, planned projects, question and answers, and the solicitation of ideas from the attorneys for improving the selection and retention of outside counsel.

Pursuant to Section 342 of the Dodd-Frank Act, which requires an assessment of legal contractors' internal workforce diversity practices, the Legal Division conducted 12 compliance reviews of the top-billing law firms (both non-minority-owned and MWOLFs). The reviews included questions that focused on associate and partner recruitment, retention rates of minority and women associates and partners, and partnership offers to minority and women attorneys working on FDIC legal matters. The reviews are instrumental in gathering diversity data for ongoing monitoring efforts as well as the exchange of ideas to enhance diversity initiatives.

In addition to the outreach efforts noted above, the Legal Division continues to provide technical assistance to other related government agencies on developing MWOLF outreach programs that mirror the FDIC's program. The Legal Division evaluated and approved three new MWOLF applications in 2019. Firms from various geographic areas were added to the FDIC List of Counsel Available in order to be eligible to receive legal contracting work.

Financial Institution Diversity

The FDIC's Financial Institution Diversity program is responsible for assessing the diversity policies and practices of FDIC-regulated financial institutions. The FDIC OMWI worked closely with the OMWIs from the OCC,

FRB, CFPB, NCUA, SEC, and the Department of the Treasury to further implement Section 342(b)(2)(C) of the Dodd-Frank Act, which required the agencies to develop standards to assess the diversity policies and practices of the entities they regulate. After publishing Joint Standards in 2015, the FDIC developed a diversity self-assessment instrument to assist FDIC-regulated financial institutions in systematically assessing their diversity programs.

The FDIC began collecting voluntary self-assessments from its regulated financial institutions in 2017. The FDIC received 95 of 805 (11.8 percent) self-assessments in 2017 for the 2016 reporting period. In 2018, the FDIC received 137 of 820 (16.7 percent) self-assessments from its regulated institutions for the 2017 reporting period. In 2019, the FDIC received 133 of 784 (17 percent) self-assessments from its regulated institutions for the 2018 reporting period. OMWI analyzed the self-assessment responses for the 2016 – 2018 reporting periods and posted this analysis on its internal and external websites.

OMWI hosted an outreach event on October 24, 2019, jointly with the other OMWI agencies for their respective regulated entities. The event was entitled "Financial Regulatory Agencies Diversity Summit" and was held in Chicago, Illinois. Additionally, on November 20, 2019, the FDIC participated in a webinar hosted by the American Bankers Association titled, "What Bankers Need to Know about the Diversity Self-Assessment." Both events focused on the value of conducting voluntary self-assessments, annually submitting assessment results to OMWI Directors, and making diversity information transparent to the public. The OMWI agencies also outlined how the self-assessments will be used to identify leading trends and establish benchmarks that will assist financial institutions in assessing and enhancing their diversity programs.

Information related to diversity and inclusion at the FDIC can be found at www.fdic.gov/about/diversity.

INTERNATIONAL OUTREACH

The FDIC continues to play a leading role in supporting the global development of deposit insurance, bank supervision, and bank resolution systems. This included working closely with regulatory and supervisory authorities from around the world, as well as international standard-setting bodies and multilateral organizations, such as the International Association of Deposit Insurers (IADI),

the Association of Supervisors of Banks of the Americas (ASBA), the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), the International Monetary Fund (IMF), and the World Bank. The FDIC engaged with foreign regulatory counterparts by hosting visiting officials, conducting training seminars, delivering technical assistance abroad, and fulfilling the commitments of FDIC membership in international organizations. The FDIC also advanced policy objectives with key jurisdictions by participating in high-level interagency dialogues.

International Association of Deposit Insurers

FDIC officials and subject matter experts provided continuing support for IADI programs in 2019. This included chairing IADI's Training and Conference Technical Committee, which provided support for developing and facilitating technical assistance workshops for the African, European, Eurasian, Asia-Pacific, Caribbean, North American, and Latin American regions of IADI. The FDIC also chaired IADI's Differential Premium Systems Technical Committee, which is drafting a paper evaluating the effectiveness of differential deposit insurance premium systems. The FDIC also participated in reviews of IADI members' self-assessments of compliance with the *Core Principles*. The FDIC assisted in the development of IADI's Biennial Research Conference, which provides a forum for researchers and deposit insurance and bank resolution practitioners to meet to discuss issues facing deposit insurers. It also assisted in development of the annual conference for officials and senior management of deposit insurance authorities in conjunction with the IADI Annual General Meeting. Led and supported by FDIC executives and senior staff, IADI technical assistance and training activities reached approximately 500 participants during 2019.

Association of Supervisors of Banks of the Americas

Senior FDIC staff chaired the ASBA Training and Technical Committee in 2019, which designs and implements ASBA's training strategy, promoting the adoption of sound banking supervision policies and practices among its members. The training program reached more than 500 member participants in 2019.

Basel Committee on Banking Supervision

The FDIC supports and contributes to the development of international standards, guidelines, and sound

practices for prudential regulation and supervision of banks through its longstanding membership in BCBS. The contribution includes actively participating in many of the committee groups, working groups, and task forces established by BCBS to carry out its work, which focused on policy development, supervision and implementation, macroprudential supervision, accounting, and consultation.

International Capacity Building

During the year, the FDIC provided direct assistance to many foreign organizations through the provision of technical expertise. These engagements included providing staff experts to provide training in bank resolution and planning for the European Union's Single Resolution Board, assisting the Serbia Deposit Insurance Agency in developing its target fund model, and assisting the IMF in Manila, Philippines. The FDIC also hosted more than 147 visiting regulators and other government officials from 34 countries during the year. Two sessions of "FDIC 101: An Introduction to Deposit Insurance, Bank Supervision, and Resolutions," a structured learning program for senior foreign officials, were offered in 2019 and attended by 56 participants from more than 38 organizations. The FDIC piloted a new two-week training program called "The Bank Resolution Experience," which is an in-depth training on the FDIC's resolution functions designed to educate staff-level practitioners from foreign counterparts with resolution authority. The pilot was attended by 22 participants from 15 organizations. The FDIC's Corporate University also makes supervisory courses available to foreign participants and trained 89 students this year.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

The FDIC recognizes that it must effectively manage its human, financial, and technological resources to successfully carry out its mission and meet the performance goals and targets set forth in its annual performance plan. The FDIC must align these strategic resources with its mission and goals and deploy them where they are most needed to enhance its operational effectiveness and minimize potential financial risks to the DIF. Following are the FDIC's major accomplishments in improving operational efficiency and effectiveness during 2019.

Human Capital Management

The FDIC's human capital management programs are designed to attract, train, develop, reward, and retain a highly skilled, diverse, and results-oriented workforce. In 2019, the FDIC workforce planning initiatives emphasized the need to plan for employees to fulfill current and future capability and leadership needs. This focus ensures that the FDIC has a workforce positioned to meet today's core responsibilities and prepared to fulfill its mission in the years ahead.

Strategic Workforce Planning and Readiness

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

The FDIC conducted succession planning survey research that established a baseline of career aspirations, engagement, and readiness of corporate graded (CG) 12-15 employees for mission-critical leadership positions. In 2019, this baseline was used to inform FDIC's career development planning strategies and broader workforce planning strategies and investments. In addition, the baseline is being used to inform individual Divisions as they plan and implement succession planning activities tailored to meet their Divisions' unique workforce needs.

During the past few years, the FDIC has witnessed an uptick of retirements in management and leadership positions, requiring a greater emphasis on knowledge transfer and long-term succession planning. To ensure that these critical skills are sustained, the FDIC is developing new career paths that encompass emerging skills, while offering leadership training and career development opportunities designed to increase the internal candidate pool of potential leaders at all levels. The FDIC is also undertaking innovative approaches to attract and retain entry-level examiners with specialty and emerging skillsets.

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

Examiner Recruiting, Hiring, and Training

From 2005 through 2019, the FDIC's Corporate Employee Program (CEP) sponsored the development of newly-hired Financial Institution Specialists (FIS) in entry-level positions. During the first-year rotation within the program, FISs gained experience and knowledge in the core business of the FDIC and then were placed within RMS or DCP, where they continued their career path to become commissioned examiners. More than 1,050 employees have become commissioned examiners after successfully completing the program's requirements.

In an effort to make the examination processes and procedures more efficient and effective, evaluate the training and commissioning processes, promote diversity and engagement, and ensure that the vast institutional knowledge held by examiners today is passed on to future examiners, newly hired FISs now will be assigned directly into a discipline: risk management or consumer protection. After a centralized orientation, newly-hired FISs will experience task-based, on-the-job training while working toward commission.

Employee Learning and Development

The FDIC is committed to training and developing its employees throughout their careers to enhance technical proficiency and leadership capacity, supporting career progression and succession management. The FDIC is in the midst of modernizing learning and development, including expanding virtual and online offerings, integrating modern learning technology, and modernizing the training center. The FDIC develops and implements comprehensive curricula for its business lines to prepare employees to meet new challenges. Such training, offered



Corporate University Associate Professor Dr. Alphonzo Moseley, right, leads a roundtable discussion on the FDIC's leadership development program for first-line supervisors.

via a range of delivery modes, positions the FDIC's Corporate University to be a virtual university with a physical presence.

Employees working to become commissioned examiners or resolutions and receiverships specialists attend a prescribed set of specialized, internally developed and instructed courses. Post-commission, employees continue to further their knowledge in specialty areas with more advanced courses. The FDIC is revising examiner classroom training to better support on-the-job application and is developing resolution and receivership training to support readiness and compliance training and converting instructor led courses to web-based training.

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

Employee Engagement

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



Photo credit: Partnership for Public Service

Internal Ombudsman Robert Harris and Deputy to the Chairman and Chief Financial Officer Bret Edwards receive the award for one of the Best Places to Work in the Federal Government for mid-sized federal agencies from Max Stier, President and CEO of Partnership for Public Service.

agencies. In 2019, the FDIC was recognized for the tenth consecutive year as one of the top federal agencies. Effective leadership is the primary factor driving employee satisfaction and commitment in the federal workplace, according to a report by the Partnership for Public Service.

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