FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

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2022 ANNUAL REPORT

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2022 ANNUAL REPORT

CONTENTS

Mission, Vision, and Values **4**
Message from the Chairman **5**
Message from the Chief Financial Officer **17**
I. Management's Discussion and Analysis **19**
Overview 21
Deposit Insurance 21
Supervision 22
Research 46
Community Banking 50
Activities Related to Large and Complex Financial Institutions 53
Depositor and Consumer Protection 60
Failure Resolution and Receivership Management 73
Diversity, Equity, Inclusion, and Accessibility 75
Information Technology Modernization 82
International Outreach 84
Effective Management of Strategic Resources 86
II. Performance Results Summary **89**
Summary of 2022 Performance Results by Program 91
Performance Results by Program and Strategic Goal 91
III. Financial Highlights **109**
Deposit Insurance Fund Performance 111
IV. Budget and Spending **115**
2022 FDIC Operating Budget 117
2022 Budget and Expenditures by Program 118
Investment Spending 119
V. Financial Section **121**
Deposit Insurance Fund (DIF) 122
FSLIC Resolution Fund (FRF) 135
Government Accountability Office Auditor's Report 142
Management's Report on Internal Control over Financial Reporting 150
Management's Response to the Auditor's Report 151
VI. Risk Management and Internal Controls **153**
Statement of Assurance 154
Program Evaluation 156
Fraud Reduction and Data Analytics Act of 2015 157
Management Report on Final Actions 158
VII. Appendices **167**
A. Key Statistics 169
B. More About the FDIC 180
C. Office of Inspector General's Assessment of the Top Management and Performance Challenges Facing the FDIC 193
D. Acronyms 240

MISSION, VISION, AND VALUES

MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by Congress to maintain stability and public confidence in the nation's financial system by:

- Insuring deposits,
- Examining and supervising financial institutions for safety and soundness and consumer protection,
- Making large and complex financial institutions resolvable, and
- Managing receiverships.

VISION

The FDIC is a recognized leader in promoting sound public policies; addressing risks in the nation's financial system; and carrying out its insurance, supervisory, consumer protection, resolution planning, and receivership management responsibilities.

VALUES

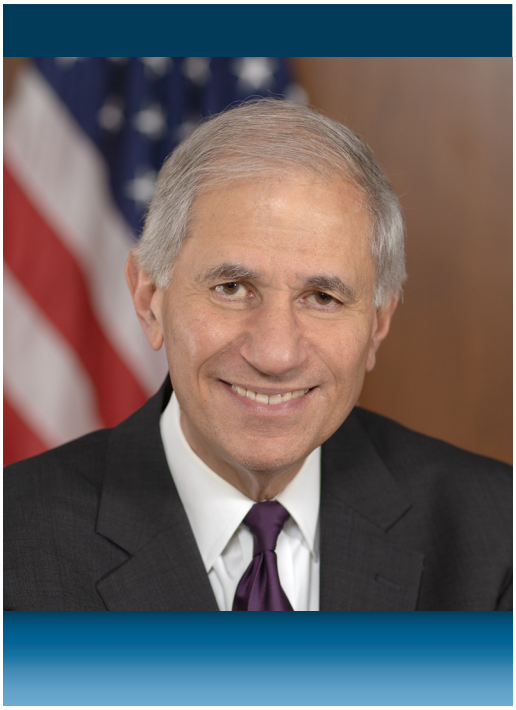
The FDIC and its employees have a tradition of distinguished public service. Six core values guide us in accomplishing our mission:

Integrity	We adhere to the highest ethical and professional standards.
Competence	We are a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.
Teamwork	We communicate and collaborate effectively with one another and with other regulatory agencies.
Effectiveness	We respond quickly and successfully to risks in insured depository institutions and the financial system.
Accountability	We are accountable to each other and to our stakeholders to operate in a financially responsible and operationally effective manner.
Fairness	We respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity, and trust.

FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

MESSAGE FROM THE CHAIRMAN



For nearly 90 years, the FDIC has carried out its mission of maintaining public confidence and stability in the U.S. financial system. This mission took on heightened importance during the COVID-19 pandemic. The publication of this report marks three years since the pandemic's onset. The continued challenges and uncertainties resulting from the pandemic through 2022 have impacted the banking system, consumers, and businesses large and small.

Despite the persistent challenges, the FDIC workforce has continued to carry out its mission-essential functions: insuring deposits; supervising and examining financial institutions for safety, soundness, and consumer protection; making large firms resolvable; and managing failed bank receiverships.

The nation's banks also have remained resilient, which has allowed for continued support for individuals and businesses.

The economic environment is now changing. Inflationary pressures, rising interest rates, slowing economic growth, and geopolitical events create a very uncertain economic outlook with significant downside risks to the banking industry. These downside risks have been, and will continue to be, a focus of the FDIC's supervisory attention.

In addition, the FDIC has pursued several key policy priorities over the past year, including strengthening the Community Reinvestment Act (CRA), reviewing the bank merger process, addressing the financial risks to the banking system resulting from climate change, evaluating and responding to the risks of crypto-assets, and finalizing the Basel III regulatory capital framework for large banking organizations.

Other areas of continued focus include the FDIC's efforts to support Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs), promote a diverse and inclusive workplace at the FDIC, strengthen cybersecurity and information security within the banking industry, and manage the FDIC's return to in-person bank examinations and other in-person activities at the FDIC.

Following is an overview of the FDIC's progress in these areas over the past year, as well as the current economic and financial outlook, and the FDIC's operational status.

THE CURRENT OUTLOOK

At the end of September 2022, the FDIC insured deposits of $9.9 trillion in approximately 865 million accounts at 4,755 institutions, supervised 2,765 institutions, and managed 156 active receiverships with total assets of nearly $1.1 billion.

The banking industry reported generally positive results in 2022 amid continued economic uncertainty. Loan growth strengthened, net interest income grew, and most asset quality measures improved. Further, the industry remains well-capitalized and highly liquid. Fourteen new banks opened through October 2022, including the first mutual bank in 50 years, and there has not been a bank failure since October 2020.

At the end of the third quarter, the banking industry reported an increase in net income that more than offset an increase in provision expenses—the amount set aside by institutions to protect against future credit losses. However, rising interest rates have resulted in unrealized losses on investment securities held on bank balance sheets, and may erode the value of real estate and other assets, and affect borrowers' ability to repay loans.

The FDIC will continue to focus its attention on the significant downside risks the industry faces, including the effects of inflation, rising interest rates, slowing economic growth, and continuing geopolitical uncertainty. Taken together, these risks have the potential to reduce profitability, weaken credit quality and capital, and limit loan growth in coming quarters.

MANAGING THE DEPOSIT INSURANCE FUND

The pandemic and the government's response to it also affected the Deposit Insurance Fund (DIF). Monetary policy actions, direct government assistance to consumers and businesses, and an overall reduction in consumer spending due to the COVID-19 pandemic resulted in an unprecedented inflow of more than $1 trillion in estimated insured deposits in the first half of 2020. As a result, the reserve ratio of the DIF—the DIF balance as a percentage of the banking industry's estimated insured deposits—declined below the statutory minimum, and as of June 30, 2020, was at 1.30 percent. Insured deposits continued to grow—at times at unprecedented levels, which has caused the reserve ratio to remain low. As of the third quarter of 2022, the reserve ratio was 1.26 percent, well below the statutory minimum of 1.35 percent.

As required by the Federal Deposit Insurance Act, the FDIC Board adopted a new Restoration Plan in September 2020 to restore the DIF to at least 1.35 percent by September 30, 2028. To improve the likelihood that the reserve ratio will reach the statutory minimum within that timeframe, the FDIC Board amended the Restoration Plan in June 2022 to incorporate an

increase in assessment rate schedules of 2 basis points for all insured depository institutions. The new schedules are effective January 1, 2023. They are expected to have a very small effect on industry income and no impact on lending or credit availability.

As a result of the downside risks to the banking industry, the FDIC concluded it was better to take prudent but modest action now, rather than to delay and potentially have to consider a larger increase in assessments at a later time when banking and economic conditions may be less favorable.

STRENGTHENING THE COMMUNITY REINVESTMENT ACT

In 1977, the CRA was enacted based on a simple, but powerful premise - that banks have an affirmative obligation to serve the local communities in which they do business. That premise remains compelling 45 years later, yet the rule implementing the CRA has not undergone a major revision since 1995, despite the banking industry's dramatic evolution over that time.

This year, the FDIC partnered with the Board of Governors of the Federal Reserve System (FRB) and Office of the Comptroller of the Currency (OCC) on a Notice of Proposed Rulemaking (NPR) to adapt the CRA to that evolution and to strengthen and enhance its effectiveness in achieving its core mission.

The NPR would significantly expand the scope and rigor of the CRA and assure its continued relevance. Among other things, the NPR would:

- Establish new retail lending assessment areas to allow for CRA evaluation in communities where a bank may be engaging in significant lending activity but where the bank does not have a branch;
- Incorporate detailed metrics on bank lending activity. This provides an improved line of sight into bank lending and allows for the consideration of higher standards for bank lending performance under CRA. The objective here is to provide an incentive for increased bank lending to underserved communities. It also would allow for greater transparency and certainty for banking institutions in meeting their CRA responsibilities; and
- Raise the thresholds for "Small" and "Intermediate" banks, which will maintain or reduce requirements for hundreds of community banks with respect to their CRA requirements.

In addition, the proposed rule would provide greater transparency on lending to communities of color and enhanced incentives for banks to collaborate with MDIs and CDFIs, invest in disaster preparedness and climate resilience in low- and moderate-income neighborhoods, and provide lending, investment, and services in rural communities and Native lands.

Taken together, the NPR represents a major revision of the CRA intended to strengthen its impact and increase its transparency and predictability. The FDIC, along with the FRB and OCC, continue their review of approximately one thousand unique comments as they consider possible changes to the NPR in developing a final rule.

REVIEWING THE BANK MERGER PROCESS

The FDIC also identified the regulatory framework for implementing the Bank Merger Act of 1960 as timely for review in 2022.

The Bank Merger Act established a framework that generally requires approval by the FRB, OCC, or FDIC, as appropriate, for bank mergers after consideration of certain specific statutory factors. FDIC approval is also required for a bank merger with a non-insured entity.

Since the process was last reviewed 25 years ago, a great deal of consolidation has taken place in the banking sector, facilitated in part by mergers and acquisitions. The prospect for continued consolidation among both large and small banks remains significant. As a result, a review of the merger process is both timely and appropriate.

In March 2022, the FDIC issued a Request for Information (RFI) and Comment on Rules, Regulations, Guidance, and Statements of Policy Regarding Bank Merger Transactions. The RFI requested comment on the four statutory factors required to be considered under the Bank Merger Act: competition, prudential risk, the convenience and needs of the communities affected, and financial stability. The FDIC also formed an interdivisional working group to develop draft revisions to the Statement of Policy on Bank Merger Transactions to address legislative and other developments since the document was last updated in 1998, and make other content and structural enhancements.

The FDIC is considering updates to the Statement of Policy in light of the comments received in response to the RFI, and continues to collaborate with the other banking agencies and the Department of Justice on an interagency review of the bank merger application process.

ADDRESSING FINANCIAL RISKS POSED BY CLIMATE CHANGE

There is broad consensus among financial regulatory bodies, both domestically and abroad, that the effects of climate change and the transition to reduced reliance on carbon-emitting sources of energy present unique and significant economic and financial risks, and, therefore, an emerging risk to the financial system and the safety and soundness of financial institutions. Understanding and addressing the financial risks that climate change may pose to the banking system, and the extent to which those risks impact the FDIC's core mission and responsibilities, are a top priority of the FDIC.

While the banking industry has always contended with severe weather events and, thus far, has handled these events well, changing climate conditions are producing disturbing trends, including rising sea levels, increases in the frequency and severity of extreme weather events, and other natural disasters. These trends challenge the future resiliency of the financial system and banking industry and, in some instances, may pose safety and soundness risks to individual banks. The goal of the FDIC's climate-related financial risk work is to ensure that the financial system remains resilient despite these rising risks.

To that end, in March 2022, the FDIC Board approved a proposed Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions that provides a high-level framework for the safe and sound management of exposures to climate-related financial risks for large financial institutions.

The FDIC does not make climate policy and does not determine firms or business sectors with which financial institutions should do business. However, the FDIC does want financial institutions to fully consider climate-related financial risks—as they do all other risks—and continue to take a risk-based approach in assessing individual credit and investment decisions.

While the FDIC remains in the early stages of addressing climate-related financial risk, regulators need to work with the banking industry now to support financial institutions as they develop plans to identify, monitor, and manage the financial risks posed by climate change. This should be done in a manner that is flexible enough to allow for change as knowledge is gained, data is developed, and new methodologies and tools are explored.

Importantly, the FDIC will continue to encourage financial institutions to consider climate-related financial risks in a manner that allows banks to prudently meet the financial services needs of their communities.

PROVIDING REGULATORY RELIEF IN DISASTER AREAS

In 2022, the FDIC provided flexibility to financial institutions in 14 states and territories, where communities were affected by severe storms, flooding, tornadoes, wildfires, and other disasters. The FDIC supported financial institutions' efforts to meet customers' cash and financial needs by providing flexibility on appraisal requirements, lending and credit policies, and more. As these areas continue to recover, the FDIC encourages depository institutions to consider all reasonable and prudent steps to assist their customers, consistent with safe-and-sound banking practices.

EVALUATING AND ADDRESSING CRYPTO-ASSET RISKS TO THE BANKING SYSTEM

Recent growth in the crypto-asset industry has triggered increasing interest on the part of some banks to engage in crypto-asset-related activities. The risks associated with these activities are novel and complex, and may involve safety and soundness, consumer protection, anti-money laundering and the Bank Secrecy Act, and potentially financial stability issues. As a result, the FDIC has taken a deliberate and thoughtful approach to supervision in this area.

In April 2022, the FDIC issued a Financial Institution Letter, asking supervised banks to notify the FDIC if they are engaging in, or planning to engage in, crypto-asset-related activities. If so, the FDIC asked them to provide enough detail to allow the agency to work with them to assess the risk and the appropriateness of their proposed governance and risk management processes. This approach allows the FDIC to better understand the activity and provide the institution with case-specific supervisory feedback. The other federal banking agencies are taking a similar approach.

Bankruptcies and other disruption in the crypto-asset industry in 2022 highlighted the risks of these activities as well as consumer confusion regarding deposit insurance. For that reason, the FDIC reminded consumers and insured institutions of the need to be aware of how FDIC insurance operates with respect to these assets, as well as reiterated the need for insured institutions to assess, manage, and control risks arising from third-party relationships with crypto companies.

If a third party makes misrepresentations about the nature and scope of deposit insurance, it can lead to significant risks for banks. In July, the FDIC issued an advisory reminding insured banks of the risks that could arise due to misrepresentations of deposit insurance by crypto-asset companies. The FDIC also issued cease and desist letters to five crypto-asset companies for misleading statements regarding deposit insurance. In December, the FDIC Board adopted a notice of proposed rulemaking seeking comment on a number of proposed changes to the FDIC rules governing advertising, use of the FDIC logo, and misrepresentation of deposit insurance coverage.

The FDIC will continue to work with its supervised banks to ensure that any crypto-asset-related activities that they engage in are permissible banking activities that can be conducted in a safe and sound manner and in compliance with existing laws and regulations, including those related to consumer protection and anti-money laundering. In addition, the FDIC will continue to collaborate with its fellow banking agencies to better understand the risks associated with these products and activities and, as appropriate, expects to provide broader industry guidance on an interagency basis.

FINALIZING THE BASEL III CAPITAL RULES

The Basel Committee on Banking Supervision reached a final agreement on modifications to the Basel III international regulatory framework in December 2017. This final agreement would strengthen the regulatory framework for large banking organizations by strengthening capital requirements for market risk exposures, improving the capital requirement for financial derivatives, and simplifying the measurement of operational risk for regulatory capital purposes.

Strong capital requirements have proven to be a critical element of the bank regulatory framework, allowing the banking industry during times of economic stress to serve as a source of strength for the U.S. economy and to lend to creditworthy households and businesses.

Implementing the final agreement for large banking organizations is a priority for the federal banking agencies. The FDIC will continue to work with its fellow banking agencies to develop a proposed rulemaking that would seek comment on the implementation of the revised Basel III standards in the United States.

EXPANDING ACCESS TO BANKING SERVICES

Expanding access to mainstream banking services helps strengthen confidence in the nation's financial system—the FDIC's core mission. In October, the FDIC published the results of its most recent *National Survey of Unbanked and Underbanked Households*, which shows that, despite the economic challenges posed by the COVID-19 global pandemic, nearly 96 percent of U.S. households were banked in 2021. The survey also found that an estimated 4.5 percent of households lacked a bank or credit union account, representing the lowest national unbanked rate since the survey began in 2009.

Approximately 1.2 million households became banked since 2019 and nearly half of these households that received government payments said these payments contributed to their decision to open an account. This data demonstrates that safe and affordable bank accounts provide a channel to bring more Americans into the banking system and will continue to play an important role in advancing economic inclusion.

These results are encouraging, but the survey also showed that significant work remains to be done to address the large disparities that exist in the United States with regard to access to the banking system. In 2021, 11.3 percent of Black households and 9.3 percent of Hispanic households were unbanked, compared to 2.1 percent of White households. Other populations also have lower levels of bank engagement including lower-income households, households with lower levels of formal education, single mothers, and households headed by a working-age individual with a disability.

These populations can be reached by taking advantage of bankable moments and by ensuring that consumers are aware of, and able to locate and open, bank accounts that can meet their needs. For example, during the pandemic, the FDIC partnered with the Internal Revenue Service to support consumers as they opened accounts so that they could receive stimulus payments as a direct deposit in a secure and timely manner.

The FDIC will continue its educational and outreach efforts to help consumers understand the benefits of a bank account, and will continue to support efforts to connect consumers with products and services that address their needs and help them build and sustain banking relationships.

SUPPORTING MINORITY DEPOSITORY INSTITUTIONS AND COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

The preservation and promotion of MDIs and CDFIs remains a long-standing priority for the FDIC.[1] The FDIC's research study, *Minority Depository Institutions: Structure, Performance, and Social Impact*,[2] found that FDIC-insured MDIs have played a vital role in providing mortgage credit, small business lending, and other banking services to minority and low- and moderate-income communities. Similarly, banks designated as CDFIs by the Treasury's CDFI Fund provide financial services in low-income communities and to individuals and businesses that have traditionally lacked access to credit.

The FDIC supervises approximately two-thirds of the approximately 280 FDIC-insured MDIs and CDFIs. In addition to its supervisory activities, the FDIC's Office of Minority and Community Development Banking supports the agency's ongoing strategic and direct engagement with MDIs and CDFIs.

In support of its statutory requirement to encourage the creation of new MDIs, this past May the FDIC issued a Financial Institution Letter that outlines the process by which FDIC-supervised institutions or applicants for deposit insurance can make a request to be designated as an MDI.[3]

In 2021, the FDIC designated five new institutions as MDIs, and in 2022, one new FDIC-supervised *de novo* MDI opened for business. Three other existing institutions have been designated as MDIs, and the FDIC approved a conditional application for deposit insurance for a *de novo* MDI that is now raising capital.

Since 2020, significant new sources of private and public funding have become available to support FDIC-insured MDIs and CDFIs, known collectively as mission-driven banks. The FDIC issued a publication, *Investing in the Future of Mission-Driven Banks: A Guide to Facilitating New Partnerships*,[4] to connect those who wish to support and partner with these institutions. Numerous large banks, technology companies, and others have invested hundreds of millions of dollars into mission-driven banks over the past two years.

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[1] See Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. 101-73, title III, § 308. Aug 9, 1989, as amended by Pub. L. 11-203, title III, § 367(4), July 21, 2010, 124 Stat. 1556, codified at 12 U.S.C. 1463 note.
[2] See FDIC, *Minority Depository Institutions: Structure, Performance, and Social Impact*, available at https://www.fdic.gov/regulations/resources/minority/2019-mdi-study/full.pdf.
[3] See FDIC Financial Institution Letter, FIL-24-2022, *Minority Depository Institution (MDI) Designation* (May 19, 2022), available at https://www.fdic.gov/news/financial-institution-letters/2022/fil22024.html.
[4] See FDIC, *Investing in the Future of Mission-Driven Banks: A Guide to Facilitating New Partnerships,* available at https://www.fdic.gov/regulations/resources/minority/mission-driven/guide.html.

The federal government has provided new funding to these institutions through nearly $8.3 billion in the U.S. Treasury's Emergency Capital Investment Program (ECIP) and up to $3 billion in CDFI Fund programs, including up to $1.2 billion set aside for minority lending institutions. The banking agencies issued new regulations that revised capital rules to provide that Treasury's investments under the program qualify as regulatory capital of insured MDIs and CDFIs and holding companies.[5] The FDIC developed a Capital Estimator Tool and a Regulatory Capital Guide to enable mission-driven banks to approximate the impact of additional capital on various capital ratios. At the request of mission-driven banks, the FDIC developed a technical assistance program to help ECIP recipients understand supervisory expectations for the significant new growth that this capital will support over the coming years.

The FDIC also benefits from a number of MDI and CDFI bank executives serving on its Advisory Committee on Community Banking (CBAC), the MDI Subcommittee of the CBAC, and the Advisory Committee on Economic Inclusion. These bankers bring the voices of mission-driven banks to the FDIC Board and senior executives, and they have provided input on important policy initiatives.

SUPPORTING DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY

Diversity, equity, inclusion, and accessibility (DEIA) are fundamental aspects of the FDIC's work. In recognition of the role DEIA plays in the FDIC's ability to fulfill its mission, the FDIC established "promoting DEIA within the FDIC workforce and the broader financial industry" as one of seven FDIC Performance Goals in 2022.

Within its workforce, the FDIC continues to expand and support diversity and inclusion through recruitment and hiring initiatives, upward mobility opportunities for current employees, career development programs for the next generation of leaders, and improved employee engagement at all levels. The FDIC's senior-most leaders meet monthly through the Diversity and Inclusion Executive Advisory Council to evaluate the FDIC's progress on DEIA matters and identify areas and opportunities for improvement.

Despite seeing progress in its efforts to improve workforce diversity, the FDIC knows that there is more to do to ensure that the FDIC workforce better reflects the demographics of the civilian labor force. In particular, the FDIC is focused on improving the agency's representation of individuals who self-identify as Hispanic.

The FDIC's commitment to DEIA in the broader financial industry is reflected through its Financial Institution Diversity Self-Assessment program. This program supports the efforts of supervised institutions to create and grow their diversity programs, allowing them to build strong relationships with their clients and communities, maximize workforce representation, and develop and implement inclusion efforts. The FDIC has expanded its outreach with

[5] See FDIC press release, "Federal Bank Regulators Issue Rule Supporting Treasury's Investments in Minority Depository Institutions and Community Development Financial Institutions" (March 9, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21018.html.

banking organizations and individual banks and launched a social media campaign to increase awareness about the self-assessment and will continue to encourage supervised banks to take advantage of this opportunity to evaluate and improve their own DEIA performance.

CYBERSECURITY AND INFORMATION TECHNOLOGY

Threats from malicious cyber actors continue to be a significant and evolving risk for banks and their service providers. Evaluating cybersecurity practices continues to be a high-priority focus of the FDIC's supervision program.

In its 2022 *Report on Cybersecurity and Resilience*,[6] the FDIC highlighted several components of its cybersecurity program including relevant safety and soundness standards, periodic guidance, alerts and advisories, technical assistance, and other outreach efforts. The report also discussed the agency's efforts to enhance the cybersecurity education of its examination workforce and the creation of examiner work programs related to particular threats. The report also highlights interagency work related to cyber threats.

The FDIC recently examined ransomware attacks against FDIC-supervised institutions and their service providers to learn about the techniques that were most helpful in defending against those attacks. While the FDIC did not discover new categories of controls that need to be communicated to financial institutions, the examinations did reveal that those institutions that dedicate resources to implement appropriate controls can effectively defend against these attacks.

Examples of effective controls include high-quality, multi-factor authentication to control access to systems and network segmentation to limit the ability of a malicious actor to move laterally in a network. Where the FDIC finds these controls to be missing, a bank's or service provider's response to FDIC supervisory feedback could make a big difference in the company's cybersecurity effectiveness.

MANAGING FDIC RESOURCES AND OPERATIONS

Since the start of mandatory telework in March 2020, the FDIC has conducted a limited number of in-person examination activities. In September 2022, the FDIC moved to Phase 3 of its Return to the Office Plan and resumed having an in-person component for each safety and soundness and consumer compliance examination. Phase 3 institutes a hybrid work environment that allows examination team members to work from the field office or from home. In designing this new approach, the FDIC drew from lessons learned from its

[6] See FDIC, *2022 Report on Cybersecurity and Resilience*, available at https://www.fdic.gov/regulations/resources/cybersecurity/2022-cybersecurity-financial-system-resilience-report.pdf.

work during mandatory and maximum telework as well as through internal reviews and consideration of responses to a request for information from the banking industry.

In December, the FDIC Board adopted a 2023 Operating Budget of $2.41 billion, which represents a 6.5 percent increase over last year's budget. The budget included an increase in the authorized workforce of 220 full-time equivalent employees, primarily aimed at the FDIC's bank supervision and other core mission responsibilities, bringing the 2023 authorized staffing total to 6,310.

The additional resources in this budget are targeted at recruiting, hiring, and retaining the diverse pool of highly qualified people the agency needs to carry out its mission and making IT investments to meet the operational and information security needs of the FDIC. These resources also reflect the collective bargaining agreement with the NTEU on a new three-year Compensation Agreement that will increase compensation to reflect the impact higher inflation has had on current salaries. It will also help to maintain comparability of compensation for FDIC employees relative to other federal banking agencies, consistent with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

In addition, the proposed budget continues the substantial investments the FDIC has been making for a number of years to modernize and enhance the FDIC's information technology infrastructure and protect the sensitive data the FDIC maintains.

Finally, the budget also includes funding for a public information campaign on deposit insurance next year when the FDIC celebrates its 90th anniversary. Particularly in light of some of the confusing claims that are being made about FDIC deposit insurance coverage of non-traditional assets, it is more important than ever that the American public understands clearly what is protected by deposit insurance.

CONCLUSION

During 2022, the U.S. banking industry continued to manage the impact of the COVID-19 global pandemic. Despite the uncertainty, the banking system has remained a source of strength for consumers, households, and businesses.

However, the economic environment is changing. Inflationary pressures, rising interest rates, slowing economic growth, and geopolitical events create a very uncertain economic outlook with significant downside risks to the banking industry.

In 2023, the FDIC will continue to carry out its mission to maintain public confidence and stability in the U.S. financial system and address these downside risks by maintaining a strong deposit insurance system, examining and supervising financial institutions for safety and soundness and consumer protection, making large and complex financial institutions resolvable, and managing receiverships.

The FDIC will also continue its policy initiatives to strengthen and modernize the Community Reinvestment Act, review the Bank Merger Act process, understand and respond to the risks posed by crypto-assets, provide guidance on the financial risks posed by climate change, and

strengthen capital requirements for large banking organizations.

As indicated, other areas of continued focus include the FDIC's efforts to support minority depository institutions and community development financial institutions, promote a diverse and inclusive workplace at the FDIC, strengthen cybersecurity and information security within the banking industry, and manage the return to in-person bank examinations and other in-person activities at the FDIC.

None of the accomplishments outlined in this report would be possible without the hard work and commitment of the FDIC workforce. They continue to serve the agency and the U.S. public with professionalism, proficiency, integrity, and resilience. I am grateful for their dedication to the mission of the FDIC.

Sincerely,

Martin J. Gruenberg

Martin J. Gruenberg

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the FDIC's *2022 Annual Report*, which covers financial and program performance information and summarizes our successes for the year.

For 31 consecutive years, the U.S. Government Accountability Office has issued unmodified audit opinions for the two funds administered by the FDIC: the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). We take pride in our accomplishments and continue to consistently demonstrate discipline and accountability as stewards of these funds. We remain proactive in the execution of sound financial management by providing reliable and timely financial data to enhance decision-making and employing tools and strategies to improve the effectiveness and efficiency of our financial management operations and reporting.

2022 FINANCIAL AND PROGRAM RESULTS

The banking industry's financial condition and performance remained stable in 2022 amidst economic uncertainty, and no insured financial institutions failed. The DIF balance rose to a record $128.2 billion as of December 31, 2022, compared to the year-end 2021 balance of $123.1 billion. The increase was primarily due to assessment revenue, offset by unrealized losses in the investment portfolio and a small increase in expenses. The contingent liability for anticipated failures increased to $31 million as of December 31, 2022, compared to $21 million as of December 31, 2021.

The DIF U.S. Treasury securities investment portfolio balance was $122.4 billion as of December 31, 2022, an increase of $7.8 billion over the year-end 2021 portfolio balance of $114.6 billion. Interest revenue totaled $1.2 billion for 2022, compared to nearly $1 billion for 2021 – a $293 million increase resulting from rising interest rates. Additionally, the DIF balance reflects an unrealized loss on U.S. Treasury securities of $2.8 billion in 2022, compared to an unrealized loss of $1.2 billion in 2021.

FDIC expenditures increased slightly compared to 2021. Spending totaled $1.92 billion—approximately $340 million (or 15.0 percent) less than the 2022 FDIC Operating Budget of $2.26 billion and $50 million (or 2.7 percent) more than 2021 spending of $1.87 billion. Underspending in 2022 was largely driven by a stable banking sector with no failures during the year, limited travel for bank exams during the first three quarters as a result of the pandemic, and delays in facilities and IT modernization efforts. The FDIC Board of Directors

recently approved a 2023 FDIC Operating Budget totaling $2.41 billion, up $146.7 million (or 6.5 percent) from the 2022 budget. The FDIC's authorized full-time equivalent staffing rose from 5,853 in 2021 to 6,090 in 2022, a 4.0 percent increase. Authorized staffing for 2023 is 6,310 full-time equivalent positions, 220 positions (or approximately 3.6 percent) higher than 2022.

During 2022, the FDIC completed an agency-wide effort to raise risk awareness and continued to mature the Enterprise Risk Management (ERM) Program and associated Risk Profile and Risk Inventory. The FDIC also enhanced contract administration and oversight management controls and increased independent testing of contract invoices and compliance with FDIC acquisition policies. In 2023, we will continue to strengthen acquisition-related controls, expand internal control testing efforts, and mature our supply chain risk management program.

I appreciate the dedication of the FDIC professionals who plan, execute, and account for the agency's resources. Their commitment to ensuring sound financial management provides the foundation for our strong stewardship and ensures that reliable and timely financial information is available to our stakeholders.

Sincerely,

Bret D. Edwards

I.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

During 2022, the FDIC continued to fulfill its mission-critical responsibilities. The agency implemented Phase 3 of its Return to the Office (RTO) Plan, which permitted employees to work on-site at FDIC facilities after being on mandatory telework for approximately 29 months. In addition, the agency worked to further strengthen its oversight of the banking system, modernize its approach to supervision, and increase transparency surrounding its programs. The FDIC also continued to engage in several community banking and community development initiatives.

Cybersecurity remained a high priority for the FDIC in 2022; the agency worked to strengthen its infrastructure resiliency, manage information security risks, enhance data governance, and modernize information technology (IT). This *Annual Report* highlights these and other accomplishments achieved during the year.

DEPOSIT INSURANCE

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

Long-Term Comprehensive Fund Management Plan

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

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

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

State of the Deposit Insurance Fund

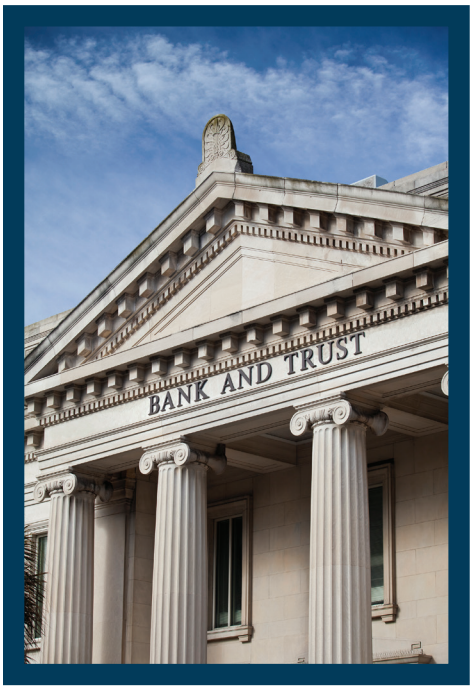
The DIF balance grew in 2022, with assessment revenue as the main contributor to growth. Growth in the fund balance has been limited by a prolonged period of low investment returns on securities held by the DIF and recent unrealized losses as interest rates rose sharply over

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

Restoration Plan

Extraordinary growth in insured deposits during the first and second quarters of 2020 caused the DIF reserve ratio to decline below the statutory minimum of 1.35 percent as of June 30, 2020. In September 2020, the FDIC Board of Directors adopted a Restoration Plan to restore the reserve ratio to at least 1.35 percent within eight years, absent extraordinary circumstances, as required by the FDI Act. The Restoration Plan maintained the assessment rate schedules in place at the time and required the FDIC to update its analysis and projections for the DIF balance and reserve ratio at least semiannually.

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



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

SUPERVISION

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

RETURN TO BANKS

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

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

EXAMINATION PROGRAM

The FDIC's bank examination efforts are at the core of its supervisory program. As of December 31, 2022, the FDIC was the primary federal regulator for 3,050 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System (generally referred to as "state nonmember" institutions). Through risk management (safety and soundness), consumer compliance, Community Reinvestment Act (CRA), and other specialty examinations, the FDIC assesses an institution's operating condition, management practices and policies, and compliance with applicable laws and regulations.

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

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

Risk Management

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

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

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

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

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

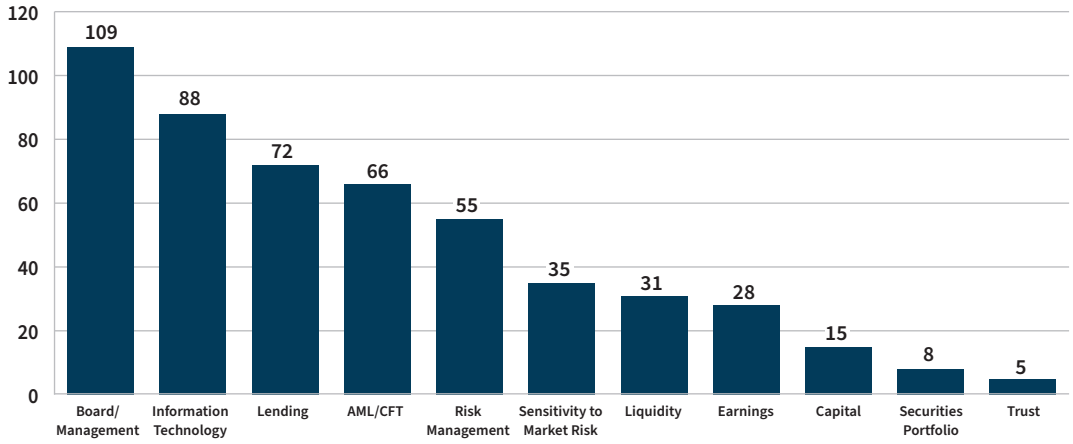
In 2022, the FDIC's Division of Risk Management Supervision (RMS) initiated 97 formal enforcement actions and 49 informal enforcement actions against supervised institutions. These actions included, but were not limited to, 15 actions under Section 8(b) of the FDI Act, none of which were notices of charges,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

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

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

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

VOLUME OF MRBA ISSUED IN 2022 BY CATEGORY



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

EXAMINATION PROCESSES

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

Point-in-Time Examinations

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

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

Continuous Examinations

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

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

Off-Site Monitoring

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

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

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

Off-site monitoring for banks with total assets greater than $10 billion includes the quarterly Large Insured Depository Institution (LIDI) Program, which remains the primary instrument for off-site monitoring of the largest institutions supervised by the FDIC. The LIDI Program provides a comprehensive process to standardize data capture and reporting for large and complex institutions nationwide, allowing for quantitative and qualitative risk analysis. The LIDI Program focuses on institutions' potential vulnerabilities to asset, funding, and operational stresses. It supports effective large bank supervision by using individual institution information to focus resources on higher-risk areas, determine the need for supervisory action, and support insurance assessments and resolution planning. In 2022, the LIDI Program covered 120 institutions with total assets of $4.5 trillion.

Shared National Credit Program

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

Business Process Modernization

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

SPECIALTY EXAMINATIONS

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

[9] See footnote 8.

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

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

Information Technology and Cybersecurity

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

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

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

The FDIC actively engages with both the public and private sectors to assess emerging cybersecurity threats and other operational risk issues. FDIC staff meet regularly with the Financial and Banking Information Infrastructure Committee, the Financial Services Sector Coordinating Council for Critical Infrastructure Protection, the Department of Homeland Security, the Financial Services Information Sharing and Analysis Center (FS-ISAC), other regulatory agencies, and law enforcement to share information regarding emerging issues and to coordinate responses. For example, in 2022, the FDIC sent financial institutions alerts relating to cybersecurity threats associated with the Russian invasion of Ukraine, VMware vulnerabilities, and other vulnerabilities.

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

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

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

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

Anti-Money Laundering /Countering the Financing of Terrorism

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

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

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

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

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

Cyber Fraud and Financial Crimes

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

CONSUMER COMPLIANCE

As of December 31, 2022, 31 insured state nonmember institutions (collectively, with total assets of $53 billion), about one percent of all supervised institutions, were problem institutions for consumer compliance, CRA, or both. All of the problem institutions for consumer compliance were rated "4," with none rated "5." For CRA purposes, the majority were rated "Needs to Improve;" only three were rated "Substantial Noncompliance." As of December 31, 2022, all follow-up examinations for problem institutions were performed on schedule.

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

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

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

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

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

Complex Bank Supervision Program

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

Compliance-Related Service Provider Program

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

EXAMINER TRAINING AND DEVELOPMENT

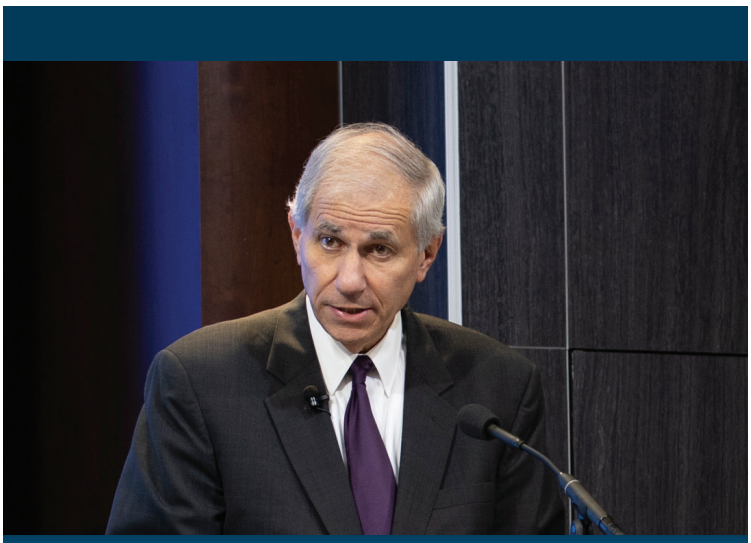
In 2022, the FDIC continued to emphasize the importance of delivering timely and effective examiner training programs. While on–the-job training remains the most significant portion of developmental activities, the historical mix of classroom, virtual instructor-led, and asynchronous (such as computer-based)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

All training and development activities are overseen by senior and mid-level management to ensure that FDIC staff and state regulatory partners receive training that is effective, appropriate, and current. The FDIC works in collaboration with partners across the organization and at the FFIEC to ensure emerging risks and topics are incorporated into training and conveyed to staff. Training and development activities are targeted for all levels of examination staff. The FDIC's examiner training courses are mostly developed internally

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

DIGITAL/CRYPTO-RELATED ACTIVITIES RISK

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



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

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

[11] Source: TradingView, total crypto market capitalization.
[12] See OCC Interpretive Letter 1179 (November 18, 2021) and OCC Bulletin 2021-56 which states "*OCC-supervised institutions should reach out to the appropriate OCC supervisory office before engaging in any crypto-related activity*;" Federal Reserve SR 22-6 / CA 22-6: *Engagement in Crypto-Asset-Related Activities by Federal Reserve-Supervised Banking Organizations* (August 16, 2022).
[13] Notifications under the FIL and knowledge of engagement or potential engagement learned through the supervisory process is confidential supervisory information, but the FDIC is aware of approximately 80 FDIC-supervised institutions that are engaging in or expressed interest in engaging in crypto-asset activities, and approximately two dozen that appear to be actively engaged in activities described in the FIL. The FDIC is providing various types of supervisory feedback, depending upon the activity involved, the status of the activity (active or planned), and the institution's risk management framework, among other things.

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

Emerging Technologies Steering Committee

The FDIC continues to dedicate significant resources to identify and understand emerging technology and ensure the Corporation is prepared to address the changing landscape in financial services. Since 2016, these efforts have been led by the FDIC's Emerging Technology Steering Committee, which is supported by two staff-level working groups. The committee is composed of the Directors of RMS, DCP, the Division of Insurance and Research (DIR), the Division of Resolutions and Receiverships (DRR), and the Division of Complex Institution Supervision and Resolution (CISR), as well as the General Counsel, Chief Financial Officer, Chief Innovation Officer, Chief Risk Officer, and Chief Information Officer. In 2022, the Emerging Technology Steering Committee continued work on its established objectives:

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

Interdivisional Crypto-Assets Working Group

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

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

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

White House Executive Order on Ensuring Responsible Development of Digital Assets

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

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

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

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

Basel Committee on Banking Supervision

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

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

SUPERVISION POLICY

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

Risk Management Manual of Examination Policies

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

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

In addition, in October 2022, Section 22.1 was updated to publish revised versions of the Risk Scoping Activities and Credit Card-Related Merchant Activities Examination Documentation (ED) Modules. The ED Modules were first published in the *Risk Management Manual* in late 2019, but were initially developed in 1997 by the FDIC, FRB, and the state banking supervisors to provide examiners with common tools to identify and assess the range of matters considered during safety and soundness examination activities. The ED Modules direct examiners to use a risk-focused approach in conducting examination activities, thereby facilitating an efficient and effective supervisory program.

FDIC Formal and Informal Enforcement Actions Manual

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

Trust Examination Manual

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

CAPITAL MARKETS AND ACCOUNTING POLICY

London Inter-Bank Offered Rate (LIBOR) Transition

Throughout 2022, the FDIC, in coordination with fellow regulators, participated in industry outreach and monitored community and regional bank readiness for the transition from LIBOR to alternative reference rates. The FDIC has been an ex-officio member of the Alternative Reference Rate Committee to facilitate the LIBOR transition in a smooth and effective manner. FDIC monitoring includes interdisciplinary supervision coordination by risk management, capital markets, policy, technology, and consumer compliance to conduct banker outreach and communication to stay abreast of the latest LIBOR transition developments. The FDIC gathers information on LIBOR transition readiness during examinations and other contacts with supervised institutions. The data are evaluated across institutions to identify trends and inform the supervisory process for areas that may require increased oversight and supervisory attention, particularly as the publication of LIBOR ends in June 2023.

Current Expected Credit Losses (CECL)

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

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

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

Loan Modification to Borrowers Experiencing Financial Difficulties

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

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

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

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

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

Securities and Exchange Commission Staff Accounting Bulletin No. 121

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

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

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

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

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

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

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

CLIMATE-RELATED FINANCIAL RISKS

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

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

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

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

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

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

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

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

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

IMPROVEMENTS TO REGULATORY FRAMEWORK

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

FINAL RULEMAKINGS

Final Rule on Assessments, Revised Deposit Insurance Assessment Rates

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

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

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

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

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

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

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

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

Guidelines for Appeals of Material Supervisory Determinations

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

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

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

PROPOSED RULEMAKINGS IN PROGRESS

Automated Valuation Model Rule

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

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

Notice of Proposed Rulemaking on Basel III Standards

The FDIC continues to work with the other federal banking agencies to develop a proposed rulemaking that would seek comment on the implementation of the revised Basel III standards in the U.S. and expects to issue the proposed rulemaking in 2023.

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

FINAL RULEMAKINGS IN PROGRESS

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

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

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

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

Final Rule on Tax Allocation Agreements

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

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

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

Final Rulemaking to Permit Additional Exemptions to Suspicious Activity Report Requirements

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

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

SUPERVISORY GUIDANCE

Regulatory Relief - Areas Affected by Natural Disasters

During 2022, the FDIC issued 16 advisories through FILs to provide guidance to financial institutions in areas affected by hurricanes, tornadoes, flooding, wildfires, and other severe storms to facilitate recovery. In these advisories, the FDIC encouraged financial institutions to work constructively with borrowers experiencing financial difficulties as a result of natural disasters and clarified that prudent extensions or modifications of loan terms in such circumstances can contribute to the health of communities and serve the long-term interests of lending institutions.

Framework for Evaluating Proposed Merger Transactions

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

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

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

Computer-Security Incident Notification Implementation

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

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

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

FDIC Updates on Brokered Deposits

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

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

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

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

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

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

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

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

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

FFIEC Cybersecurity Resource Guide for Financial Institutions

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

RESEARCH

CENTER FOR FINANCIAL RESEARCH

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

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

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

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

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

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

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

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

Small Business Lending Survey

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

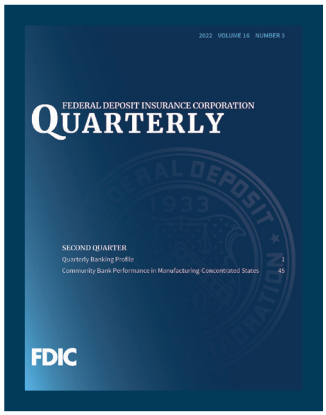
topics for the 2022 collection include the use of financial technology, Small Business Administration lending, and banks' responses to the coronavirus pandemic. As with the data collection that occurred in 2016, banks are asked about their underwriting practices, markets and competition, as well as volumes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

National and Regional Risk Analysis

The FDIC's National and Regional Risk Analysis (NRRA) Branch identifies, analyzes, monitors, and communicates developments and key risks in the economy, financial markets, and banking industry that may impact FDIC-insured institutions and the DIF. As part of this work, NRRA publishes the Quarterly Banking Profile — a comprehensive summary of financial results for all FDIC-insured institutions. This report card on industry status and performance includes written analyses, graphs, and statistical tables. NRRA also published the *2022 Risk Review*, summarizing key credit, market, operational, and climate-related financial risks facing banks.

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

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



CONSUMER RESEARCH

FDIC National Survey of Unbanked and Underbanked Households

Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 mandates that the FDIC regularly report on unbanked populations and bank efforts to bring individuals and families into the mainstream banking system. In response, since 2009, the FDIC has conducted biennial surveys to measure American household participation in the banking system and studied household use of banking and financial products and services.

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

Data Collected From More Than 30,000 American Households.

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

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

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

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

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

COMMUNITY BANKING

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

Community banks (as defined for FDIC research purposes) made up 91 percent of all FDIC-insured institutions on June 30, 2022. While these banks hold just 12 percent of banking industry assets, community banks are of critical importance to the U.S. economy and local communities across the nation. Community banks hold 39 percent of the industry's small loans to farmers and businesses, making them the lifeline to entrepreneurs and small enterprises of all types. They hold the majority of bank deposits in U.S. rural counties and micropolitan counties with populations up to 50,000. In fact, as of June 2022, community banks held more than 75 percent of deposits in 1,128 U.S. counties. In more than 600 of these counties, the only banking offices available to consumers were those operated by community banks.

COMMUNITY BANKING RESEARCH

The FDIC pursues an ambitious, ongoing agenda of research and outreach focused on community banking issues. In conjunction with the 2012 and 2020 community banking studies, FDIC researchers have published more than a dozen additional studies on topics ranging from community bank technology investment to small business financing.

The FDIC Quarterly Banking Profile includes a section explicitly focused on community bank performance, providing a detailed statistical picture of the community banking sector that can be accessed by analysts, other regulators, and bankers themselves. The most recent report shows that quarterly net income at community banks decreased 6.5 percent on a merger-adjusted basis in the second quarter of 2022 compared with the second quarter of 2021, reflecting increases in provisions for credit losses, noninterest expenses, and losses on securities sales.

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

Advisory Committee on Community Banking

The FDIC's CBAC is an ongoing forum for discussing current issues faced by community banks and receiving valuable feedback from the industry. The committee is composed of 18 community bank executives from around the country. It is a valuable resource for information

on a wide range of topics, including examination policies and procedures, capital and other supervisory issues, credit and lending practices, deposit insurance assessments and coverage, and regulatory compliance issues.

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

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

Advisory Committee of State Regulators

The FDIC's Advisory Committee of State Regulators is another mechanism for state regulators and the FDIC to discuss current and emerging issues that have potential implications for the regulation and supervision of state-chartered financial institutions. The Advisory Committee members include regulators of state-chartered financial institutions from across the United States as well as other individuals with expertise in the regulation of state-chartered financial institutions. The Advisory Committee met once in 2022. The meeting was held in person in October 2022. During the meeting, the Committee discussed banking conditions, state-federal coordination, the DIF restoration plan and deposit insurance assessments, and minority and community development banking.

De Novo Banks

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

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

Technical Assistance Program

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

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

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

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

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

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

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

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

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

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

The FDIC is committed to addressing the unique challenges associated with supervising, insuring the deposits of, and resolving large and complex financial institutions (LCFIs). The agency's ability to analyze and respond to risks posed by these institutions is critical, as they comprise a significant share of banking industry assets and deposits.

The Division of Complex Institution Supervision and Resolution (CISR) was established in 2019 to centralize and integrate the FDIC's operations related to the supervision and resolution of LCFIs, including systemically important financial institutions (SIFIs), financial market utilities (e.g., central clearing counterparties), and IDIs with assets greater than $100 billion for which the FDIC is not the primary federal regulatory authority.

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

SUPERVISION AND RISK ASSESSMENT

Monitoring and Measuring Systemic Risks

The FDIC monitors risks related to G-SIBs as well as other large domestic banks and FBOs at the firm level and industry wide to inform supervisory planning and response, policy and guidance considerations, and resolution planning efforts. As part of this monitoring, the FDIC analyzes each company's risk profile, governance and risk management strategies, structure and interdependencies, business operations and activities, management information system capabilities, and recovery and resolution capabilities. Evaluating capital and liquidity adequacy and resiliency under stressed conditions is also a key part of monitoring. Further, in response to the Russian Invasion of Ukraine, the FDIC performed heightened risk monitoring.

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

In addition, the FDIC has implemented and continues to expand upon various monitoring systems, including the CISR Risk Monitor (CRM), the SIFI Risk Report (SRR), and the CAMELS Verification document. The CRM is an offsite monitoring system that combines bank holding company quantitative financial information with qualitative information to support CISR's identification and assessment of firm and broader market stress by evaluating the level and change in relevant key metrics. It includes a quarterly process that covers all CISR firms and a daily process that covers market data and liquidity data for certain LCFIs. Information from the CRM and other FDIC-prepared reports is used to prioritize activities relating to LCFIs and to coordinate supervisory and resolution-related activities with the other banking agencies. The SRR identifies key vulnerabilities of systemically important firms, and the CAMELS Verification document includes an independent assessment of the appropriateness of supervisory CAMELS ratings for the IDIs held by these firms.

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

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

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

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

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

RESOLUTION PLANNING

Title I Resolution Plans

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

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

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

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

Title II Orderly Liquidation Authority

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

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

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

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

Insured Depository Institution Resolution Planning

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

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

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

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

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

Recordkeeping Requirements

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

Timely Deposit Insurance Determination

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

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

Qualified Financial Contracts

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

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

Cross-Border Cooperation

Cross-border cooperation and advance planning are critical components of resolution planning due to the international nature of services and overseas operations of many LCFIs. In 2022, the FDIC continued its robust bilateral and multilateral engagement with foreign authorities to deepen mutual understanding of the complex legal and operational issues related to cross-border resolution. This work is underpinned by an understanding that transparency and confidence in resolution planning will serve as a stabilizing force during times of stress.

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

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

Financial Stability Board Resolution Steering Group

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

Cross-Border Crisis Management Groups

With regard to the FDIC's institution-specific engagement, the FDIC co-chairs cross-border Crisis Management Groups (CMGs) of supervisors and resolution authorities for U.S. G-SIBs and CCPs, and participates as a host authority in the work of CMGs for several foreign G-SIBs and CCPs. Work through these CMGs allows the FDIC to improve resolution preparedness by strengthening our working relationships with key authorities, providing a forum to address institution-specific resolution planning considerations, and supporting information-sharing arrangements. The FDIC, in collaboration with the FRB, held meetings for all eight U.S. G-SIB CMGs in 2022. In collaboration with the CFTC and SEC, the FDIC held meetings for three U.S. CCP CMGs in 2022. Due to ongoing pandemic-related travel concerns, these meetings were held using a virtual format.

Joint U.S.-EU Financial Regulatory Forum

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

U.S.-UK Financial Regulatory Working Group

The FDIC also maintains a close working relationship on cross-border resolution planning topics with UK authorities, including through dialogue as a participating agency in the U.S.- UK Financial Regulatory Working Group (FRWG), which the U.S. Treasury and UK Treasury established in 2018 to serve as a forum for bilateral regulatory cooperation between the U.S. and the UK. The FDIC participates along with the FRB, OCC, SEC, and CFTC; participating UK regulators include the Bank of England and the Financial Conduct Authority. In 2022, the FRWG meeting discussion focused on a number of themes, such as international and bilateral cooperation, benchmark transition, financial innovation, sustainable finance, non-bank financial intermediation, operational resilience, and cross-border regimes, among other topics.

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

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

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

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

Systemic Resolution Advisory Committee

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

Members of the SRAC have a wide range of experience, including managing complex firms, serving as bankruptcy judges, and working in the legal system, accounting field, and academia. In 2022, the FDIC named two new members to the SRAC and held a meeting in the fourth quarter.

DEPOSITOR AND CONSUMER PROTECTION

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

Promoting Economic Inclusion

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

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

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

Advisory Committee on Economic Inclusion

The Advisory Committee on Economic Inclusion (ComE-IN) provides the FDIC with advice and recommendations on important initiatives to support expanding consumer and community access and sustainable engagement with the nation's banking system. This includes reviewing basic retail financial services (e.g., low-cost, safe transaction accounts; affordable small-dollar loans; and savings accounts), as well as demand-side factors such as consumers' perceptions of financial institutions. In 2022, the ComE-IN met and discussed the following topics:

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

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

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

#GetBanked Public Awareness Campaign

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

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

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

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

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

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

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

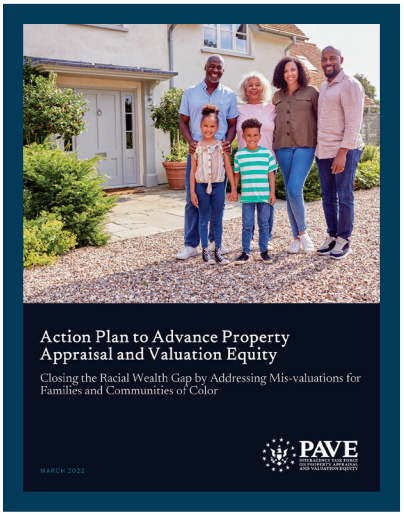
Finally, FDIC continued to encourage more banks to expand access through affordable accounts through a dedicated webpage on the FDIC Banker Resource Center. These resources are intended to facilitate bank efforts to respond to the needs of LMI consumers by bringing them into the financial mainstream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

Public Awareness of Deposit Insurance Coverage

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

Property Appraisal and Valuation Equity (PAVE) Action Plan

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



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

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

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

UPDATED EXAMINATION PROCEDURES

Telephone Consumer Protection Act Procedures

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

Fair Debt Collection Practices Act Examination Procedures

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

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

DEPOSITOR AND CONSUMER PROTECTION RULEMAKING AND GUIDANCE

Joint Proposal to Strengthen and Modernize Community Reinvestment Act Regulations

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

Interagency Questions and Answers Regarding Flood Insurance

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

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

Supervisory Guidance on Multiple Re-Presentment Fees

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

Interagency Special Purpose Credit Programs Guidance

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

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

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

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

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

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

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

Consumer Compliance Supervisory Highlights

The FDIC issued the latest issue of its *Consumer Compliance Supervisory Highlights* in March 2022 and will do so again in 2023. The purpose of this publication is to enhance transparency regarding the FDIC's consumer compliance supervisory activities. The publication includes a high-level overview of consumer compliance issues identified by the FDIC during the prior year through its supervision of state nonmember banks and thrifts.

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

COMMUNITY DEVELOPMENT, SMALL BUSINESS, AND AFFORDABLE MORTGAGE CREDIT

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

approximately 200 outreach events. These events increased shared knowledge and supported collaboration among financial institutions and other community, housing, and small business development organizations. These collaboration efforts enabled banks to offer responsive, affordable mortgage and small business lending to borrowers who otherwise might not have qualified for bank-sponsored loan products.

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

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

The CRA encourages banks to offer community development loans, investments, and services to help address the needs of LMI communities with respect to housing, community services, revitalization, stabilization of neighborhoods, and economic development. Throughout 2022, the FDIC hosted training sessions to encourage collaboration amongst banks, CBOs, and community organizations. These sessions helped banks to enhance their understanding of the CRA and encouraged them to pursue community development opportunities in their markets. In response to additional support needed in rural areas, sessions included collaboration opportunities for local government, CBOs, small businesses, and farms to develop community development proposals for banks.

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

FINANCIAL LITERACY AND EDUCATION

Advancing Financial Education

Financial education is central to the FDIC's efforts to expand economic inclusion and promote confidence in the banking system. Effective financial education helps people gain the skills and confidence necessary to sustain a banking relationship, achieve financial goals, and improve financial well-being. For more than 21 years, the FDIC's *Money Smart* financial education curricula and resources have offered non-copyrighted, high quality, free financial education training resources for banks, CBOs, and other stakeholders to meet the financial education needs of consumers of all ages and small businesses.

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

Money Smart Improvements

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

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

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

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

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

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

Outreach Highlights

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

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

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

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

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

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

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

Partnerships for Access to Mainstream Banking

Nationwide, the FDIC supported community development and economic inclusion partnerships at the local level by providing technical assistance and information resources, with a focus on unbanked households and LMI communities. Community Affairs staff advanced economic inclusion through FDIC-led Alliances for Economic Inclusion (AEI), as well as other local, state, and regional coalitions that promote collaboration among financial institutions, federal agency partners, and local non-profits. Due to the public health impact of COVID-19, Community Affairs' outreach activities were primarily conducted via online platforms during 2022.

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

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

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

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

Measuring Performance Outcomes

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

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

FDIC Consumer News

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

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

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

CONSUMER COMPLAINTS AND INQUIRIES

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

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

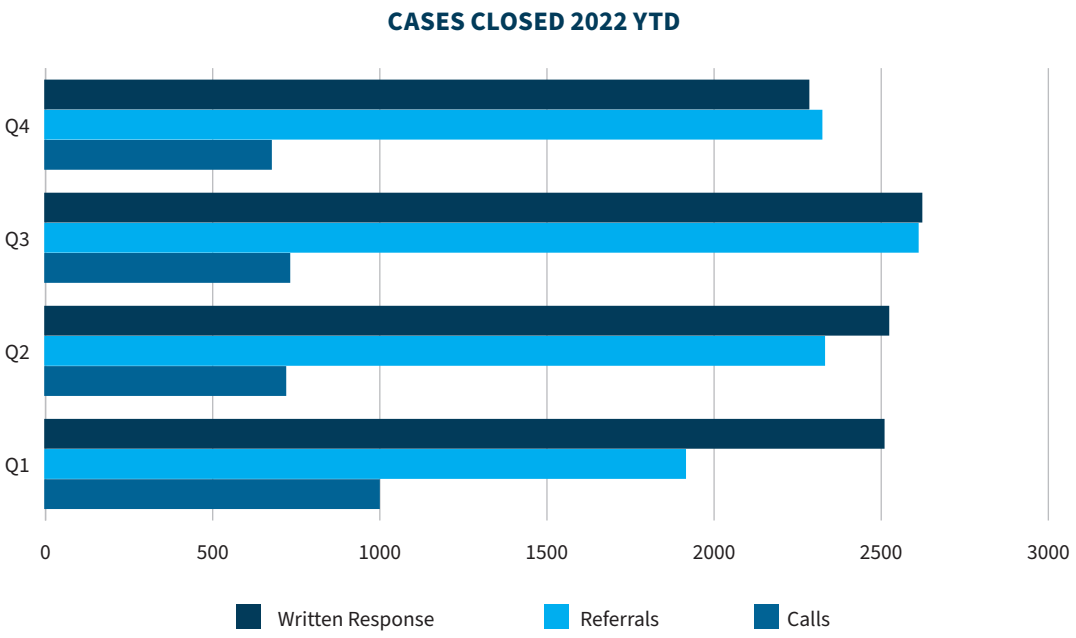
The FDIC regularly updates metrics on requests from the public for FDIC assistance. This information is published at https://www.fdic.gov/transparency/consumers.html.

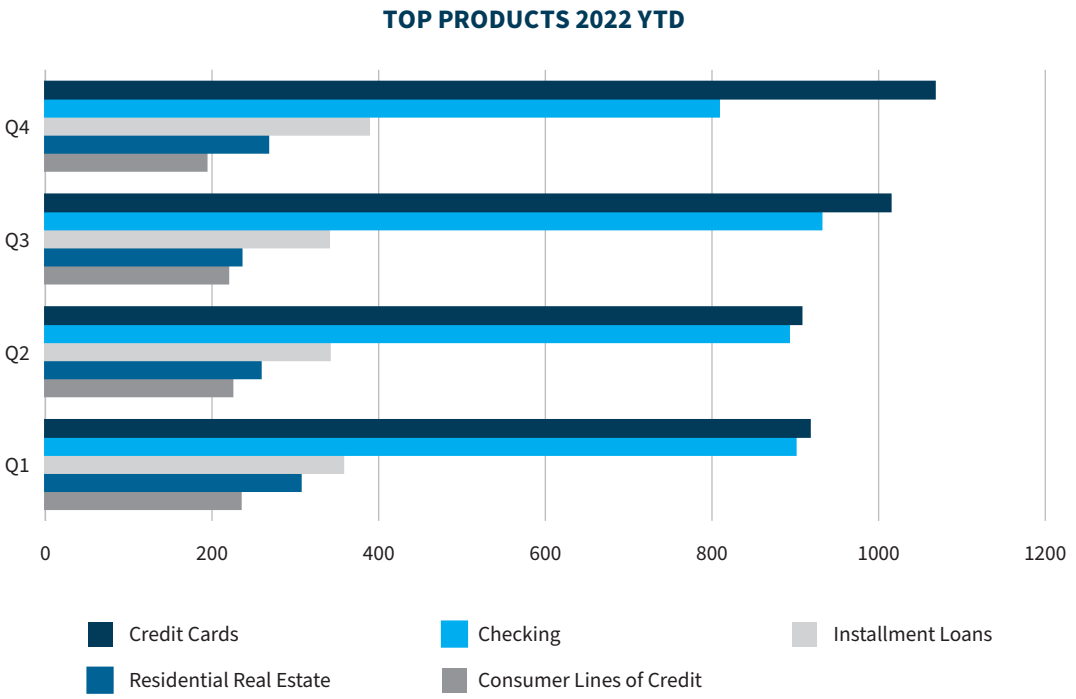
CONSUMER COMPLAINTS BY TOPIC AND ISSUE

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

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

CONSUMERS COMPLAINTS





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

FAILURE RESOLUTION AND RECEIVERSHIP MANAGEMENT

The Division of Resolutions and Receiverships is responsible for resolving the failure of IDIs with assets under $100 billion. When an IDI fails, the chartering authority typically appoints the FDIC as receiver. The FDIC employs a variety of strategies to ensure the prompt payment of deposit insurance to insured depositors and to provide for the least costly resolution transaction to the DIF. No depositor has ever experienced a loss on their insured funds as a result of an IDI failure.

INSURED DEPOSITORY INSTITUTION FAILURES

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

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

Failure Activity Dollars in Billions

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

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

RECEIVERSHIP MANAGEMENT ACTIVITIES

As part of the receivership process, the FDIC as receiver manages failed IDIs and their subsidiaries with the goal of expeditiously winding up their affairs. Assets not sold to an assuming institution through the resolution process are retained by the receivership and promptly valued and liquidated through different sales channels – cash sales, securitizations, and joint venture transactions – to maximize the return to the receivership estate.

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

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

Assets in Liquidation Inventory by Asset Type Dollars in Millions

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

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

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

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

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

Professional Liability and Financial Crimes Recoveries

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

During 2022, the FDIC recovered $47.3 million from professional liability settlements and judgments. The FDIC authorized 12 professional liability lawsuits during 2022. As of December 31, 2022, the FDIC's caseload included nine professional liability lawsuits (no change since year-end 2021), six residential mortgage malpractice and fraud lawsuits (up from four at year-end 2021), and open investigations in two claim areas out of two institutions. The FDIC completed investigations and made decisions on 96 percent of the investigations related to the two failures that reached the 18-month point in 2022 after the institutions' failure dates, exceeding the annual performance target.

As part of the sentencing process, for those convicted of criminal wrongdoing against an insured institution that later failed, a court may order a defendant to pay restitution or to forfeit funds or property to the receivership. The FDIC, working with the Department of Justice in connection with criminal restitution and forfeiture orders issued by federal courts and independently in connection with restitution orders issued by the state courts, collected $4.2 million in 2022. As of December 31, 2022, there were 1,635 active restitution and forfeiture orders (down from 1,753 at year-end 2021). This includes 16 orders held by the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (i.e., orders arising out of failed financial institutions in receivership or conservatorship by the FSLIC or the Resolution Trust Corporation).

DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY

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

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

DEIA STRATEGIES WITHIN THE FDIC WORKPLACE AND COMMUNITIES WE SERVE

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

WORKPLACE DEIA INITIATIVES

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

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

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

FINANCIAL INSTITUTION DIVERSITY

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

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

MINORITY DEPOSITORY INSTITUTIONS ACTIVITIES

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

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

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

ENGAGEMENT AND REPRESENTATION

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

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

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

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

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

PARTNERSHIPS

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

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

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

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

POLICIES

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

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

ADVOCACY

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

OUTREACH, TECHNICAL ASSISTANCE, AND EDUCATION

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

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

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

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

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

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

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

MINORITY- AND WOMEN-OWNED BUSINESSES

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

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

DIVERSE LEGAL SERVICE PROVIDER OUTREACH

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

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

INFORMATION TECHNOLOGY MODERNIZATION

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

MIGRATION TO THE CLOUD

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

Cloud Set-up

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

Back-up Data Center Phase Out

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

Cloud Data Management and Analytics

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

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

Data Orchestration and Integration for Application

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

ENHANCING DATA GOVERNANCE

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

MODERNIZING OBSOLETE SYSTEMS

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

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

FOCUS

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

Other Applications

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

INFORMATION TECHNOLOGY SECURITY

Zero Trust

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

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

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

INTERNATIONAL OUTREACH

The FDIC continues to play a leading role in supporting the global development of deposit insurance, bank supervision, and bank resolution systems. In 2022, this included working closely with regulatory and supervisory authorities from around the world, as well as international standard-setting bodies and multilateral organizations, such as the International Association of Deposit Insurers (IADI), the Association of Supervisors of Banks of the Americas (ASBA), the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), the International Monetary Fund (IMF), and the World Bank. The FDIC engaged with foreign regulatory counterparts by hosting foreign officials, conducting training seminars, delivering technical assistance, and fulfilling the commitments of FDIC membership in international organizations. The FDIC also advanced policy objectives with key jurisdictions by participating in high-level interagency dialogues.

International Association of Deposit Insurers

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

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

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

Association of Supervisors of Banks of the Americas

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

Basel Committee on Banking Supervision

The FDIC supports and contributes to the development of international standards, guidelines, and sound practices for prudential regulation and supervision of banks through its longstanding membership in the BCBS. The FDIC's contributions include actively participating in many of the committee groups, working groups, and task forces established by the BCBS to carry out its work, which focuses on policy development, supervision and implementation, accounting, and consultation. Particular areas of focus are capital policy, accounting, operational risk, stress testing, and anti-money laundering.

International Deposit Insurance and Resolution Capacity Building

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

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

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

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

The FDIC must effectively manage its human, financial, and technological resources to successfully carry out its mission and meet the performance goals and targets set forth in its annual performance plan. The FDIC must align these strategic resources with its mission and goals and deploy them where they are most needed to enhance its operational effectiveness and minimize potential financial risks to the DIF.

RETURN TO THE OFFICE

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

HUMAN CAPITAL MANAGEMENT

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

Strategic Workforce and Succession Management

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

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

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

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

Employee Learning and Development

The FDIC has a robust program to train and develop its employees throughout their careers to enhance technical proficiency and leadership capacity, supporting career progression and succession management. In 2022, the FDIC completed a multi-year effort to modernize learning and development that included expanding virtual and online offerings, integrating modern learning technology, and modernizing the FDIC's Training Center.

The FDIC develops and implements comprehensive curricula for its business lines to prepare employees to meet new challenges. Employees working to become commissioned examiners or resolutions and receiverships specialists attend a prescribed set of specialized, internally developed and instructed courses. Post-commission, employees continue to further their

knowledge in specialty areas with more advanced courses. The FDIC is revising examiner classroom training to better support an on-the-job application and has developed a wide-ranging resolution and receivership training curriculum to support readiness.

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

In 2022, the FDIC's Corporate University continued to convert courses to virtual delivery and support employee learning and development during mandatory telework, as well as transition some courses back to in-person delivery in modernized classrooms. Nearly 300 virtual course offerings were delivered to more than 7,500 participants, and 11 course offerings resumed in-person delivery for 175 participants beginning in the fall, coincident with employees' return to the office.

Employee Engagement

Employee engagement plays an important role in empowering employees and helps maintain, enhance, and institutionalize a positive workplace environment. The FDIC continually evaluates its human capital programs and strategies to ensure that it remains an employer of choice, and that all of its employees are fully engaged and aligned with the mission. The FDIC uses the Federal Employee Viewpoint Survey (FEVS) to solicit feedback from employees and takes an agency-wide approach to addressing key issues identified in the survey. In response to employee feedback received through the 2021 FEVS, the FDIC reestablished the Workplace Excellence (WE) program and the FDIC-National Treasury Employees Union (NTEU) Labor Management Forum (LMF).

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

II.

PERFORMANCE RESULTS SUMMARY

SUMMARY OF 2022 PERFORMANCE RESULTS BY PROGRAM

The FDIC successfully achieved 33 of the 44 annual performance targets established in its *2022 Annual Performance Plan*. Three targets were substantially achieved, two targets were not achieved, and six targets were not applicable for 2022. There were no instances in which 2022 performance had a material adverse effect on the successful achievement of the FDIC's mission or its strategic goals and objectives regarding its major program responsibilities.

PERFORMANCE RESULTS BY PROGRAM AND STRATEGIC GOAL

The Annual Performance Goals and Targets shown in the table below reflects the 2022 version. The language in prior years' reports might be slightly different for the same goals and targets. Refer to the respective full Annual Report of prior years, located on the FDIC's website for more information on performance results for those years. **Shaded areas indicate no such performance target existed for that respective year.**

Insurance Program Results						
Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
1. Respond promptly to all IDI failures and related emerging issues.						
▪ Depositors have access to insured funds within one business day if the failure occurs on a Friday.	**N/A – NO FAILURES.** SEE PG. 73.	**N/A – NO FAILURES.**	**ACHIEVED.**	**ACHIEVED.**	**N/A – NO FAILURES.**	**ACHIEVED.**
▪ Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	**N/A – NO FAILURES.** SEE PG. 73.	**N/A – NO FAILURES.**	**N/A – ALL FAILURES ON FRIDAYS.**	**ACHIEVED.**	**N/A – NO FAILURES.**	**ACHIEVED.**
▪ Depositors do not incur any losses on insured deposits.	**N/A – NO FAILURES.** SEE PG. 73.	**N/A – NO FAILURES.**	**ACHIEVED.**	**ACHIEVED.**	**N/A – NO FAILURES.**	**ACHIEVED.**
▪ No appropriated funds are required to pay insured depositors.	**N/A – NO FAILURES.** SEE PG. 73.	**N/A – NO FAILURES.**	**ACHIEVED.**	**ACHIEVED.**	**N/A – NO FAILURES.**	**ACHIEVED.**

Insurance Program Results (continued)

Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.

ANNUAL PERFORMANCE GOALS AND TARGETS	2022	2021	2020	2019	2018	2017
2. Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders on an ongoing basis.						
▪ Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports, and other means.	**ACHIEVED.** SEE PG. 48.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
▪ Undertake industry outreach activities, as needed, to inform bankers and other stakeholders about current trends, concerns, available resources, and FDIC performance metrics.	**ACHIEVED.** SEE PGS. 48-49.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
3. Monitor the status of the DIF reserve ratio and analyze the factors that affect fund growth. Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2028.						
▪ Provide updated fund balance projections to the FDIC Board of Directors semiannually.	**ACHIEVED.** SEE PG. 22.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**		
▪ Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors, as necessary.	**ACHIEVED.** SEE PG. 22.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**		
▪ Provide progress reports to the FDIC Board of Directors semiannually, in accordance with the Restoration Plan.	**ACHIEVED.** SEE PG. 22.	**ACHIEVED.**				
4. Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2020.						
▪ Provide updated fund balance projections to the FDIC Board of Directors by June 30, 2018, and December 31, 2018.					**ACHIEVED.**	
▪ Provide updated fund balance projections to the FDIC Board of Directors by June 30, 2017, and December 31, 2017.						**ACHIEVED.**

Insurance Program Results (continued)						
Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
■ Provide progress reports to the FDIC Board of Directors by June 30, 2018, and December 31, 2018.					**ACHIEVED.**	
■ Provide progress reports to the FDIC Board of Directors by June 30, 2017, and December 31, 2017.						**ACHIEVED.**
■ Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors as necessary.					**ACHIEVED.**	**ACHIEVED.**
5. Expand and strengthen the FDIC's participation and leadership role in supporting robust and effective deposit insurance programs, resolution strategies, and banking systems worldwide.						
■ Foster strong relationships with international banking regulators, deposit insurers, and other relevant authorities by engaging with strategically important jurisdictions and organizations on international financial safety net issues.	**ACHIEVED.** SEE PGS. 93-95.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
■ Provide leadership and expertise to key international organizations and associations that promote sound deposit insurance and effective bank supervision and resolution practices.	**ACHIEVED.** SEE PGS. 93-95.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
■ Promote international standards and expertise in financial regulatory practices and stability through the provision of technical assistance and training to global financial system authorities.	**ACHIEVED.** SEE PGS. 93-95.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

Insurance Program Results (continued)						
Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
6. Ensure timely consideration and efficient processing of *de novo* deposit insurance applications.						
▪ Act on 75 percent of community bank deposit insurance applications within 120 days after they are determined to be substantially complete.	**NOT ACHIEVED.** SEE PG. 51.	**NOT ACHIEVED.**	**NOT ACHIEVED.**			
▪ Conduct six regional roundtable discussions to explain and solicit feedback on the *de novo* application process, and implement additional changes, as appropriate, based on that feedback.				**ACHIEVED.**		
▪ Ensure the *de novo* deposit insurance application process is streamlined and transparent.				**ACHIEVED.**		
7. Market failing IDIs to a targeted pool of qualified and interested potential bidders.						
▪ Contact a targeted pool of qualified and interested bidders.	**N/A – NO FAILURES.** SEE PG. 73.	**N/A – NO FAILURES.**	**ACHIEVED.**	**ACHIEVED.**	**N/A – NO FAILURES.**	**ACHIEVED.**
8. Provide educational information to IDIs and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.						
▪ Respond within two weeks to 95 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage.	**ACHIEVED.** SEE PG. 71.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
▪ Conduct at least four virtual or in-person seminars for bankers on deposit insurance coverage.	**ACHIEVED.** SEE PG. 62.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

Supervision Program Results

Strategic Goal: FDIC-insured institutions are safe and sound.

ANNUAL PERFORMANCE GOALS AND TARGETS	2022	2021	2020	2019	2018	2017
1. Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. When problems are identified, ensure IDIs promptly implement appropriate corrective programs, and follow up to ensure that identified problems are corrected.						
▪ Conduct all required risk management examinations within the timeframes prescribed by statute and FDIC policy.	**ACHIEVED.** SEE PG. 23.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
▪ For at least 90 percent of IDIs that are assigned a composite CAMELS rating of 2 and for which the examination report identifies Matters Requiring Board Attention (MRBAs), review progress reports and follow up with the institution within six months of the issuance of the examination report to ensure that all MRBAs are being addressed.	**ACHIEVED.** SEE PG. 25.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
2. Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering, and other financial crimes.						
▪ Conduct all BSA examinations within the timeframes prescribed by statute and FDIC policy.	**ACHIEVED.** SEE PG. 23.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
3. Establish regulatory capital standards that ensure institutions have sufficient loss-absorbing capacity to remain resilient under stress while reducing complexity and maximizing efficiency.						
▪ Issue a Notice of Proposed Rulemaking (NPR) to implement the final Basel III standards into the U.S. regulatory capital framework.	**NOT ACHIEVED.** SEE PG. 42.	**NOT ACHIEVED.**	**NOT ACHIEVED.**			
▪ Complete, by September 30, 2019, rulemaking for a community bank leverage ratio and conforming changes to the deposit insurance assessment process.				**ACHIEVED.**		

Supervision Program Results (continued)						
Strategic Goal: FDIC-insured institutions are safe and sound.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
▪ Finalize aspects of the interagency capital simplification proposal issued in September 2017, including changes to the regulatory capital treatment of mortgage servicing assets, deferred tax assets, investment in the capital instruments of other financial institutions, and minority interest.				**ACHIEVED.**		
▪ Issue an interagency final rule on holdings of total loss-absorbing capacity.			**ACHIEVED.**			
▪ Issue interagency final rules to adopt the statutory definition of high volatility commercial real estate for risk- based capital.				**ACHIEVED.**		
▪ Reevaluate and take appropriate actions on Basel III requirements for small banks that do not meet or are not eligible for the community bank leverage ratio.				**ACHIEVED.**		
▪ Issue a final rule to implement the Net Stable Funding Ratio (NSFR).			**ACHIEVED.**	**NOT ACHIEVED.**		
▪ Issue interagency final rules to tailor capital requirements for large financial institutions.				**ACHIEVED.**		
▪ Issue interagency rulemaking to remove certain central bank deposits from the denominator of the supplementary leverage ratio for custodial banks.				**ACHIEVED.**		

Supervision Program Results (continued)						
Strategic Goal: FDIC-insured institutions are safe and sound.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
4. Ensure that regulatory capital standards promote banks' resilience under stress and the confidence of their counterparties.						
▪ Finalize a Notice of Proposed Rulemaking (NPR) for a simplified risk-based capital framework for community banks.					**NOT ACHIEVED.**	
▪ Finalize the Basel III Net Stable Funding Ratio (NSFR).					**NOT ACHIEVED.**	
5. More closely align regulatory capital standards with risk and ensure that capital is maintained at prudential levels.						
▪ Issue a Notice of Proposed Rulemaking (NPR) for a simplified capital framework for community banks.						**ACHIEVED.**
▪ Issue a final rule implementing the Basel III Net Stable Funding Ratio.						**NOT ACHIEVED.**
6. Implement strategies to promote enhanced cybersecurity and business continuity within the banking industry.						
▪ Continue to conduct horizontal reviews that focus on the IT risks in large, complex institutions and service providers.	**ACHIEVED.** SEE PG. 28.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
▪ Continue to use the Cybersecurity Examination Program for service provider examinations, including the most significant service provider examinations.		**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	
▪ Continue to conduct service provider examinations using the Cybersecurity Examination Program.	**ACHIEVED.** SEE PG. 28.					

Supervision Program Results (continued)						
Strategic Goal: FDIC-insured institutions are safe and sound.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
▪ Implement a computer security incident notification final rule.		**ACHIEVED.**				
▪ Improve the analysis and sharing of cybersecurity-related threat information with financial institutions.			**ACHIEVED.**	**ACHIEVED.**		
▪ Revise and implement by December 31, 2017, the Cybersecurity Examination Tool for TSPs.						**ACHIEVED.**
7. Update rules, regulations, and other guidance to promote the safety and soundness of the financial system.						
▪ Review and, as appropriate, amend the FDIC's regulations, Statement of Policy, and internal procedures related to financial institution mergers.	**SUBSTANTIALLY ACHIEVED.** SEE PG. 44.					
▪ Solicit public comment on the development of guidance to help banks prudently manage the financial risks posed by climate change.	**ACHIEVED.** SEE PG. 44.					
▪ Issue statements and, as appropriate, amend regulations regarding digital asset-related activities.	**ACHIEVED.** SEE PGS. 32-33.					
▪ Continue efforts related to rulemaking on Suspicious Activity Report (SAR) requirements.	**ACHIEVED.** SEE PG. 43.					
▪ Issue a final rule related to the exemption for Suspicious Activity Reports (SARs).		**NOT ACHIEVED.**				

Supervision Program Results (continued)						
Strategic Goal: FDIC-insured institutions are safe and sound.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
▪ Issue a final interagency rule on the use of supervisory guidance.		**ACHIEVED.**				
▪ Clarify the use of Model Risk Management Guidance related to systems or models used by banks to assist in complying with the BSA/AML requirements.		**ACHIEVED.**				
▪ Issue a final rule on brokered deposits.			**ACHIEVED.**			
▪ Issue revised stress testing guidance.			**NOT ACHIEVED.**			
▪ Issue a final rule to codify and amend the FDIC's Statement of Policy on Section 19 of the Federal Deposit Insurance Act (FDI Act).			**ACHIEVED.**			
▪ Issue a final rule clarifying the applicability of the "valid when made" rule.			**ACHIEVED.**			
▪ Issue an interagency final rule to modify the treatment of covered funds under the Volcker Rule.			**ACHIEVED.**			
▪ Issue a final rule amending the swap margin requirements.			**ACHIEVED.**			
8. Increase engagement and collaboration to preserve and promote FDIC-insured minority depository institutions (MDIs) and mission-driven institutions.						
▪ Convene meetings of the MDI Subcommittee of the Advisory Committee on Community Banking (CBAC) to gain insight into industry needs, seek input on program operations, and share best practices.	**ACHIEVED.** SEE PG. 77.	**ACHIEVED.**				

Supervision Program Results (continued)						
Strategic Goal: FDIC-insured institutions are safe and sound.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
▪ Promote creation of new MDIs.	**ACHIEVED.** SEE PG. 79.	**ACHIEVED.**				
▪ Establish the Mission-Driven Bank Fund as an independent funding source for FDIC-insured MDIs and Community Development Financial Institutions (CDFIs).		**ACHIEVED.**				
▪ Conduct a media campaign to promote the visibility and benefit of FDIC-insured MDIs and other mission-driven institutions.		**ACHIEVED.**				

Supervision Program Results (continued)

Strategic Goal: FDIC-supervised institutions are compliant with federal consumer protection laws, including fair lending laws, and the Community Reinvestment Act (CRA).

ANNUAL PERFORMANCE GOALS AND TARGETS	2022	2021	2020	2019	2018	2017
1. Conduct on-site CRA and consumer compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised institutions. When violations are identified, ensure IDIs promptly implement appropriate corrective programs and follow up to ensure that the violations are corrected.						
▪ Conduct all required examinations within the timeframes established.	**ACHIEVED.** SEE PG. 30.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**SUBSTAN-TIALLY ACHIEVED..**	**ACHIEVED.**
▪ Conduct visits and/or follow-up examinations in accordance with established FDIC processes and timeframes to ensure that the requirements of any corrective program have been implemented and are effectively addressing identified violations.	**SUBSTAN-TIALLY ACHIEVED.** SEE PG. 30.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**SUBSTAN-TIALLY ACHIEVED.**	**ACHIEVED.**
▪ Publish an interagency NPR to modernize and strengthen CRA regulations.	**ACHIEVED.** SEE PG. 63.					
2. Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.						
▪ Respond to 95 percent of written consumer complaints and inquiries within timeframes established by policy, with all complaints and inquiries receiving at least an initial acknowledgment within two weeks.	**ACHIEVED.** SEE PG. 71.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
▪ Publish, on the FDIC's website (https://www.fdic.gov) and regularly update metrics on requests from the public for FDIC assistance.	**ACHIEVED.** SEE PG. 71.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**		
▪ Publish, through the Consumer Response Center (CRC), an annual report regarding the nature of the FDIC's interactions with consumers and depositors.		**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**		

Supervision Program Results (continued)

Strategic Goal: FDIC-supervised institutions are compliant with federal consumer protection laws, including fair lending laws, and the Community Reinvestment Act (CRA).

ANNUAL PERFORMANCE GOALS AND TARGETS	2022	2021	2020	2019	2018	2017
3. Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives.						
▪ Publish the results of the *2021 National Survey of the Unbanked and Underbanked Households*.	**ACHIEVED.** SEE PG. 49.					
▪ Complete the second phase of #GetBanked, a public awareness campaign to encourage unbanked and underbanked individuals to establish sustainable banking relationships in three additional markets.	**ACHIEVED.** SEE PG. 61.					
▪ Identify and begin tracking and reporting outcome-based measures that demonstrate the success of economic inclusion strategies to inform future programmatic decisions.	**SUBSTANTIALLY ACHIEVED.** SEE PG. 70.					
▪ Field the 2021 Survey of Household Use of Banking and Financial Services and begin analysis to support publication of the report in 2022.		**ACHIEVED.**				
▪ Complete a public awareness campaign to encourage unbanked individuals to establish sustainable banking relationships in two markets.		**ACHIEVED.**				
▪ Issue rules and guidance to ensure that FDIC-supervised institutions meet the credit needs of their communities.		**NOT ACHIEVED.**	**NOT ACHIEVED.**			
▪ Launch *How Money Smart Are You*? an online, interactive learning game.		**ACHIEVED.**	**NOT ACHIEVED.**			

Supervision Program Results (continued)

Strategic Goal: FDIC-supervised institutions are compliant with federal consumer protection laws, including fair lending laws, and the Community Reinvestment Act (CRA).

ANNUAL PERFORMANCE GOALS AND TARGETS	2022	2021	2020	2019	2018	2017
▪ Publish the results of the *2019 Survey of the Unbanked and Underbanked Households*.		ACHIEVED.	ACHIEVED.	ACHIEVED.		
▪ Conduct outreach to institutions and the public to expand the availability and usage of low-cost transaction accounts tailored to the needs of unbanked and underbanked households.				ACHIEVED.		
▪ Expand the reach of the new *Money Smart* for Adults through online resources, translating the curriculum into other languages, and outreach.				ACHIEVED.		
▪ Strengthen connections between small businesses and FDIC-insured institutions.		ACHIEVED.	ACHIEVED.	ACHIEVED.		
▪ Increase engagement and collaboration to preserve and promote Minority Depository Institutions (MDIs).		ACHIEVED.	ACHIEVED.	ACHIEVED.		
▪ Publish the results of the *2017 FDIC National Survey of Unbanked and Underbanked Households.*					ACHIEVED.	
▪ Complete planning for the *2019 FDIC National Survey of Unbanked and Underbanked Households.*					ACHIEVED.	

Supervision Program Results (continued)						
Strategic Goal: FDIC-supervised institutions are compliant with federal consumer protection laws, including fair lending laws, and the Community Reinvestment Act (CRA).						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
▪ Continue to promote broader access to and use of low-cost transaction and savings accounts to build banking relationships that will meet the needs of unbanked and underbanked households by increasing the current level of engagement from 10 communities to 15 communities.					**ACHIEVED.**	
▪ Launch the revised *Money Smart* for Adults curriculum.					**ACHIEVED.**	
▪ Revise and administer the 2017 *FDIC National Survey of Unbanked and Underbanked Households.*						**ACHIEVED.**
▪ Continue and expand efforts to promote broader awareness of the availability of low-cost transaction accounts consistent with the FDIC's Model SAFE transaction account template.						**ACHIEVED.**
▪ Complete and pilot a revised, instructor-led *Money Smart for Adults* product.						**ACHIEVED.**

Supervision Program Results (continued)						
Strategic Goal: Large, complex financial institutions are resolvable in an orderly manner.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
1. Identify and address risks in large, complex financial institutions, including those designated as systemically important.						
▪ Issue an NPR and, following a review of comments, a final rule to tailor and make adjustments to the FDIC's resolution planning requirements for IDIs.		**NOT ACHIEVED.**	**NOT ACHIEVED.**			
▪ Complete interagency rulemaking with the FRB to tailor application of resolution planning requirements under Section 165(d) of the Dodd-Frank Act.				**ACHIEVED.**		
▪ Issue an ANPR to tailor and make adjustments to the FDIC's resolution planning requirements for IDIs.				**ACHIEVED.**		
▪ In collaboration with the FRB, review resolution plans submitted pursuant to Section 165(d) of the Dodd-Frank Act for conformance to statutory and other regulatory requirements. Provide feedback to firms on those plans regarding potential impediments to resolution under the Bankruptcy Code.	**ACHIEVED.** SEE PG. 55.	**SUBSTANTIALLY ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
▪ Begin a review of resolution plans submitted pursuant to the IDI Rule for conformance to regulatory requirements.	**ACHIEVED.** SEE PG. 56.	**NOT APPLICABLE.**	**NOT APPLICABLE.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
▪ Conduct ongoing risk analysis and monitoring of large, complex financial institutions to better understand and assess their structure, business activities, risk profiles, and recovery and resolution plans.	**ACHIEVED.** SEE PGS. 53-54.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

Supervision Program Results (continued)						
Strategic Goal: Large, complex financial institutions are resolvable in an orderly manner.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
▪ Publish further information on the approach to IDI resolution planning.		**ACHIEVED.**				
2. Ensure the FDIC's operational readiness to administer the resolution of LCFIs, including those designated as systemically important.						
▪ Continue to refine plans and strategic options to ensure the FDIC's operational readiness to administer a resolution of LCFIs.	**ACHIEVED.** SEE PG. 54.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
▪ Continue to deepen and strengthen working relationships with key foreign jurisdictions, both on a bilateral basis and through multilateral fora.	**ACHIEVED.** SEE PG. 58.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

Receivership Management Program Results						
Strategic Goal: Resolutions are orderly and receiverships are managed effectively.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
1. Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.						
▪ Market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date for cash sales, 120 days of the date for pools of similar assets of appropriate size to bring to market for joint venture, or 180 days for assets identified for securitization.	**N/A – NO FAILURES.** SEE PG. 73.	**N/A – NO FAILURES.**	**ACHIEVED.**	**ACHIEVED.**	**N/A – NO FAILURES.**	
▪ For at least 95 percent of insured institution failures, market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date (for cash sales) or 120 days of the failure date (for structured sales).						**ACHIEVED.**
2. Manage the receivership estate and its subsidiaries toward an orderly termination.						
▪ Terminate at least 75 percent of new receiverships that are not subject to loss-share agreements, structured transactions, environmental liabilities, legal impediments, or unresolved tax considerations within three years of the date of failure.	**ACHIEVED.** SEE PG. 74.	**N/A – NO FAILURES.***	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.***	**ACHIEVED.**
3. Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.						
▪ For 80 percent of all claim areas, make a decision to close or pursue professional liability claims within 18 months of the failure of an IDI.	**ACHIEVED.** SEE PG. 75.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

*This corrects performance results erroneously reported in prior annual reports.

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III.

FINANCIAL HIGHLIGHTS

In its role as insurer of bank and savings association deposits, the FDIC promotes the public's trust in the safety and soundness of insured depository institutions. The following financial highlights address the performance of the Deposit Insurance Fund.

DEPOSIT INSURANCE FUND PERFORMANCE

The DIF balance was $128.2 billion at December 31, 2022, an increase of $5.1 billion from the year-end 2021 balance. The DIF's comprehensive income remained stable year-over-year; $5.1 billion in 2022 compared to $5.2 billion in 2021. The year-over-year decrease in comprehensive income of $0.1 billion was primarily driven by a $1.2 billion increase in assessment revenue and a $0.3 billion increase in interest on U.S. Treasury (UST) securities, which was fully offset by a $1.6 billion increase in unrealized losses on UST securities.

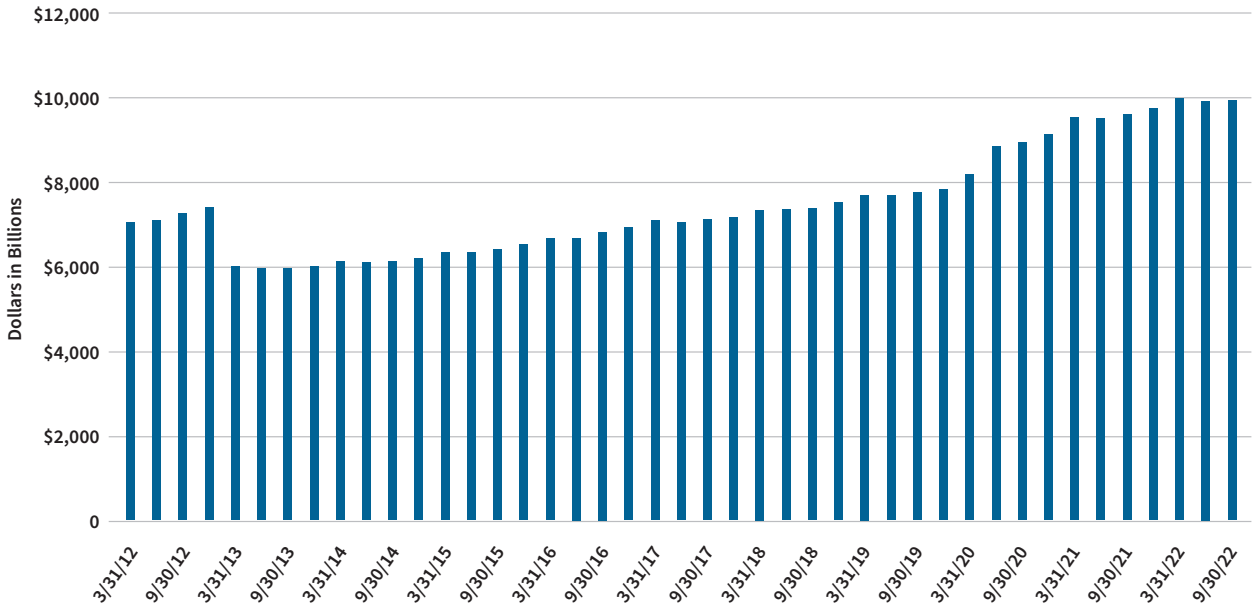
Assessment revenue was $8.3 billion for 2022, compared to $7.1 billion for 2021. The $1.2 billion year-over-year increase was primarily due to assessment base growth and higher assessment rates.

The DIF's interest revenue on UST securities for 2022 was $1.2 billion, compared to nearly $1.0 billion in 2021. The $0.3 billion year-over-year increase resulted from maturities being reinvested in higher yielding securities.

The DIF recognized an unrealized loss on UST securities of $2.8 billion in 2022, compared to a $1.2 billion unrealized loss in 2021. The increase in the unrealized loss was the result of a substantial rise in interest rates during 2022.

The DIF's cash, cash equivalents, and U.S. Treasury investment portfolio balances increased by $4.9 billion during 2022 to $125.0 billion at year-end 2022, from $120.1 billion at year-end 2021. This increase was primarily due to assessment collections of $7.9 billion, interest received on UST securities of $3.1 billion, less operating expenses paid of $1.8 billion and unrealized losses on investments of $2.9 billion.

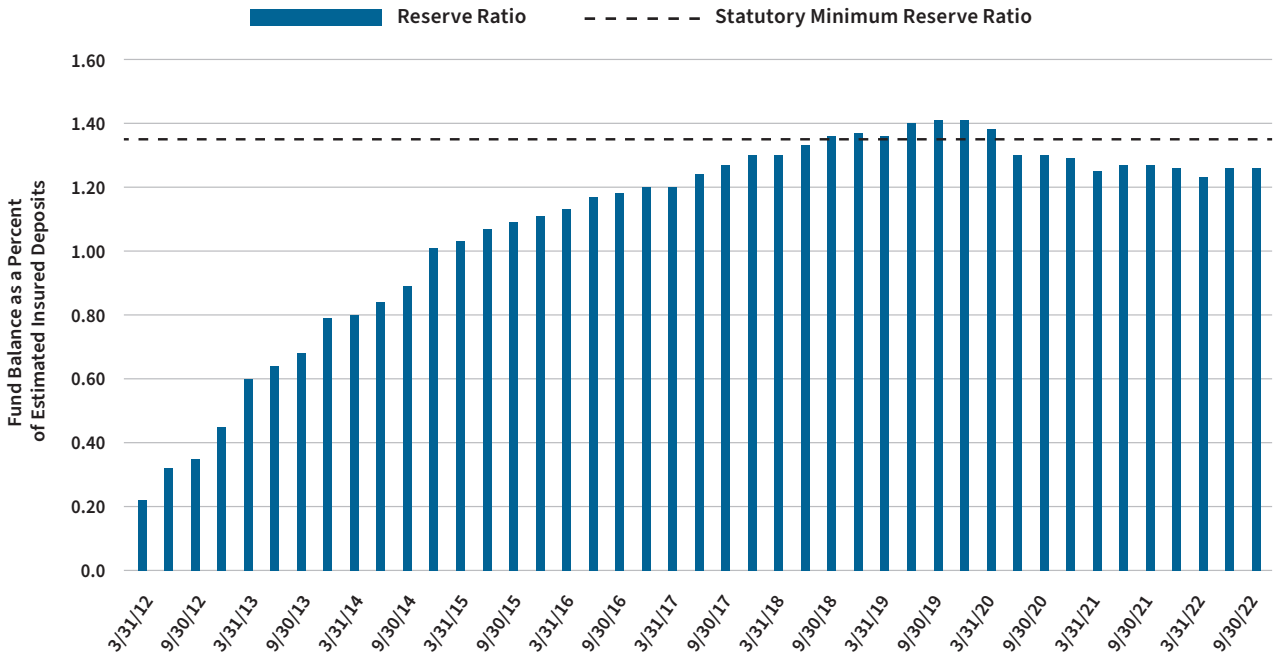
ESTIMATED DIF INSURED DEPOSITS



Source: Commercial Bank Call and Thrift Financial Reports

Note: Beginning in fourth quarter 2010 through fourth quarter 2012, estimated insured deposits include the entire balance of noninterest-bearing transaction accounts.

DEPOSIT INSURANCE FUND RESERVE RATIOS



Deposit Insurance Fund Selected Statistics
Dollars in Millions

	For the years ended December 31		
	2022	2021	2020
Financial Results			
Revenue	$9,607	$8,153	$8,796
Operating Expenses	1,883	1,843	1,846
Insurance and Other Expenses (includes provision for losses)	(79)	(137)	(155)
Net Income	7,803	6,448	7,105
Comprehensive Income	5,077	5,244	7,550
Insurance Fund Balance	$128,218	$123,141	$117,897
Fund as a Percentage of Insured Deposits (reserve ratio)	1.26%[1]	1.26%	1.29%
Selected Statistics			
Total DIF-Member Institutions[2]	4,746[1]	4,839	5,002
Problem Institutions	42[1]	44	56
Total Assets of Problem Institutions	$163,809[1]	$170,172	$55,830
Institution Failures	0	0	4
Total Assets of Failed Institutions in Year[3]	$0	$0	$455
Number of Active Failed Institution Receiverships	132	191	234

[1] As of September 30, 2022.
[2] Commercial banks and savings institutions. Does not include U.S. insured branches of foreign banks.
[3] Total Assets data are based upon the last Call Report filed by the institution prior to failure.

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IV.

BUDGET AND SPENDING

2022 FDIC OPERATING BUDGET

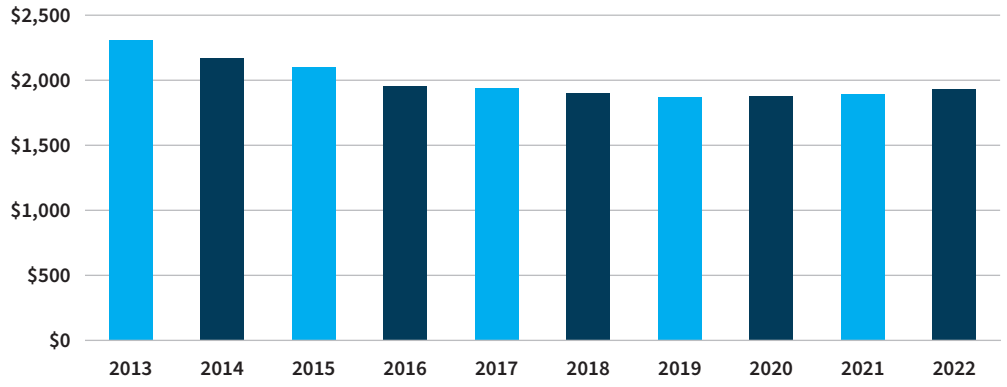
The FDIC segregates its corporate operating budget and expenses into three separate components: ongoing operations, receivership funding, and the Office of Inspector General (OIG). The receivership funding component represents expenses resulting from financial institution failures and is, therefore, largely driven by external forces and is less controllable and estimable. FDIC operating expenditures totaled $1.9 billion in 2022, including $1.9 billion in ongoing operations, $25 million in receivership funding, and $42 million for the OIG. This represented approximately 87 percent of the approved budget for ongoing operations, 33 percent of the approved budget for receivership funding, and 90 percent of the approved budget for the OIG for the year.

The approved 2023 FDIC Operating Budget of approximately $2.4 billion consists of $2.3 billion for ongoing operations, $75 million for receivership funding, and $48 million for the OIG. The level of approved ongoing operations budget for 2023 is approximately $146 million (7 percent) higher than the 2022 ongoing operations budget, while the approved receivership funding budget is unchanged from the 2022 receivership funding budget. The 2022 OIG budget is $1 million (2 percent) higher than the 2022 OIG budget.

As in prior years, the 2023 budget was formulated primarily on the basis of an analysis of projected workload for each of the Corporation's three major business lines and its program support functions. The total proposed operating budget is $147 million (6 percent) higher than the 2022 FDIC Operating Budget, largely needed in order to recruit, hire, and retain the diverse pool of highly qualified people the agency relies upon to carry out its mission, and on IT investments to meet the operational and information security needs of the FDIC.

FDIC EXPENDITURES

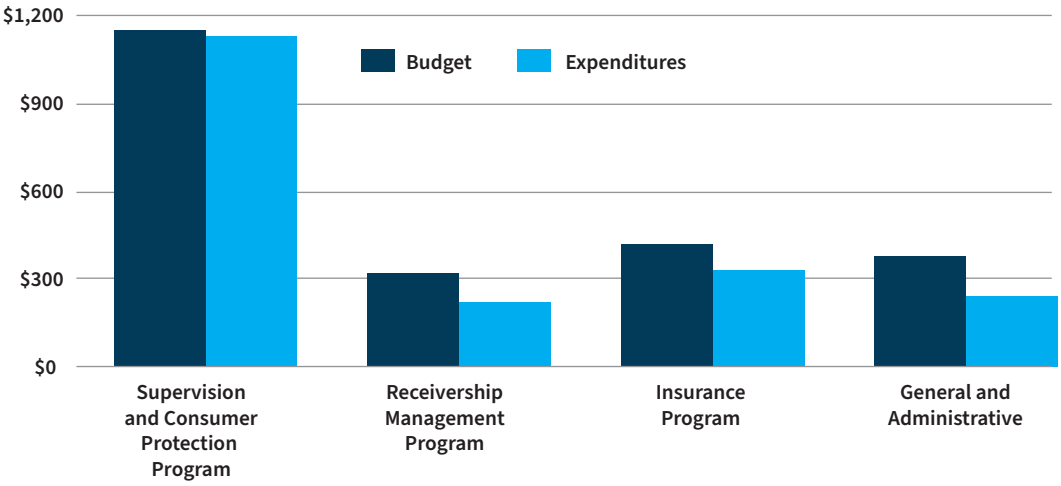
Dollars in Millions



The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2022 aggregate budget (for ongoing operations, receivership funding, OIG, and investment spending) was $2.3 billion, while actual expenditures for the year were $1.9 billion, about $41 million higher than 2021 expenditures.

2022 BUDGET AND EXPENDITURES BY PROGRAM

Dollars in Millions



2022 BUDGET AND EXPENDITURES BY PROGRAM

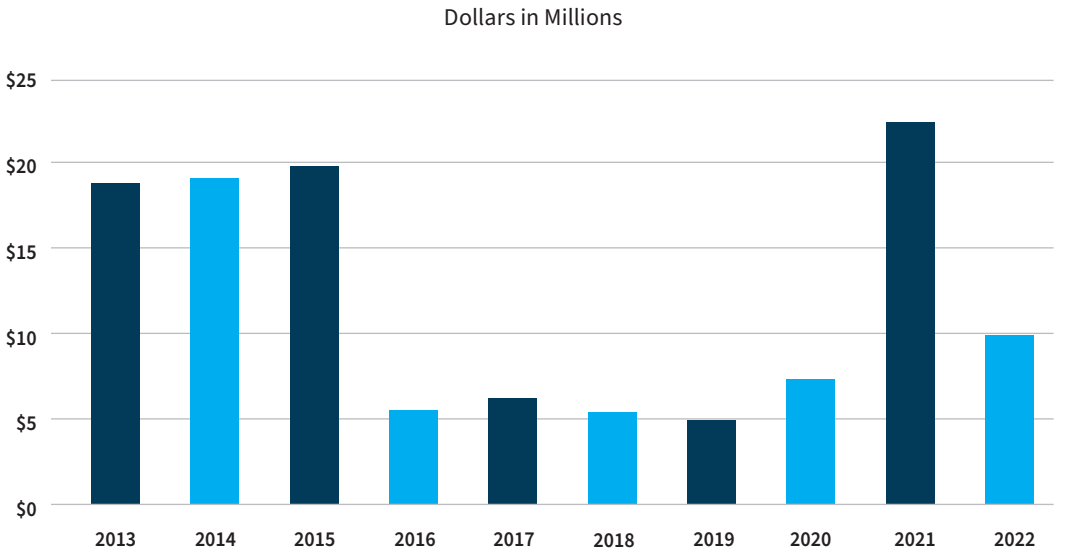
(EXCLUDING INVESTMENTS)

The FDIC Operating Budget for 2022 totaled approximately $2.3 billion. Budget amounts were allocated as follows: $1.1 billion or 51 percent, to the Supervision and Consumer Protection program; $319 million or 14 percent, to the Receivership Management program; $417 million, or 18 percent, to the Insurance program; and $378 million, or 17 percent, to Corporate General and Administrative expenditures.

Actual expenditures for the year totaled $1.9 billion. Actual expenditures occurred as follows: $1.1 billion, or 59 percent, to the Supervision and Consumer Protection program; $221 million, or 11 percent, to the Receivership Management program; $329 million, or 17 percent, to the Insurance program; and $241 million, or 13 percent, to Corporate General and Administrative expenditures.

INVESTMENT SPENDING

The FDIC instituted a separate Investment Budget in 2003 to provide enhanced governance of major multi-year development efforts. It has a disciplined process for reviewing proposed new investment projects and managing the construction and implementation of approved projects. Proposed IT projects are carefully reviewed to ensure that they are consistent with the Corporation's enterprise architecture. The project approval and monitoring processes also enable the FDIC to be aware of risks to the major capital investment projects and facilitate appropriate, timely intervention to address these risks throughout the development process. An investment portfolio performance review is provided to the FDIC's Board of Directors on a quarterly basis. From 2013-2022 investment spending totaled $121 million, and is estimated at $6 million for 2023.



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V.

FINANCIAL SECTION

Federal Deposit Insurance Corporation

Deposit Insurance Fund Balance Sheet

As of December 31

(Dollars in Thousands)	2022	2021
ASSETS		
Cash and cash equivalents	$ 2,599,206	$ 5,562,941
Investment in U.S. Treasury securities (Note 3)	122,442,357	114,551,240
Assessments receivable (Note 9)	2,159,249	1,710,549
Interest receivable on investments and other assets, net	688,061	718,428
Receivables from resolutions, net (Note 4)	520,555	885,354
Property and equipment, net (Note 5)	360,141	327,127
Operating lease right-of-use assets (Note 6)	92,406	85,238
Total Assets	**$ 128,861,975**	**$ 123,840,877**
LIABILITIES		
Accounts payable and other liabilities	$ 269,062	$ 256,205
Operating lease liabilities (Note 6)	111,205	90,957
Postretirement benefit liability (Note 13)	231,781	331,599
Contingent liabilities:		
Anticipated failure of insured institutions (Note 7)	31,233	20,876
Litigation losses (Note 7)	800	200
Total Liabilities	**644,081**	**699,837**
Off-balance-sheet exposure (Note 14)		
FUND BALANCE		
Accumulated Net Income	131,176,093	123,372,878
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Unrealized (loss) on U.S. Treasury securities, net (Note 3)	(2,985,415)	(149,115)
Unrealized postretirement benefit gain (loss) (Note 13)	27,216	(82,723)
Total Accumulated Other Comprehensive (Loss)	**(2,958,199)**	**(231,838)**
Total Fund Balance	**128,217,894**	**123,141,040**
Total Liabilities and Fund Balance	**$ 128,861,975**	**$ 123,840,877**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Income and Fund Balance

For the Years Ended December 31

(Dollars in Thousands)	2022	2021
REVENUE		
Assessments (Note 9)	$ 8,310,816	$ 7,080,232
Interest on U.S. Treasury securities	1,246,302	953,152
Return of unclaimed insured deposits (Note 10)	37,913	103,439
Other revenue	11,635	16,665
Total Revenue	**9,606,666**	**8,153,488**
EXPENSES AND LOSSES		
Operating expenses (Note 11)	1,882,884	1,842,723
Provision for insurance losses (Note 12)	(82,964)	(143,681)
Insurance and other expenses	3,531	6,306
Total Expenses and Losses	**1,803,451**	**1,705,348**
Net Income	**7,803,215**	**6,448,140**
OTHER COMPREHENSIVE INCOME		
Unrealized (loss) on U.S. Treasury securities, net	(2,836,300)	(1,219,064)
Unrealized postretirement benefit gain (Note 13)	109,939	15,199
Total Other Comprehensive (Loss)	**(2,726,361)**	**(1,203,865)**
Comprehensive Income	**5,076,854**	**5,244,275**
Fund Balance - Beginning	**123,141,040**	**117,896,765**
Fund Balance - Ending	**$ 128,217,894**	**$ 123,141,040**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Cash Flows

For the Years Ended December 31

(Dollars in Thousands)	2022	2021
OPERATING ACTIVITIES		
Provided by:		
Assessments	$ 7,862,116	$ 7,318,198
Interest on U.S. Treasury securities	3,127,123	3,938,901
Recoveries from financial institution resolutions	470,381	594,356
Return of unclaimed insured deposits	37,913	103,439
Miscellaneous receipts	1,833	2,284
Used by:		
Operating expenses	(1,806,647)	(1,775,301)
Disbursements for financial institution resolutions	(3,568)	(7,515)
Miscellaneous disbursements	(802)	(14,803)
Net Cash Provided by Operating Activities	**9,688,349**	**10,159,559**
INVESTING ACTIVITIES		
Provided by:		
Maturity of U.S. Treasury securities	48,400,000	61,350,000
Used by:		
Purchase of U.S. Treasury securities	(60,978,672)	(69,203,406)
Purchase of property and equipment	(73,412)	(53,739)
Net Cash (Used) in Investing Activities	**(12,652,084)**	**(7,907,145)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(2,963,735)**	**2,252,414**
Cash and Cash Equivalents - Beginning	**5,562,941**	**3,310,527**
Cash and Cash Equivalents - Ending	**$ 2,599,206**	**$ 5,562,941**

The accompanying notes are an integral part of these financial statements.

DEPOSIT INSURANCE FUND
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. Operations of the Deposit Insurance Fund

OVERVIEW

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the FDIC's operations are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In accordance with the FDI Act, the FDIC, as administrator of the Deposit Insurance Fund (DIF), insures the deposits of banks and savings associations (insured depository institutions). In cooperation with other federal and state agencies, the FDIC promotes the safety and soundness of insured depository institutions (IDIs) by identifying, monitoring, and addressing risks to the DIF. Federally chartered IDIs are supervised by the Office of the Comptroller of the Currency; state chartered IDIs that are members of the Federal Reserve are supervised by the Federal Reserve and their state supervisors; and state chartered IDIs that are not members of the Federal Reserve are supervised by the FDIC and their state supervisors.

In addition to being the administrator of the DIF, the FDIC is the administrator of the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). The FRF is a resolution fund responsible for the sale of the remaining assets and the satisfaction of the liabilities associated with the former FSLIC and the former Resolution Trust Corporation. The FDIC maintains the DIF and the FRF separately to support their respective functions.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the FDIC also manages the Orderly Liquidation Fund (OLF). Established as a separate fund in the U.S. Treasury (Treasury), the OLF is inactive and unfunded until the FDIC is appointed as receiver for a covered financial company. A covered financial company is a failing financial company (for example, a bank holding company or nonbank financial company) for which a systemic risk determination has been made as set forth in section 203 of the Dodd-Frank Act.

The Dodd-Frank Act (Public Law 111-203) granted the FDIC authority to establish a widely available program to guarantee obligations of solvent IDIs or solvent depository institution holding companies (including affiliates) upon a liquidity event determination during times of severe economic distress. The program would not be funded by the DIF but rather by fees and assessments paid by all participants in the program. If fees are insufficient to cover losses or expenses, the FDIC must impose a special assessment on participants as necessary to cover the shortfall. Any excess funds at the end of the liquidity event program would be deposited in the General Fund of the Treasury.

The Dodd-Frank Act also created the Financial Stability Oversight Council of which the Chairman of the FDIC is a member and expanded the FDIC's responsibilities to include supervisory review of resolution plans (known as living wills) and backup examination authority for systemically important bank holding companies and nonbank financial companies supervised by the Federal Reserve Board. The living wills provide for an entity's rapid and orderly resolution in the event of material financial distress or failure.

OPERATIONS OF THE DIF

The FDIC, as administrator of the DIF, insures the deposits of IDIs and resolves failed IDIs upon appointment of the FDIC as receiver in a manner that will result in the least possible cost to the DIF.

The DIF is primarily funded from deposit insurance assessments and interest earned on investments in U.S. Treasury securities. Other available funding sources, if necessary, are borrowings from the Treasury, the Federal Financing Bank (FFB), Federal Home Loan Banks, and IDIs. The FDIC has borrowing authority of $100 billion from the Treasury and a Note Purchase Agreement with the FFB, not to exceed $100 billion, to enhance the DIF's ability to fund deposit insurance.

A statutory formula, known as the Maximum Obligation Limitation (MOL), limits the amount of obligations the DIF can incur to the sum of its cash, 90 percent of the fair market value of other assets, and the amount authorized to be borrowed from the Treasury. The MOL for the DIF was $227.5 billion and $222.5 billion as of December 31, 2022 and 2021, respectively.

OPERATIONS OF RESOLUTION ENTITIES

The FDIC, as receiver, is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receiverships, conservatorships, and bridge institutions (collectively,

DEPOSIT INSURANCE FUND

resolution entities), and the claims against them, are accounted for separately from the DIF assets and liabilities to ensure that proceeds from these entities are distributed according to applicable laws and regulations. Therefore, income and expenses attributable to resolution entities are accounted for as transactions of those entities. The FDIC, as administrator of the DIF, bills resolution entities for services provided on their behalf.

2. Summary of Significant Accounting Policies

GENERAL

The financial statements include the financial position, results of operations, and cash flows of the DIF and are presented in accordance with U.S. generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of resolution entities because these entities are legally separate and distinct, and the DIF does not have any ownership or beneficial interests in them. Periodic and final accounting reports of resolution entities are furnished to courts, supervisory authorities, and others upon request.

USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and disclosure of contingent liabilities. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such potential changes in estimates have been disclosed. The more significant estimates include the assessments receivable and associated revenue; the allowance for loss on receivables from resolutions; the postretirement benefit obligation; and the estimated losses for anticipated failures.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments consisting primarily of U.S. Treasury Overnight Certificates.

INVESTMENT IN U.S. TREASURY SECURITIES

The FDI Act requires that the DIF funds be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. The Secretary of the Treasury must approve all such investments in excess of $100,000 and has granted the FDIC approval to invest the DIF funds only in U.S. Treasury obligations that are purchased or sold exclusively through the Treasury's Bureau of the Fiscal Service's Government Account Series program.

The DIF's investments in U.S. Treasury securities are classified as available-for-sale (AFS). Securities designated as AFS are shown at fair value. Unrealized gains and losses are reported as other comprehensive income. Any realized gains and losses are included in the Statement of Income and Fund Balance as components of net income. Income on securities is calculated and recorded daily using the straight-line method (see Note 3).

REVENUE RECOGNITION FOR ASSESSMENTS

Assessment revenue is recognized for the quarterly period of insurance coverage based on an estimate. The estimate is derived from an institution's regular risk-based assessment rate and assessment base for the prior quarter adjusted for certain changes in supervisory examination ratings for larger institutions, modest assessment base growth and average assessment rate adjustment factors. At the subsequent quarter-end, the estimated revenue amounts are adjusted when actual assessments for the covered period are determined for each institution (see Note 9).

CAPITAL ASSETS AND DEPRECIATION

The FDIC buildings are depreciated on a straight-line basis over a 35- to 50-year estimated life. Building improvements are capitalized and depreciated over the estimated useful life of the improvements. Leasehold improvements are capitalized and depreciated over the lesser of the remaining life of the lease or the estimated useful life of the improvements, if determined to be material. Capital assets depreciated on a straight-line basis over a five-year estimated useful life include mainframe equipment; furniture, fixtures, and general equipment; and internal-use software. Computer equipment is depreciated on a straight-line basis over a three-year estimated useful life (see Note 5).

LEASES

The Balance Sheet presents operating leases in the "Operating lease right-of-use assets" and "Operating lease liabilities" line items. Operating lease liabilities and right-of-use (ROU) assets are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The FDIC has elected to use its risk-free rate at the commencement date in determining the present value of future payments for all classes of underlying assets, unless the rate implicit in the lease is readily determinable.

The operating lease ROU asset also includes lease prepayments and excludes lease incentives received. The lease term includes options to extend or terminate the lease when it is reasonably certain that the FDIC will exercise that option. For the DIF, the FDIC recognizes lease expense on a straight-line basis over the lease term. For lease arrangements that contain both lease and nonlease components, the FDIC has elected to account for them as a single lease component for all classes of underlying assets.

PROVISION FOR INSURANCE LOSSES

The provision for insurance losses primarily represents changes in the allowance for losses on receivables from resolutions and the contingent liability for anticipated failure of insured institutions (see Note 12).

RELATED PARTIES

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and notes.

APPLICATION OF RECENT ACCOUNTING STANDARDS

Recent accounting standards have been deemed not applicable or material to the financial statements as presented.

RECLASSIFICATION

In 2022, the FDIC reclassified the "Liabilities due to resolutions" line item to the "Accounts payable and other liabilities" line item on the Balance Sheet. Additionally, the FDIC reclassified certain salaries and benefits expenses in Note 11, "Operating Expenses," from the "Expenses billed to resolution entities and others" line to the "Salaries and benefits" line. For comparative purposes, the FDIC conformed 2021 to the new presentation.

3. Investment in U.S. Treasury Securities

The "Investment in U.S. Treasury securities" line item on the Balance Sheet consisted of the following components by maturity (dollars in thousands).

December 31, 2022 Maturity	Yield at Purchase	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
U.S. Treasury notes and bonds						
Within 1 year	0.67%	$ 62,125,000 [(a)]	$ 62,596,907	$ 0	$ (1,214,092)	$ 61,382,815
After 1 - 5 years	2.81%	64,150,000	62,830,865	16,308	(1,787,631)	61,059,542
Total		**$ 126,275,000**	**$ 125,427,772**	**$ 16,308**	**$ (3,001,723)** [(b)]	**$ 122,442,357**

(a) Includes three securities totaling $3.0 billion, which matured on Saturday, December 31, 2022. Settlements occurred the next business day, January 3, 2023.

(b) These unrealized losses occurred as a result of changes in market interest rates. The FDIC does not intend to sell the securities and is not likely to be required to sell them before their maturity date, thus, the FDIC does not consider these securities to be other than temporarily impaired at December 31, 2022. However, $2.2 billion of the $3.0 billion reported as total unrealized losses occurred over a period of 12 months or longer, with an aggregate related fair value of $62.8 billion applied to the affected securities. The aggregate related fair value of all securities with unrealized losses was $112.9 billion as of December 31, 2022.

December 31, 2021 Maturity	Yield at Purchase	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
U.S. Treasury notes and bonds						
Within 1 year	0.92%	$ 47,400,000	$ 48,252,075	$ 169,305	$ (26,501)	$ 48,394,879
After 1 - 5 years	0.47%	64,775,000	66,448,280	106,617	(398,536)	66,156,361
Total		**$ 112,175,000**	**$ 114,700,355**	**$ 275,922**	**$ (425,037)** [(a)]	**$ 114,551,240**

(a) These unrealized losses occurred as a result of changes in market interest rates. The FDIC does not intend to sell the securities and is not likely to be required to sell them before their maturity date, thus, the FDIC does not consider these securities to be other than temporarily impaired at December 31, 2021. However, $18 million of the $425 million reported as total unrealized losses occurred over a period of 12 months or longer, with a fair value of $1.6 billion applied to the affected security. The aggregate related fair value of all securities with unrealized losses was $86.9 billion as of December 31, 2021.

DEPOSIT INSURANCE FUND

4. Receivables from Resolutions, Net

The receivables from resolutions result from DIF payments to cover obligations to insured depositors (subrogated claims), advances to resolution entities for working capital, and administrative expenses paid on behalf of resolution entities. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Assets held by resolution entities are the main source of repayment of the DIF's receivables from resolutions. The "Receivables from resolutions, net" line item on the Balance Sheet consisted of the following components (dollars in thousands).

	December 31 2022	December 31 2021
Receivables from resolutions	$ 40,567,779	$ 56,228,805
Allowance for losses	(40,047,224)	(55,343,451)
Total	**$ 520,555**	**$ 885,354**

As of December 31, 2022, the FDIC, as receiver, managed 132 active receiverships; no new receiverships were established in 2022. The resolution entities held assets with a total book value of $943 million as of December 31, 2022 and $1.5 billion as of December 31, 2021. The majority of these assets are cash, investments, and other receivables, totaling $909 million and $1.4 billion, respectively. The remaining assets held by resolution entities are assets in liquidation of $34 million as of December 31, 2022 and $87 million as of December 31, 2021.

Estimated cash recoveries from the management and disposition of assets in liquidation that are used to determine the allowance for losses are based on asset recovery rates from several sources, which may include the following: actual or pending institution-specific asset disposition data, failed institution-specific asset valuation data, aggregate asset valuation data on several recently failed or troubled institutions, sampled asset valuation data, and empirical asset recovery data based on failures since 2007. Methodologies for determining the asset recovery rates incorporate estimating future cash recoveries, net of applicable liquidation cost estimates, and discounting based on market-based risk factors applicable to a given asset's type and quality. The resulting estimated asset recoveries are then used to derive the allowance for loss on the receivables from these resolutions.

Note that estimated asset recoveries on assets in liquidation are regularly evaluated during the year, but remain subject to uncertainties because of potential changes in economic and market conditions, which may cause the DIF's actual recoveries to vary significantly from current estimates.

5. Property and Equipment, Net

Depreciation expense was $39 million and $44 million for 2022 and 2021, respectively. The "Property and equipment, net" line item on the Balance Sheet consisted of the following components (dollars in thousands).

	December 31 2022	December 31 2021
Land	$ 37,352	$ 37,352
Buildings (including building and leasehold improvements)	385,151	349,066
Application software (includes work-in-process)	111,172	101,362
Furniture, fixtures, & equipment	33,108	45,221
Accumulated depreciation	(206,642)	(205,874)
Total	**$ 360,141**	**$ 327,127**

6. Leases

The FDIC has operating leases for office space, a data center, and certain equipment. The lease agreements generally contain escalation clauses resulting in adjustments, usually on an annual basis. Many leases contain one or more options to extend, with renewal terms that can extend the lease term from one to five years, and some leases may include options to terminate. The following table provides relevant information regarding FDIC operating leases for the years ended December 31, 2022 and 2021 (dollars in thousands).

	December 31 2022	December 31 2021
Operating lease cost	$ 39,782	$ 39,466
Cash paid for amounts included in the measurement of operating leases	$ 36,099	48,400
ROU assets obtained in exchange for new operating lease liabilities	$ 40,046	1,656
Weighted Average		
Remaining lease term (in years)	5.15	2.75
Discount rate	2.05%	1.24%

The following table provides a maturity analysis of the FDIC's operating lease liabilities as of December 31, 2022 (dollars in thousands).

	December 31 2022
2023	$ 35,132
2024	30,320
2025	13,174
2026	8,380
2027	6,569
2028/Thereafter	26,052
Total future minimum lease payments	**$ 119,627**
Less: Imputed interest	(8,422)
Total operating lease liabilities	**$ 111,205**

As of December 31, 2022, the FDIC has additional operating leases with future payments totaling $5 million for office space, which commence after December 31, 2022, and are not included in the amounts presented above.

7. Contingent Liabilities

ANTICIPATED FAILURE OF INSURED INSTITUTIONS

The DIF records a contingent liability and a loss provision for DIF-insured institutions that are likely to fail when the liability is probable and reasonably estimable, absent some favorable event such as obtaining additional capital or merging. The contingent liability is derived by applying expected failure rates and loss rates to the institutions based on supervisory ratings, balance sheet characteristics, and projected capital levels.

The banking industry's financial condition and performance remained stable in 2022 amidst economic uncertainty. During 2022, no institutions failed. According to the third quarter 2022 financial data submitted by DIF-insured institutions, the banking industry reported net income for the first nine months of $196 billion, a decrease of 9.4 percent from the same period a year ago. The decrease in net income was the result of a return to positive provision expenses and higher noninterest expenses which offset gains in net interest income as described below.

Provisions for credit losses for the first nine months of 2022 were a positive $30.9 billion, versus the negative $30.4 billion reported for the same time period a year ago. This change reflects loan growth as well as new economic uncertainties. Despite these uncertainties, credit quality metrics continued to improve. The total noncurrent loan rate was 0.72 percent as of September 30, 2022, down 22 basis points from the same quarter in 2021 and well below the most recent high of 5.46 percent in March 31, 2010. Noninterest expenses for the first nine months of 2022 were up $28.7 billion from the same time period a year ago driven by higher advertising and marketing expenses, consulting and advisory expenses, and data processing expenses.

Although net income declined, the rising interest-rate environment has improved bank margins. During third quarter 2022, the average quarterly net interest margin (NIM) for the banking industry rose 35 basis points to 3.14 percent, with the average yield on earning assets rising 73 basis points. Growth in interest income outpaced growth in interest expense, pushing net interest income for the first nine months of 2022 up $64.8 billion from the same period a year ago.

Due to the decline in net income and growth in higher-risk assets, risk-based capital ratios declined in third quarter 2022 from the same quarter in 2021. Total risk-based capital declined 77 basis points to 14.84 percent. Despite this decrease, the level remains above pre-pandemic levels.

The contingent liability increased as of December 31, 2022, compared to December 31, 2021. The DIF recorded contingent liabilities totaling $31 million and $21 million as of December 31, 2022 and 2021, respectively. The increase reflects deterioration in financial conditions at a small number of troubled institutions.

In addition to the recorded contingent liabilities, the FDIC has identified risks in the financial services industry that could result in additional losses to the DIF, should potentially vulnerable insured institutions ultimately fail. As a result of

DEPOSIT INSURANCE FUND

these risks, the FDIC believes that it is reasonably possible that the DIF could incur additional estimated losses of approximately $273 million as of December 31, 2022, compared to $68 million at year-end 2021. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

Inflation, rising interest rates, and geopolitical uncertainties will continue to challenge bank profitability, credit quality, and loan growth. The FDIC continues to evaluate ongoing risks to affected institutions in light of existing economic and financial conditions, and the extent to which such risks may put stress on the resources of the insurance fund.

LITIGATION LOSSES

The DIF records an estimated loss for unresolved legal cases to the extent that those losses are considered probable and reasonably estimable. The FDIC recorded probable litigation losses of $800 thousand and $200 thousand for the DIF as of December 31, 2022 and 2021, respectively. In addition, the FDIC has identified no reasonably possible losses from unresolved cases as of December 31, 2022 and $1 million as of December 31, 2021.

8. Purchase and Assumption Indemnification

In connection with purchase and assumption agreements for resolutions, the FDIC, in its receivership capacity, generally indemnifies the purchaser of a failed institution's assets and liabilities in the event a third party asserts a claim against the purchaser unrelated to the explicit assets purchased or liabilities assumed at the time of failure. The FDIC, in its corporate capacity, is a secondary guarantor if a receivership is unable to pay. These indemnifications generally extend for a term of six years after the date of institution failure. The FDIC is unable to estimate the maximum potential liability for these types of guarantees as the agreements do not specify a maximum amount and any payments are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. During 2022 and 2021, the FDIC, in its corporate capacity, made no indemnification payments under such agreements, and no amount has been accrued in the accompanying financial statements with respect to these indemnification guarantees.

9. Assessments

The FDIC deposit insurance assessment system is mandated by section 7 of the FDI Act and governed by part 327 of title 12 of the Code of Federal Regulations (12 CFR Part 327). The risk-based system requires the payment of quarterly assessments by all IDIs.

In response to the Dodd-Frank Act, the FDIC implemented several changes to the assessment system and developed a comprehensive, long-term fund management plan. The long-term fund management plan is designed to restore and maintain a positive fund balance for the DIF even during a banking crisis and achieve moderate, steady assessment rates throughout any economic cycle. The DIF reserve ratio, which is the ratio of the DIF balance to estimated insured deposits, is a key measure of fund adequacy. Summarized below are key longer-term provisions of the plan.

- The FDIC Board of Directors designates a reserve ratio for the DIF and publishes the designated reserve ratio (DRR) before the beginning of each calendar year, as required by the FDI Act. Accordingly, in October 2022, the FDIC published a notice maintaining the DRR at 2 percent for 2023. The DRR is an integral part of the FDIC's comprehensive, long-term management plan for the DIF and is viewed as a long-range, minimum goal for the reserve ratio.

- The FDIC suspended dividends indefinitely, and, in lieu of dividends, prescribes progressively lower assessment rates when the reserve ratio exceeds 2 percent and 2.5 percent.

The Dodd-Frank Act increased the minimum reserve ratio for the DIF to 1.35 percent, up from the previous statutory minimum of 1.15 percent. If the reserve ratio falls below 1.35 percent, or the FDIC projects that it will within six months, the FDIC generally must implement a Restoration Plan that will return the DIF to 1.35 percent within eight years. In September 2020, the FDIC established a Restoration Plan, maintaining the assessment rate schedules in place at the time, when the reserve ratio fell below 1.35 percent, to 1.30 percent as of June 30, 2020, due to extraordinary insured deposit growth in the first and second quarters of 2020. However, based on the June 2022 Semiannual Restoration Plan Update to the Board, the reserve ratio was at risk of not reaching the statutory minimum of 1.35 percent by the statutory deadline of September 30, 2028, absent an increase in assessment rates. As a result, in June 2022, the FDIC Board adopted an Amended Restoration Plan that would increase assessment rates so that the DIF reserve ratio would reach at least 1.35 percent by the required deadline.

In October 2022, the FDIC Board issued a final rule related to increasing assessment rates. Under the rule, the FDIC will increase the initial base deposit insurance assessment rates for all IDIs by 2 basis points, beginning with the first quarterly assessment period of 2023. The increase in the assessment rates will remain in effect unless and until the reserve ratio meets or exceeds 2 percent in order to support progress towards the 2 percent DRR.

ASSESSMENT REVENUE

Annual assessment rates averaged approximately 4.0 cents and 3.6 cents per $100 of the assessment base in 2022 and 2021, respectively. The assessment base is generally defined as average consolidated total assets minus average tangible equity (measured as Tier 1 capital) of an IDI during the assessment period.

The "Assessments receivable" line item on the Balance Sheet of $2.2 billion and $1.7 billion represents the estimated premiums due from IDIs for the fourth quarter of 2022 and 2021, respectively. The actual deposit insurance assessments for the fourth quarter of 2022 will be billed and collected at the end of the first quarter of 2023. The DIF recognized $8.3 billion and $7.1 billion as assessment revenue from institutions during 2022 and 2021, respectively.

PENDING LITIGATION FOR UNDERPAID ASSESSMENTS

On January 9, 2017, the FDIC filed suit in the United States District Court for the District of Columbia (and amended this complaint on April 7, 2017), alleging that Bank of America, N.A. (BoA) underpaid its insurance assessments for multiple quarters based on the underreporting of counterparty exposures. In total, the FDIC alleges that BoA underpaid insurance assessments by $1.12 billion, including interest for the quarters ending March 2012 through December 2014. The FDIC invoiced BoA for $542 million and $583 million representing claims in the initial suit and the amended complaint, respectively. BoA has failed to pay these past due amounts. Pending resolution of this matter, BoA has fully pledged security with a third-party custodian pursuant to a security agreement with the FDIC. As of December 31, 2022, the total amount of unpaid assessments (including accrued interest) was $1.20 billion. For the years ending December 31, 2022 and 2021, the impact of this litigation is not reflected in the financial statements of the DIF.

RESERVE RATIO

As of September 30, 2022 and December 31, 2021, the DIF reserve ratio was 1.26 percent.

10. Return of Unclaimed Insured Deposits

The Unclaimed Deposits Amendments Act of 1993 (UDAA), Public Law 103-44, amended the FDI Act effective June 28, 1993 (codified as 12 U.S.C. § 1822 (e)). In accordance with the UDAA, the FDIC delivers to the appropriate states insured bank deposits not claimed within 18 months of the date when the FDIC initiates payment of insured deposits as a part of a bank failure, unless the appropriate state declines to accept custody. After receipt, states have custody of the deposits for 10 years, during which time a state treats deposits as unclaimed property. At the end of the 10 years, states are required to transfer any remaining unclaimed deposits to the FDIC and those deposits become the FDIC's property. As of December 31, 2022 and 2021, states have returned $38 million and $103 million, respectively, of unclaimed insured deposits to the FDIC, which the DIF recognized as revenue.

11. Operating Expenses

The "Operating expenses" line item on the Statement of Income and Fund Balance consisted of the following components (dollars in thousands).

	December 31 2022	December 31 2021
Salaries and benefits	$ 1,343,042	$ 1,320,194
Outside services	269,741	267,279
Travel	20,528	9,548
Buildings and leased space	75,649	84,496
Software/Hardware maintenance	119,780	107,265
Depreciation of property and equipment	38,858	43,764
Other	22,993	24,569
Subtotal	**1,890,591**	**1,857,115**
Less: Expenses billed to resolution entities and others	(7,707)	(14,392)
Total	**$ 1,882,884**	**$ 1,842,723**

DEPOSIT INSURANCE FUND

12. Provision for Insurance Losses

The "Provision for insurance losses" line item on the Statement of Income and Fund Balance is impacted by the Balance Sheet line item activity depicted in the table below. The table primarily analyzes the changes in estimated losses for actual and anticipated failures (dollars in millions).

December 31, 2022				Contingent Liabilities for:	
	Provision for Insurance Losses	Receivables from Resolutions	Allowance for Losses	Anticipated Failures	Litigation Losses
Balance at January 1, 2022	**$ 0**	**$ 56,228**	**$ (55,343)**	**$ (21)**	**$ 0**
Change in contingent liability for anticipated failures, net [1]	10			(10)	
Adjustments to estimated losses for prior year failures	(87)		87		
Disbursements for prior year failures		10			
Recoveries from resolutions		(459)			
Write-offs for inactivated receiverships	(3)	(13,719)	13,722		
Other	(3)	(1,492)	1,487		(1)
Balance at December 31, 2022	**$ (83)**	**$ 40,568**	**$ (40,047)**	**$ (31)**	**$ (1)**

[1]Represents institutions that were added or removed from the contingent liability, as well as the change in the contingent liability for institutions that remained in the liability year-over-year.

December 31, 2021				Contingent Liabilities for:	
	Provision for Insurance Losses	Receivables from Resolutions	Allowance for Losses	Anticipated Failures	Litigation Losses
Balance at January 1, 2021	**$ 0**	**$ 61,341**	**$ (59,974)**	**$ (79)**	**$ 0**
Change in contingent liability for anticipated failures, net [1]	(58)			58	
Adjustments to estimated losses for prior year failures	(85)		85		
Disbursements for prior year failures		12			
Recoveries from resolutions		(574)			
Write-offs for inactivated receiverships	(1)	(4,424)	4,425		
Other	0	(127)	121		
Balance at December 31, 2021	**$ (144)**	**$ 56,228**	**$ (55,343)**	**$ (21)**	**$ 0**

[1]Represents institutions that were added or removed from the contingent liability, as well as the change in the contingent liability for institutions that remained in the liability year-over-year.

13. Employee Benefits

PENSION BENEFITS AND SAVINGS PLANS

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by the federal government retirement plans, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Although the DIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The DIF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported on and accounted for by the U.S. Office of Personnel Management (OPM).

Under the Federal Thrift Savings Plan (TSP), the FDIC provides FERS employees with an automatic contribution of 1 percent of pay and an additional matching contribution up

to 4 percent of pay. CSRS employees also can contribute to the TSP, but they do not receive agency matching contributions. Eligible FDIC employees may also participate in an FDIC-sponsored tax-deferred 401(k) savings plan with an automatic contribution of 1 percent of pay and an additional matching contribution up to 4 percent of pay. The expenses for these plans are presented in the table below (dollars in thousands).

	December 31 2022	December 31 2021
Civil Service Retirement System	$ 286	$ 912
Federal Employees Retirement System (Basic Benefit)	159,473	151,797
Federal Thrift Savings Plan	39,851	39,266
FDIC Savings Plan	40,259	39,978
Total	**$ 239,869**	**$ 231,953**

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The DIF has no postretirement health insurance liability since all eligible retirees are covered by the Federal Employees Health Benefits (FEHB) program. The FEHB is administered and accounted for by OPM. In addition, OPM pays the employer share of the retiree's health insurance premiums.

The FDIC provides certain life and dental insurance coverage for its eligible retirees, the retirees' beneficiaries, and covered dependents. Retirees eligible for life and dental insurance coverage are those who have qualified due to (1) immediate enrollment upon appointment or five years of participation in the plan and (2) eligibility for an immediate annuity. The life insurance program provides basic coverage at no cost to retirees and allows for converting optional coverage to direct-pay plans. For the dental coverage, retirees are responsible for a portion of the premium.

The FDIC has elected not to fund the postretirement life and dental benefit liabilities. As a result, the DIF recognized the underfunded status (the difference between the accumulated postretirement benefit obligation and the plan assets at fair value) as a liability. Since there are no plan assets, the plan's benefit liability is equal to the accumulated postretirement benefit obligation.

Postretirement benefit obligation, gain and loss, and expense information included in the Balance Sheet and Statement of Income and Fund Balance are summarized as follows (dollars in thousands).

	December 31 2022	December 31 2021
Accumulated postretirement benefit obligation recognized in *Postretirement benefit liability*	$ 231,781	$ 331,599
Cumulative net actuarial gain (loss) recognized in accumulated other comprehensive income: *Unrealized postretirement benefit gain (loss)*	$ 27,216	$ (82,723)
Amounts recognized in other comprehensive income: *Unrealized postretirement benefit gain*		
Actuarial gain	$ 109,939	$ 15,199
Prior service credit	0	0
Total	$ 109,939	$ 15,199
Net periodic benefit costs recognized in *Operating expenses*		
Service cost	$ 6,208	$ 6,365
Interest cost	8,122	7,128
Net amortization out of other comprehensive income	3,521	4,712
Total	$ 17,851	$ 18,205

The year-over-year decrease in the accumulated postretirement benefit obligation of $100 million is primarily attributable to an increase in the discount rate used to present value expected benefit payments. The discount rate increased from 2.82 percent to 5.27 percent at year-end 2022 to reflect changes in the economic environment.

The annual postretirement contributions and benefits paid are included in the table below (dollars in thousands).

	December 31 2022	December 31 2021
Employer contributions	$ 7,731	$ 7,384
Plan participants' contributions	$ 1,197	$ 1,148
Benefits paid	$ (8,928)	$ (8,532)

The expected contributions for the year ending December 31, 2023, are $11 million. Expected future benefit payments for each of the next 10 years are presented in the following table (dollars in thousands).

2023	2024	2025	2026	2027	2028-2032
$9,627	$10,203	$10,726	$11,282	$11,782	$64,834

DEPOSIT INSURANCE FUND

Assumptions used to determine the amount of the accumulated postretirement benefit obligation and the net periodic benefit costs are summarized as follows.

	December 31 2022	December 31 2021
Discount rate for future benefits (benefit obligation)	5.27%	2.82%
Rate of compensation increase	7.79%	2.22%
Discount rate (benefit cost)	2.82%	2.65%
Dental health care cost-trend rate		
Assumed for next year	3.50%	3.50%
Ultimate	3.50%	3.50%
Year rate will reach ultimate	2023	2022

14. Off-Balance-Sheet Exposure

DEPOSIT INSURANCE

Estimates of insured deposits are derived primarily from quarterly financial data submitted by IDIs to the FDIC and represent the accounting loss that would be realized if all IDIs were to fail and the acquired assets provided no recoveries. As of September 30, 2022 and December 31, 2021, estimated insured deposits for the DIF were $9.9 trillion and $9.7 trillion, respectively.

15. Fair Value of Financial Instruments

As of December 31, 2022 and 2021, financial assets recognized and measured at fair value on a recurring basis include cash equivalents (see Note 2) of $2.6 billion and $4 billion, respectively, and the investment in U.S. Treasury securities (see Note 3) of $122.4 billion and $114.6 billion, respectively. The valuation is considered a Level 1 measurement in the fair value hierarchy, representing quoted prices in active markets for identical assets. Other financial assets and liabilities, measured at amortized cost, are the receivables from resolutions, assessments receivable, interest receivable on investments, other short-term receivables, and accounts payable and other liabilities.

16. Information Relating to the Statement of Cash Flows

The following table presents a reconciliation of net income to net cash from operating activities (dollars in thousands).

	December 31 2022	December 31 2021
Operating Activities		
Net Income:	**$ 7,803,215**	**$ 6,448,140**
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of U.S. Treasury securities	1,851,255	2,547,445
Depreciation on property and equipment	38,858	43,764
Retirement of property and equipment	1,540	3,929
Provision for insurance losses	(82,964)	(143,681)
Unrealized gain on postretirement benefits	109,939	15,199
Change in Assets and Liabilities:		
(Increase) Decrease in assessments receivable, net	(448,700)	237,967
Decrease in interest receivable and other assets	30,667	441,041
Decrease in receivables from resolutions	458,420	566,646
(Increase) Decrease in operating lease right-of-use assets	(7,168)	27,215
Increase in accounts payable and other liabilities	12,857	4,774
Increase (Decrease) in operating lease liabilities	20,248	(28,502)
(Decrease) in postretirement benefit liability	(99,818)	(4,378)
Net Cash Provided by Operating Activities	**$ 9,688,349**	**$ 10,159,559**

17. Subsequent Events

Subsequent events have been evaluated through February 9, 2023, the date the financial statements are available to be issued. Based on management's evaluation, there were no subsequent events requiring disclosure.

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Balance Sheet

As of December 31

(Dollars in Thousands)	2022	2021
ASSETS		
Cash and cash equivalents	$ 922,224	$ 907,625
Other assets, net	161	201
Total Assets	**$ 922,385**	**$ 907,826**
LIABILITIES		
Accounts payable and other liabilities	$ 6	$ 8
Total Liabilities	**6**	**8**
RESOLUTION EQUITY (NOTE 5)		
Contributed capital	125,469,317	125,469,317
Accumulated deficit	(124,546,938)	(124,561,499)
Total Resolution Equity	**922,379**	**907,818**
Total Liabilities and Resolution Equity	**$ 922,385**	**$ 907,826**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Income and Accumulated Deficit

For the Years Ended December 31

(Dollars in Thousands)	2022	2021
REVENUE		
Interest on U.S. Treasury securities	$ 14,524	$ 374
Other revenue	352	214
Total Revenue	**14,876**	**588**
EXPENSES AND LOSSES		
Operating expenses	250	227
Losses related to thrift resolutions	65	(27)
Total Expenses and Losses	**315**	**200**
Net Income	**14,561**	**388**
Accumulated Deficit - Beginning	**(124,561,499)**	**(124,561,887)**
Accumulated Deficit - Ending	**$ (124,546,938)**	**$ (124,561,499)**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Cash Flows

For the Years Ended December 31

(Dollars in Thousands)	2022	2021
OPERATING ACTIVITIES		
Provided by:		
Interest on U.S. Treasury securities	$ 14,524	$ 374
Recoveries from thrift resolutions	351	670
Used by:		
Operating expenses	(276)	(254)
Net Cash Provided by Operating Activities	**14,599**	**790**
Net Increase in Cash and Cash Equivalents	**14,599**	**790**
Cash and Cash Equivalents - Beginning	**907,625**	**906,835**
Cash and Cash Equivalents - Ending	**$ 922,224**	**$ 907,625**

The accompanying notes are an integral part of these financial statements.

FSLIC RESOLUTION FUND
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. Operations/Dissolution of the FSLIC Resolution Fund

OVERVIEW

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the FDIC's operations are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In accordance with the FDI Act, the FDIC, as administrator of the Deposit Insurance Fund (DIF), insures the deposits of banks and savings associations (insured depository institutions). In cooperation with other federal and state agencies, the FDIC promotes the safety and soundness of insured depository institutions by identifying, monitoring, and addressing risks to the DIF.

In addition to being the administrator of the DIF, the FDIC is the administrator of the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). As such, the FDIC is responsible for the sale of remaining assets and satisfaction of liabilities associated with the former FSLIC and the former Resolution Trust Corporation (RTC). The FDIC maintains the DIF and the FRF separately to support their respective functions.

The FSLIC was created through the enactment of the National Housing Act of 1934. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC and created the FRF. At that time, the assets and liabilities of the FSLIC were transferred to the FRF – except those assets and liabilities transferred to the newly created RTC – effective on August 9, 1989. Further, the FIRREA established the Resolution Funding Corporation (REFCORP) to provide part of the initial funds used by the RTC for thrift resolutions by authorizing REFCORP to issue debt obligations. The REFCORP issued debt obligations in the form of long-term bonds ranging in maturity from 2019 to 2030.

The RTC Completion Act of 1993 terminated the RTC as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. The FRF consists of two distinct pools of assets and liabilities: one composed of the assets and liabilities of the FSLIC transferred to the FRF upon the dissolution of the FSLIC (FRF-FSLIC), and the other composed of the RTC assets and liabilities (FRF-RTC). The assets of one pool are not available to satisfy obligations of the other.

OPERATIONS/DISSOLUTION OF THE FRF

The FRF will continue operations until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. Any funds remaining in the FRF-FSLIC will be paid to the U.S. Treasury. Any remaining funds of the FRF-RTC will be distributed to the REFCORP to pay interest on the REFCORP bonds. In addition, the FRF-FSLIC has available until expended $602 million in appropriations to facilitate, if required, efforts to wind up the resolution activity of the FRF-FSLIC.

The FDIC has extensively reviewed and cataloged the FRF's remaining assets and liabilities. Some of the unresolved issues are:

- criminal restitution orders (generally have from 1 to 17 years remaining to enforce);
- collections of judgments obtained against officers and directors and other professionals responsible for causing or contributing to thrift losses (generally have up to 10 years remaining to enforce, unless the judgments are renewed or are covered by the Federal Debt Collections Procedures Act, which will result in significantly longer periods for collection of some judgments);
- liquidation/disposition of residual assets purchased by the FRF from terminated receiverships; and
- Affordable Housing Disposition Program monitoring (the last agreement expires no later than 2045; see Note 4).

The FRF could realize recoveries from criminal restitution orders and professional liability claims. However, any potential recoveries are not reflected in the FRF's financial statements, given the significant uncertainties surrounding the ultimate outcome.

On April 1, 2014, the FDIC concluded its role as receiver, on behalf of the FRF, when the last active receivership was

terminated. In total, 850 receiverships were liquidated by the FRF and the RTC. To facilitate receivership terminations, the FRF, in its corporate capacity, acquired the remaining receivership assets that could not be liquidated during the life of the receiverships due to restrictive clauses and other impediments. These assets are included in the "Other assets, net" line item on the Balance Sheet.

During the years of receivership activity, the assets held by receivership entities, and the claims against them, were accounted for separately from the FRF's assets and liabilities to ensure that receivership proceeds were distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships were accounted for as transactions of those receiverships. The FDIC, as administrator of the FRF, billed receiverships for services provided on their behalf.

2. Summary of Significant Accounting Policies

GENERAL

The financial statements include the financial position, results of operations, and cash flows of the FRF and are presented in accordance with U.S. generally accepted accounting principles (GAAP). During the years of receivership activity, these statements did not include reporting for assets and liabilities of receivership entities because these entities were legally separate and distinct, and the FRF did not have any ownership or beneficial interest in them.

The FRF is a limited-life entity, however, it does not meet the requirements for presenting financial statements using the liquidation basis of accounting. According to Accounting Standards Codification Topic 205, *Presentation of Financial Statements*, a limited-life entity should apply the liquidation basis of accounting only if a change in the entity's governing plan has occurred since its inception. By statute, the FRF is a limited-life entity whose dissolution will occur upon the satisfaction of all liabilities and the disposition of all assets. No changes to this statutory plan have occurred since inception of the FRF.

USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and disclosure of contingent liabilities. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such potential changes in estimates have been disclosed. The estimate for the Affordable Housing Disposition Program indemnifications is considered significant (see Note 4).

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments consisting primarily of U.S. Treasury Overnight Certificates.

RELATED PARTIES

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and notes.

APPLICATION OF RECENT ACCOUNTING STANDARDS

Recent accounting standards have been deemed not applicable or material to the financial statements as presented.

3. Goodwill Litigation

In *United States v. Winstar Corp.*, 518 U.S. 839 (1996), the Supreme Court held that when it became impossible following the enactment of FIRREA in 1989 for the federal government to perform certain agreements to count goodwill toward regulatory capital, the plaintiffs were entitled to recover damages from the United States. The contingent liability associated with the nonperformance of these agreements was transferred to the FRF on August 9, 1989, upon the dissolution of the FSLIC.

The FRF can draw from an appropriation provided by Section 110 of the Department of Justice Appropriations Act, 2000 (Public Law 106-113, Appendix A, Title I, 113 Stat. 1501A-3, 1501A-20), such sums as may be necessary for the payment of judgments and compromise settlements in the goodwill litigation. This appropriation is to remain available until expended.

All known goodwill cases have been litigated, including the last remaining goodwill case that was resolved in 2015. However, a determination regarding the continued need for the appropriation will be made as the FRF winds up its operations.

4. Affordable Housing Disposition Program

Required by FIRREA under section 501, the Affordable Housing Disposition Program (AHDP) was established in 1989 to ensure the preservation of affordable housing for low-

FSLIC RESOLUTION FUND

income households. The FDIC, in its capacity as administrator of the FRF-RTC, assumed responsibility for monitoring property owner compliance with land use restriction agreements (LURAs). To enforce the property owners' LURA obligation, the RTC, prior to its dissolution, entered into Memoranda of Understanding with 34 monitoring agencies to oversee these LURAs. As of December 31, 2022, 21 monitoring agencies oversee these LURAs. The FDIC, through the FRF, has agreed to indemnify the monitoring agencies for all losses related to LURA legal enforcement proceedings.

From 2006 through 2018, two lawsuits against property owners resulted in $23 thousand in legal expenses, which were fully reimbursed due to successful litigation. In 2019, new litigation against two property owners has thus far resulted in legal expenses of $12 thousand. In 2022, one of the litigation cases was settled and the FDIC was reimbursed $7 thousand. The maximum potential exposure to the FRF cannot be estimated as it is contingent upon future legal proceedings. However, loss mitigation factors include: (1) the indemnification may become void if the FDIC is not immediately informed upon receiving notice of any legal proceedings and (2) the FDIC is entitled to reimbursement of any legal expenses incurred for successful litigation against a property owner. AHDP guarantees will continue until the termination of the last LURA, or 2045 (whichever occurs first). As of December 31, 2022 and 2021, no contingent liability for this indemnification has been recorded.

5. Resolution Equity

As stated in the Overview section of Note 1, the FRF is composed of two distinct pools: the FRF-FSLIC and the FRF-RTC. The FRF-FSLIC consists of the assets and liabilities of the former FSLIC. The FRF-RTC consists of the assets and liabilities of the former RTC. Pursuant to legal restrictions, the two pools are maintained separately and the assets of one pool are not available to satisfy obligations of the other. Contributed capital, accumulated deficit, and resolution equity consisted of the following components by each pool (dollars in thousands).

December 31, 2022	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital	$ 43,864,980	$ 81,604,337	$ 125,469,317
Accumulated deficit	(42,968,050)	(81,578,888)	(124,546,938)
Total Resolution Equity	**$ 896,930**	**$ 25,449**	**$ 922,379**

December 31, 2021	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital	$ 43,864,980	$ 81,604,337	$ 125,469,317
Accumulated deficit	(42,982,564)	(81,578,935)	(124,561,499)
Total Resolution Equity	**$ 882,416**	**$ 25,402**	**$ 907,818**

CONTRIBUTED CAPITAL

The FRF-FSLIC and the former RTC received $43.5 billion and $60.1 billion from the U.S. Treasury, respectively, to fund losses from thrift resolutions prior to July 1, 1995. Additionally, the FRF-FSLIC issued $670 million in capital certificates to the Financing Corporation (a mixed-ownership government corporation established to function solely as a financing vehicle for the FSLIC) and the RTC issued $31.3 billion of these instruments to the REFCORP. FIRREA prohibited the payment of dividends on any of these capital certificates. Through December 31, 2022, the FRF-FSLIC received a total of $2.3 billion in goodwill appropriations, the effect of which increased contributed capital.

Through December 31, 2022, the FRF-RTC had returned $4.6 billion to the U.S. Treasury and made payments of $5.2 billion to the REFCORP. The most recent payment to the REFCORP was in July of 2020 for $20 million. In addition, the FDIC returned $2.6 billion to the U.S. Treasury on behalf of the FRF-FSLIC in 2013. These actions reduced contributed capital.

ACCUMULATED DEFICIT

The accumulated deficit represents the cumulative excess of expenses and losses over revenue for activity related to the FRF-FSLIC and the FRF-RTC. Approximately $29.8 billion and $87.9 billion were brought forward from the former FSLIC and the former RTC on August 9, 1989, and January 1, 1996, respectively. Since the dissolution dates, the FRF-FSLIC accumulated deficit increased by $13.2 billion, whereas the FRF-RTC accumulated deficit decreased by $6.3 billion.

6. Fair Value of Financial Instruments

At December 31, 2022 and 2021, the FRF's financial assets measured at fair value on a recurring basis are cash equivalents (see Note 2) of $897 million and $882 million, respectively. Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Treasury's Bureau of the Fiscal Service. The valuation is considered a Level 1 measurement in the fair value hierarchy, representing quoted prices in active markets for identical assets.

7. Information Relating to the Statement of Cash Flows

The following table presents a reconciliation of net income to net cash from operating activities (dollars in thousands).

	December 31 2022	December 31 2021
Operating Activities		
Net Income:	$ 14,561	$ 388
Change in Assets and Liabilities:		
Decrease in other assets, net	40	411
(Decrease) in accounts payable and other liabilities	(2)	(9)
Net Cash Provided by Operating Activities	**$ 14,599**	**$ 790**

8. Subsequent Events

Subsequent events have been evaluated through February 9, 2023, the date the financial statements are available to be issued. Based on management's evaluation, there were no subsequent events requiring disclosure.

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

Independent Auditor's Report

To the Board of Directors of the Federal Deposit Insurance Corporation

In our audits of the 2022 and 2021 financial statements of the Deposit Insurance Fund (DIF) and of the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF), both of which the Federal Deposit Insurance Corporation (FDIC) administers,[1] we found

- the financial statements of the DIF and of the FRF as of and for the years ended December 31, 2022, and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- although internal controls could be improved, FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2022; and
- with respect to the DIF and to the FRF, no reportable noncompliance for 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting and other information included with the financial statements;[2] (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

Report on the Financial Statements and on Internal Control over Financial Reporting

Opinions on the Financial Statements

In accordance with Section 17 of the Federal Deposit Insurance Act, as amended,[3] and the Government Corporation Control Act,[4] we have audited the financial statements of the DIF and of the FRF, both of which FDIC administers. The financial statements of the DIF comprise the balance sheets as of December 31, 2022, and 2021; the related statements of income and fund balance and of cash flows for the years then ended; and the related notes to the financial statements. The financial statements of the FRF comprise the balance sheets as of December 31, 2022, and 2021; the related statements of income and accumulated deficit and of

[1]A third fund managed by FDIC, the Orderly Liquidation Fund, established by Section 210(n) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376, 1506 (2010), is unfunded and did not have any transactions from its inception in 2010 through 2022.

[2]Other information consists of information included with the financial statements, other than the auditor's report.

[3]Act of September 21, 1950, Pub. L. No. 797, § 2[17], 64 Stat. 873, 890, *classified as amended at* 12 U.S.C. § 1827.

[4]31 U.S.C. §§ 9101-9110.

cash flows for the years then ended; and the related notes to the financial statements. In our opinion,

- the DIF's financial statements present fairly, in all material respects, the DIF's financial position as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles, and

- the FRF's financial statements present fairly, in all material respects, the FRF's financial position as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Opinions on Internal Control over Financial Reporting

We also have audited FDIC's internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2022, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In our opinion, although certain internal controls could be improved,

- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF as of December 31, 2022, based on criteria established under FMFIA, and
- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the FRF as of December 31, 2022, based on criteria established under FMFIA.

As discussed below in more detail, our 2022 audit continued to identify deficiencies in FDIC's controls over contract documentation and payment review processes that collectively represent a significant deficiency in FDIC's internal control over financial reporting.[5] We considered this significant deficiency in determining the nature, timing, and extent of our audit procedures on the DIF's and the FRF's 2022 financial statements.

Although the significant deficiency in internal control did not affect our opinions on the 2022 and 2021 financial statements of the DIF and of the FRF, misstatements may occur in unaudited financial information reported internally and externally by FDIC because of this significant deficiency.

In addition to the significant deficiency in internal control over contract documentation and payment review processes, we also identified other deficiencies in FDIC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies.

[5]A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Nonetheless, these deficiencies warrant FDIC management's attention. We have communicated these matters to FDIC management and, where appropriate, will report on them separately.

Significant Deficiency in Internal Control over Contract Documentation and Payment Review Processes

During our 2022 audit, we continued to identify deficiencies in contract documentation and payment review processes that collectively represent a significant deficiency in FDIC's internal control over financial reporting. Specifically, as in prior years,[6] FDIC did not consistently implement controls over contract documentation and payment review processes.

FDIC oversight managers are responsible for verifying that contractors deliver purchased goods or services and perform their work according to contract terms and delivery schedules. Oversight managers also monitor the expenditures of funds in relation to contract dollar ceilings and approve invoices for payment. FDIC contracting officers, acting within the scope of their authority to contract on behalf of FDIC, are responsible for entering into, administering, and terminating contracts; making related decisions; managing and maintaining contract documentation; and executing contract modifications.

We identified deficiencies in FDIC's implementation of these internal controls that increased the risks that improper payments could occur and operating expenses and accounts payable could be misstated. For example:

- We found two instances where an oversight manager approved a contractor invoice that did not agree to the terms of the contract pricing schedule, resulting in an improper payment and a misallocated payment.

- We found one instance where an oversight manager approved a miscalculated contract payment adjustment, resulting in a potential improper payment.

- We found three instances where contract documentation was not properly maintained in FDIC's Contract Electronic File (CEFile) and documents were not signed by a contracting officer, as required by FDIC's *Acquisition Policy Manual*. Further, these documents were stored on and inadvertently deleted from a contracting officer's computer hard drive, and backup copies of the documents were not maintained.

- We found two additional instances in which contract documentation was stored on employees' computer hard drives, increasing the risk of loss of contract documentation that could lead to inappropriate procurement decisions and improper payments. Due to validation requirements while transitioning procurement systems, FDIC instructed employees to store contract documentation on employees' individual computer hard drives during the 3-month transition period.

[6]GAO, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2021 and 2020 Financial Statements*, GAO-22-104601 (Washington, D.C.: Feb. 17, 2022).

According to GAO's *Standards for Internal Control in the Federal Government*,[7] agency management is responsible for establishing and maintaining effective internal control to serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Further, GAO's *Framework for Assessing the Acquisition Function for Federal Agencies*,[8] states that when financial data are not useful, relevant, timely, or reliable, the acquisition function is at risk of inefficient or wasteful business practices. Without adequate contract documentation and payment review processes, FDIC cannot reasonably assure that internal controls over contract payments are operating effectively, which increases the risks of improper payments and misstatements in the financial statements.

While these deficiencies do not individually or collectively constitute a material weakness, FDIC's deficiencies related to contract documentation and payment review processes are important enough to merit the attention of those charged with governance of FDIC. Thus, these deficiencies continue to represent a significant deficiency in FDIC's internal control over financial reporting as of December 31, 2022. Management commitment and attention will be essential to continue addressing these deficiencies and improving FDIC's controls over contract documentation and payment review processes.

As in the prior year,[9] we plan to report additional details concerning this significant deficiency separately to FDIC management, along with recommendations for corrective actions.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting section of our report. We are required to be independent of FDIC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

FDIC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing and presenting other information included in FDIC's annual report, and ensuring the consistency of that information with the audited financial statements; (3) designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (4) assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and (5) its assessment about the effectiveness of

[7]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

[8]GAO, *Framework for Assessing the Acquisition Function at Federal Agencies*, GAO-05-218G (Washington, D.C.: September 2005).

[9]GAO, *Management Report: Improvements Needed in FDIC's Internal Control over Contract Documentation and Payment-Review Processes*, GAO-22-105824 (Washington, D.C.: May 19, 2022).

internal control over financial reporting as of December 31, 2022, included in the accompanying Management's Report on Internal Control over Financial Reporting in appendix I.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the DIF's and the FRF's ability to continue as going concerns for a reasonable period of time.

Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements or an audit of internal control over financial reporting conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered FDIC's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify

all deficiencies in internal control over financial reporting that are less severe than a material weakness.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Perform other procedures we consider necessary in the circumstances.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DIF's and the FRF's ability to continue as going concerns for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Information

FDIC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements. Management is responsible for the other information included in FDIC's annual report. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the DIF's and the FRF's financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the financial statements of the DIF and of the FRF, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for 2022 that would be reportable, with respect to the DIF and to the FRF, under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

FDIC management is responsible for complying with applicable laws, regulations, contracts, and grant agreements.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the financial statements of the DIF and of the FRF, and perform certain other limited procedures. Accordingly, we did not test compliance with all applicable laws, regulations, contracts, and grant agreements. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, FDIC stated that it was pleased to receive unmodified opinions for the 31st consecutive year on the DIF's and the FRF's financial statements. In regard to the significant deficiency in internal control over contract documentation and payment review processes, FDIC stated that while it took significant measures during 2022 to resolve the significant deficiency, controls were inconsistently applied. Further, FDIC stated that it would be performing additional risk-based control activities and enhancing monitoring capabilities related to this area. FDIC reiterated its commitment to sound financial management and assurance that this remains a top priority. The complete text of FDIC's response is reprinted in appendix II.

M. Hannah Padilla
Director
Financial Management and Assurance

February 9, 2023

APPENDIX I

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990 Office of the Chairman

Management's Report on Internal Control over Financial Reporting

The Federal Deposit Insurance Corporation's (FDIC's) internal control over financial reporting relevant to the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF) is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

FDIC management is responsible for establishing and maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. FDIC management evaluated the effectiveness of the FDIC's internal control over financial reporting relevant to the DIF and the FRF as of December 31, 2022, based on the criteria established under 31 U.S.C. 3512(c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)). FDIC management performed this evaluation through its corporate risk management program that seeks to comply with the spirit of the following laws, standards, and guidance from the Office of Management and Budget (OMB) among others: FMFIA; Chief Financial Officers Act (CFO Act); Government Performance and Results Act (GPRA); Federal Information Security Modernization Act (FISMA); and OMB Circular A-123. In addition, other standards that the FDIC considers are the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control – Integrated Framework* and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government.*

Based on the above evaluation, management concludes that, as of December 31, 2022, FDIC's internal control over financial reporting relevant to the DIF and the FRF was effective.

Martin J. Gruenberg
Chairman

BRET EDWARDS Digitally signed by BRET EDWARDS

Bret D. Edwards
Deputy to the Chairman
and Chief Financial Officer

February 9, 2023

APPENDIX II

FDIC
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990
Deputy to the Chairman and CFO

February 9, 2023

Ms. M. Hannah Padilla
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Re: FDIC Management Response to the 2022 and 2021 Financial Statements Audit Report

Dear Ms. Padilla:

Thank you for the opportunity to review and comment on the U.S. Government Accountability Office's (GAO's) draft report titled, Financial Audit: Federal Deposit Insurance Corporation Funds' 2022 and 2021 Financial Statements, GAO-23-105570. We are pleased that the Federal Deposit Insurance Corporation (FDIC) has received unmodified opinions for the thirty-first consecutive year on the financial statements of its funds: the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF). GAO also reported that although internal controls can be improved, the FDIC maintained, in all material respects, effective internal control over financial reporting, and that there was no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements that were tested. However, GAO did report that more work was needed to address FDIC's significant deficiency in internal control over contract documentation and contract payment review processes.

While the FDIC has taken significant measures over the 2022 audit year to resolve the issues concerning contract documentation and contract payment review processes, the controls were inconsistently applied and thus did not resolve the significant deficiency. As those measures continue to mature in 2023, FDIC will be performing additional risk-based control activities and enhancing monitoring capabilities including: creating targeted training and procedures for reviewing and approving contractor invoices; implementing oversight to ensure contracting policies and procedures are followed and contract documentation is complete and accurate; and, implementing an independent quality review process. I also want to reiterate our commitment to sound financial management and assure you this remains a top priority.

In complying with audit standards that require management to provide a written assessment about the effectiveness of its internal control over financial reporting, the FDIC has prepared Management's Report on Internal Control over Financial Reporting. The report acknowledges management's responsibility for establishing and maintaining internal control over financial reporting and provides the FDIC's conclusion regarding the effectiveness of its internal control.

We want to thank the GAO staff for their professionalism and dedication during the audit and look forward to continuing our positive and productive relationship during the 2023 audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

BRET EDWARDS Digitally signed by BRET EDWARDS

Bret D. Edwards
Deputy to the Chairman
and Chief Financial Officer

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VI.

RISK MANAGEMENT AND INTERNAL CONTROLS

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Office of the Chairman

Federal Deposit Insurance Corporation
Statement of Assurance

FDIC management is responsible for managing risks and maintaining effective internal controls. During the year, the FDIC conducted its assessment of risk and internal control in the spirit of OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on our assessment and internal management evaluations, we can provide reasonable assurance that the objectives of Section 2 (internal controls) and Section 4 (financial management systems) of the Federal Managers' Financial Integrity Act of 1982 have been achieved, and that the FDIC has no material weaknesses. We are working to address a significant deficiency identified by the U.S. Government Accountability Office in our internal control over the contractor payment review process, and we are committed to maintaining effective internal controls corporate-wide in 2023.

The FDIC also assessed the reliability of the performance data contained in this report in accordance with the Reports Consolidation Act of 2000. We found no material inadequacies and the data are considered to be complete and reliable.

Martin J. Gruenberg
Chairman

February 9, 2023

The FDIC uses several means to identify and address enterprise risks, maintain comprehensive internal controls, ensure the overall effectiveness and efficiency of operations, and otherwise comply as necessary with the following federal laws and standards, among others:

- Chief Financial Officers Act (CFO Act)
- Federal Managers' Financial Integrity Act (FMFIA)
- Federal Financial Management Improvement Act (FFMIA)
- Government Performance and Results Act (GPRA)
- Federal Information Security Modernization Act of 2014 (FISMA)
- OMB Circular A-123
- GAO's *Standards for Internal Control in the Federal Government*

As a foundation for these efforts, the Office of Risk Management and Internal Controls (ORMIC) oversees a corporate-wide program of risk management and internal control activities and works closely with FDIC division and office management. The FDIC has made a concerted effort to identify and assess financial, reputational, and operational risks and incorporate corresponding controls into day-to-day operations. The program also requires that divisions and offices document comprehensive procedures, thoroughly train employees, and hold supervisors accountable for performance and results. Divisions and offices monitor compliance through periodic management reviews and various activity reports distributed to all levels of management. The FDIC also takes seriously FDIC Office of Inspector General and GAO audit recommendations and strives to implement agreed-upon actions promptly. The FDIC has received unmodified opinions on its financial statement audits for 31 consecutive years, and these and other positive results reflect the effectiveness of the overall management control program.

In 2022, the FDIC completed an agency-wide effort to raise risk awareness and continued to mature the Enterprise Risk Management (ERM) program and associated Risk Profile and Risk Inventory. The FDIC also enhanced contract administration and oversight management controls and increased independent testing of contract invoices and compliance with FDIC acquisition policies.

During 2023, ORMIC will continue to strengthen acquisition-related controls, expand internal control testing efforts, enhance the DOF internal control program, enhance the fraud reporting structure, and mature our supply chain risk management program.

PROGRAM EVALUATION

ORMIC periodically evaluates selected program areas responsible for achieving FDIC strategic objectives and performance goals. During 2022, ORMIC evaluated the Division of Risk Management Supervision (RMS) processes for achieving a strategic objective and related performance goal from the FDIC's 2022 Annual Performance Plan. The objective, the goal evaluated, and summary results follow.

Strategic Objective: The FDIC exercises its statutory authority, in cooperation with other primary federal regulators and state agencies, to promote safe-and-sound practices at FDIC-insured depository institutions, including appropriate risk management.

Performance Goal: Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. When problems are identified, ensure IDIs promptly implement appropriate corrective programs and follow up to ensure that identified problems are corrected.

Targets: 1) Conduct all required risk management examinations within the timeframes prescribed by statute and FDIC policy; 2) For at least 90 percent of IDIs that are assigned a composite CAMELS rating of 2 and for which the examination report identifies "Matters Requiring Board Attention" (MRBAs), review progress reports and follow up with the institution within six months of the issuance of the examination report to ensure that all MRBAs are being addressed.

The objective of ORMIC's evaluation was to determine if RMS has processes in place to achieve the performance goal and confirm that there is documentary support confirming that the performance goal was met. ORMIC reviewed the National Examination Scheduling System (NESS) User Manual, RMS' Manual of Examination Policies, the Examination Summary Report, several Delinquency Reports, the RMS Monthly Trend Charts, the MRBA Summary Report, several RMS Director Memos to the Regional Directors on guidance, instructions, recording and tracking MRBA, the Virtual Supervisory Information on the Net System (ViSION) Procedures and Polices Reference Guide, an RMS Director Memo to Regional Directors on key supervisory information in ViSION, and relevant information on FDIC's external website and RMS' internal website. RMS provided ORMIC staff walkthroughs of the NESS and reports from ViSION. Additionally, ORMIC conducted interview sessions with senior officials and staff from RMS' Business Analysis and Decision Support Section. ORMIC is familiar with the RMS operations from on-going risk management and internal control-related collaboration activities.

The evaluation noted that RMS has systems and processes in place to:

- Determine when examinations are due,
- Determine the statutory required due date,
- Track examinations by hours, and by regions,
- Monitor examinations completed and delinquent examinations,

- Send reminders of examinations that are due,
- Provide dashboard reports and status reports to management,
- Perform data quality checks,
- Effectuate consistency in report of examination transmittal,
- Track and monitor IDI responses to MRBAs, and
- Report performance metrics and other pertinent information.

ORMIC validated the processes in place by reviewing manuals, guidance, systems data and reports generated. ORMIC concluded that RMS has effective processes in place to achieve this performance goal and targets; that is, conducting required risk management examinations, reviewing progress reports and following up timely with institutions on MRBA.

FRAUD REDUCTION AND DATA ANALYTICS ACT OF 2015

The Fraud Reduction and Data Analytics Act of 2015 was signed into law on June 30, 2016. The law is intended to improve:

- Federal agency financial and administrative controls and procedures to assess and mitigate fraud risks, and
- Federal agencies' development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments.

The FDIC's enterprise risk management and internal control program considers the potential for fraud and incorporates elements of Principle 8—Assess Fraud Risk—from the GAO's *Standards for Internal Control in the Federal Government*. The FDIC implemented a Fraud Risk Assessment Framework as a basis for identifying potential financial fraud risks and schemes and ensuring that preventive and detective controls are present and working as intended. Examples of transactions more susceptible to fraud include contractor payments, wire transfers, travel card purchases, and cash receipts.

As part of the Framework, management identifies potential fraud areas and implements and evaluates key controls as proactive measures to prevent fraud. Although no system of internal control provides absolute assurance, the FDIC's system of internal control provides reasonable assurance that key controls are adequate and working as intended. Monitoring activities include supervisory approvals, management reporting, and exception reporting.

FDIC management performs due diligence in areas of suspected or alleged fraud. At the conclusion of due diligence, the matter is either closed or referred to the Office of Inspector General for investigation.

During 2022, there was no systemic fraud identified within the FDIC.

MANAGEMENT REPORT ON FINAL ACTIONS

As required under the provisions of Section 5 of the Inspector General Act of 1978, as amended, the FDIC must report information on final action taken by management on certain audit reports. The tables on the following pages provide information on final actions taken by management on audit reports for the federal fiscal year period October 1, 2021, through September 30, 2022.

Table 1:
Management Report on Final Action on Audits with Disallowed Costs for Fiscal Year 2022

(There were no audit reports in this category.)

Table 2:
Management Report on Final Action on Audits with Recommendations to Put Funds to Better Use for Fiscal Year 2022

(There were no audit reports in this category.)

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2022

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-20-001 10/28/2019	OIG recommends that the Deputy to the Chairman and Chief Operating Officer provide enhanced contract portfolio reports to FDIC executives, senior management, and the Board Directors.	DOA's Acquisition Services Branch (ASB) has developed a "Get to Green" Plan to clarify and focus its efforts to address certain unresolved audit recommendations that have presented a particular challenge to the division. In addition, ASB is developing a Strategic Framework that encompasses goals and objectives for providing acquisition lifecycle services and solutions in support of FDIC's mission, one aspect of which is optimizing data and reporting to drive business decisions. This recommendation is included in the scope of both the Plan and Framework. Moving forward, ASB plans to (1) identify the specific contract portfolio reporting enhancements that would be useful to FDIC executives, senior management, and the Board Directors; (2) determine the extent to which such reporting is producible using existing data and technology; (3) evaluate, from a cost-benefit standpoint, whether to develop, collect, or procure additional data or technology necessary to support enhanced reporting; and (4) provide enhanced contract portfolio reports to FDIC executives, senior management, and the Board Directors. Due Date: 6/30/23	$0

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2022 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-20-003 2/4/2020	OIG recommends that the FDIC establish, document, and implement policy and procedures for conducting retrospective cost benefit analyses on existing rules, including a regulatory risk assessment, as well as roles and responsibilities for the business line Divisions, Chief Economist, and Division of Insurance and Research/ Regulatory Analysis Section (DIR/RAS).	Status: Subsequently closed.	$0
AUD-21-003 3/29/2021	OIG recommends that the Deputy to the Chairman and Chief of Staff and COO ensure that Oversight Managers assigned to other FDIC contracts have verified the completion of Information Security and Privacy Awareness Training and Insider Threat and Counterintelligence Awareness Training for contractor and subcontractor personnel without network access.	DOA ASB has completed agreed-upon corrective actions and is working with the OIG to close this recommendation. Status: 2/15/2023	$0

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2022 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-21-002 3/31/2021	OIG recommends that the Deputy to the Chairman and Chief Operating Officer incorporate the provisions of OMB Policy Letter 11-01 guidance into the FDIC Acquisition Policy Manual (August 2008) and Acquisition Procedures, Guidance and Information document (January 2020).	ORMIC met with DOA ASB to discuss their findings to resolve these recommendations. Meetings have been held to outline next steps. Due Date: 4/15/2023	$0
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer identify Critical Functions during the procurement planning, award, and contract management phases of the acquisition process.	DOA ASB, working with ORMIC, Legal and OIG, developed a template for determining essential contract needs. DOA ASB is working to incorporate the template into its acquisition policy. Due Date: 3/31/2023	
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer conduct a procurement risk assessment for Critical Functions during the procurement planning process, for each contract involving Critical Functions. As part of the procurement risk assessment, OIG recommends inclusion of a cost effectiveness analysis.	DOA ASB, working with ORMIC, Legal and OIG, developed a template for determining essential contract needs. DOA ASB is working to incorporate the template into its acquisition policy. Due Date: 3/31/2023	

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2022 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-21-002 3/31/2021 (continued)	OIG recommends that the Deputy to the Chairman and Chief Operating Officer develop and implement a management oversight strategy for Critical Functions during the procurement planning process, for each contract involving Critical Functions.	DOA ASB, working with ORMIC, Legal and OIG, developed a template for determining essential contract needs. DOA ASB is working to incorporate the template into its acquisition policy. Due Date: 2/15/2023	$0
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer determine the contract structure during the solicitation and award process for the procurement of a Critical Function.	DOA ASB, working with ORMIC, Legal and OIG, developed a template for determining essential contract needs. DOA ASB is working to incorporate the template into its acquisition policy. Due Date: 3/31/2023	
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer revise the management oversight strategy for the procured Critical Functions performed under the Basic Ordering Agreements (BOAs) for Managed Security Services Provider (MSSP) and Security and Privacy Professional Services (SPPS) to ensure that the strategy aligns with best practices.	Following the FDIC's study discussed in response to recommendation 1, the CIOO will assess whether any additional enhancements to the management oversight strategy for the MSSP and SPPS BOAs and task orders are needed beyond those already incorporated. Due Date: 6/30/2023	

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2022 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-21-002 3/31/2021 (continued)	OIG recommends that the Deputy to the Chairman and Chief Operating Officer identify missing or insufficient controls in the BOAs and task orders for Managed Security Services Provider and Security and Privacy Professional Services, and implement appropriate corrective actions or compensating controls.	Following the study discussed in response to Recommendation 1, the CIOO will assess whether any additional enhancements are needed for the MSSP and SPPS BOAs and task orders beyond those already incorporated. Due Date: 6/30/2023	
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer implement periodic reviews for procured Critical Functions, including for the BOAs and task orders for Managed Security Services Provider and Security and Privacy Professional Services.	The FDIC will complete an annual performance review of MSSP and SPPS contractors. In addition, following the FDIC's study and actions in response to Recommendation 1 of the OIG report, the CIOO will assess the need for additional periodic reviews of such contracts and whether additional enhancements are required beyond the controls already incorporated. Due Date: 6/30/2023	
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer determine when and how to assess for contractor overreliance as part of the management oversight strategy.	ORMIC met with DOA ASB to discuss their efforts to resolve these recommendations. Additional meetings have been held to outline next steps. Due Date: 10/15/2023	

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2022 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-21-002 3/31/2021 (continued)	OIG recommends that the Deputy to the Chairman and Chief Operating Officer implement corrective actions when the FDIC determines it is over-reliant on a contractor for a procured Critical Function.	ORMIC met with DOA ASB to discuss their efforts to resolve these recommendations. Additional meetings have been held to outline next steps. Due Date: 10/15/2023	
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer report to the Board about the Procurement Risk Assessments, Management Oversight Strategies, and contract provisions that address identified risks for planned Critical Functions during the procurement planning phase of the acquisition, for its consideration.	ORMIC met with DOA ASB to discuss their efforts to resolve these recommendations. Additional meetings have been held to outline next steps. Due Date: 10/15/2023	
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer report to the Board about the Contract Award Profile Reports and corresponding status reports for procured Critical Functions during the contract management phase of the acquisition process on an individual and aggregate contract basis, for its consideration.	ORMIC met with DOA ASB to discuss their efforts to resolve these recommendations. Additional meetings have been held to outline next steps. Due Date: 10/15/2023	

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2022 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
AUD-21-004 8/3/2021	OIG recommends that the CIOO should update mobile device policies and relevant guidance that aligns with applicable federal regulatory requirements including NIST controls and will consider implementing recommended practices issued by authorities such as the GAO based on the FDIC's operating environment, current business practices, and the results of the risk assessment the CIOO will conduct in response to Recommendation 1 of the OIG's report. OIG recommends that the CIOO should establish a process to ensure Divisions and Offices provide approvals from managers to support the continued business need for zero usage devices and take actions accordingly.	CIOO updated the relevant directives below and submitted to Records and Information Management Unit (RIMU) for clearance: 3100.2 - Guidelines for the Use of Voice Telecommunications Services; 3100.4 - Wireless Telephone and Pager Assignments, Usage, Safeguards and Asset Management; and 1300.4 - Acceptable Use Policy for FDIC Information Technology. Status: Under ORMIC review The CIOO has established a process (i.e., the Wireless Audit Review Program) to report the details of zero use mobile and MiFi devices to the Divisions and Offices. The wireless device authorizing official from each Division or Office is then required to review the data and provide a decision within 30 days on whether or not to keep the service for device holders under their purview. The CIOO then terminates any services based on the audit results that have not been approved to remain in service. Status: Under ORMIC review	$0

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2022 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
AEC-21-002 9/1/2021	OIG recommends that the Deputy to the Chairman, Chief Operating Officer, and Chief of Staff develop and implement a process to collect and analyze the relevant data regarding employee retention across the FDIC and provide the data and analyses to Divisions and Offices.	DOA's Human Resources Branch (HRB) is collaborating with OMWI to review available source data for further analysis and reporting to Divisions and Offices. This effort will be thoughtful of privacy considerations and include the development and reporting of additional corporate retention metrics. Due Date: 3/31/2023	$0

VII.

APPENDICES

A. KEY STATISTICS

FDIC Actions on Financial Institutions Applications	2022	2021	2020
Deposit Insurance	**17**	**15**	**18**
Approved[1]	17	15	18
Denied	0	0	0
New Branches	**481**	**493**	**430**
Approved	481	493	430
Denied	0	0	0
Mergers	**133**	**187**	**159**
Approved	133	187	159
Denied	0	0	0
Requests for Consent to Serve[2]	**52**	**47**	**79**
Approved	50	47	78
Section 19	6	5	11
Section 32	44	42	67
Denied	2	0	1
Section 19	0	0	0
Section 32	2	0	1
Notices of Change in Control	**23**	**34**	**17**
Letters of Intent Not to Disapprove	22	34	17
Disapproved	1	0	0
Brokered Deposit Waivers	**1**	**1**	**4**
Approved	0	1	4
Denied	1	0	0
Savings Association Activities[3]	**0**	**0**	**0**
Approved	0	0	0
Denied	0	0	0
State Bank Activities/Investments[4]	**25**	**25**	**31**
Approved	25	25	31
Denied	0	0	0
Conversion of Mutual Institutions	**4**	**4**	**2**
Non-Objection	4	4	2
Objection	0	0	0

[1] Includes deposit insurance applications filed on behalf of (1) newly organized institutions, (2) existing uninsured financial services companies seeking establishment as an insured institution, and (3) interim institutions established to facilitate merger or conversion transactions, and applications to facilitate the establishment of thrift holding companies.

[2] Under Section 19 of the Federal Deposit Insurance (FDI) Act, an insured institution must receive FDIC approval before employing a person convicted of dishonesty or breach of trust. Under Section 32, the FDIC must approve any change of directors or senior executive officers at a state nonmember bank that is not in compliance with capital requirements or is otherwise in troubled condition.

[3] Section 28 of the FDI Act, in general, prohibits a federally-insured state savings association from engaging in an activity not permissible for a federal savings association and requires notices or applications to be filed with the FDIC.

[4] Section 24 of the FDI Act, in general, prohibits a federally-insured state bank from engaging in an activity not permissible for a national bank and requires notices or applications to be filed with the FDIC.

Combined Risk and Consumer Enforcement Actions	2022	2021	2020
Total Number of Actions Initiated by the FDIC	**118**	**99**	**169**
Termination of Insurance	**16**	**7**	**10**
Involuntary Termination	**0**	**0**	**0**
Sec. 8a for Violations, Unsafe/Unsound Practices or Conditions	0	0	0
Voluntary Termination	**16**	**7**	**10**
Sec. 8a by Order Upon Request	0	0	0
Sec. 8p No Deposits	14	6	8
Sec. 8q Deposits Assumed	2	1	2
Sec. 8b Consent and Cease-and-Desist Actions	**19**	**10**	**23**
Notices of Charges Issued	0	1	1
Orders to Pay Restitution	0	0	0
Consent and Cease and Desist Orders	17	8	20
Personal Cease and Desist Orders	2	1	2
Sec. 8e Removal/Prohibition of Director or Officer	**28**	**25**	**37**
Notices of Intention to Remove/Prohibit	3	4	4
Consent Orders	25	21	33
Sec. 8g Suspension/Removal When Charged With Crime	**0**	**0**	**0**
Civil Money Penalty Actions	**27**	**30**	**21**
Sec. 7a Call Report Penalty Orders	0	0	0
Sec. 8i Flood Act Civil Money Penalty Orders	24	26	16
Sec. 8i Civil Money Penalty Notices of Assessment	3	4	5
Sec. 10c Orders of Investigation	**8**	**2**	**4**
Sec. 19 Waiver Orders	**20**	**24**	**74**
Approved Section 19 Waiver Orders	20	24	74
Denied Section 19 Waiver Orders	0	0	0
Sec. 32 Notices Disapproving Officer/Director's Request for Review	0	**0**	**0**
Truth-in-Lending Act Reimbursement Actions	**41**	**44**	**41**
Denials of Requests for Relief	0	0	0
Grants of Relief	0	0	0
Banks Making Reimbursement[1]	41	44	41
Suspicious Activity Reports (Open and closed institutions)[1]	**421,118**	**360,121**	**299,887**
Other Actions Not Listed[2]	**0**	**1**	**0**

[1] These actions do not constitute the initiation of a formal enforcement action and, therefore, are not included in the total number of actions initiated.

[2] The Other Actions Not Listed were, in 2022: 0; in 2021: 1 Supervisory Prompt Corrective Action Directive; in 2020: 0.

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through September 30, 2022[1]
Dollars in Millions (except Insurance Coverage)

	Deposits in Insured Institutions[2]					Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits	Percentage of Domestic Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
2022	$250,000	$17,941,143	$9,926,325	55.3	$125,457.0	0.70	1.26
2021	250,000	18,237,196	9,746,183	53.4	123,141.0	0.68	1.26
2020	250,000	16,339,026	9,129,574	55.9	117,896.8	0.72	1.29
2019	250,000	13,262,843	7,828,163	59.0	110,346.9	0.83	1.41
2018	250,000	12,659,406	7,525,204	59.4	102,608.9	0.81	1.36
2017	250,000	12,129,503	7,154,379	59.0	92,747.5	0.76	1.30
2016	250,000	11,693,371	6,915,663	59.1	83,161.5	0.71	1.20
2015	250,000	10,952,922	6,518,675	59.5	72,600.2	0.66	1.11
2014	250,000	10,410,687	6,195,554	59.5	62,780.2	0.60	1.01
2013	250,000	9,825,479	5,998,238	61.0	47,190.8	0.48	0.79
2012	250,000	9,474,720	7,402,053	78.1	32,957.8	0.35	0.45
2011	250,000	8,782,291	6,973,483	79.4	11,826.5	0.13	0.17
2010	250,000	7,887,858	6,301,542	79.9	(7,352.2)	(0.09)	(0.12)
2009	250,000	7,705,354	5,407,773	70.2	(20,861.8)	(0.27)	(0.39)
2008	100,000	7,505,408	4,750,783	63.3	17,276.3	0.23	0.36
2007	100,000	6,921,678	4,292,211	62.0	52,413.0	0.76	1.22
2006	100,000	6,640,097	4,153,808	62.6	50,165.3	0.76	1.21
2005	100,000	6,229,753	3,890,930	62.5	48,596.6	0.78	1.25
2004	100,000	5,724,621	3,622,059	63.3	47,506.8	0.83	1.31
2003	100,000	5,223,922	3,452,497	66.1	46,022.3	0.88	1.33
2002	100,000	4,916,078	3,383,598	68.8	43,797.0	0.89	1.29
2001	100,000	4,564,064	3,215,581	70.5	41,373.8	0.91	1.29
2000	100,000	4,211,895	3,055,108	72.5	41,733.8	0.99	1.37
1999	100,000	3,885,826	2,869,208	73.8	39,694.9	1.02	1.38
1998	100,000	3,817,150	2,850,452	74.7	39,452.1	1.03	1.38
1997	100,000	3,602,189	2,746,477	76.2	37,660.8	1.05	1.37
1996	100,000	3,454,556	2,690,439	77.9	35,742.8	1.03	1.33
1995	100,000	3,318,595	2,663,873	80.3	28,811.5	0.87	1.08
1994	100,000	3,184,410	2,588,619	81.3	23,784.5	0.75	0.92
1993	100,000	3,220,302	2,602,781	80.8	14,277.3	0.44	0.55
1992	100,000	3,275,530	2,677,709	81.7	178.4	0.01	0.01
1991	100,000	3,331,312	2,733,387	82.1	(6,934.0)	(0.21)	(0.25)
1990	100,000	3,415,464	2,784,838	81.5	4,062.7	0.12	0.15
1989	100,000	3,412,503	2,755,471	80.7	13,209.5	0.39	0.48

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through September 30, 2022[1] (continued)
Dollars in Millions (except Insurance Coverage)

	Deposits in Insured Institutions[2]					Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits	Percentage of Domestic Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1988	100,000	2,337,080	1,756,771	75.2	14,061.1	0.60	0.80
1987	100,000	2,198,648	1,657,291	75.4	18,301.8	0.83	1.10
1986	100,000	2,162,687	1,636,915	75.7	18,253.3	0.84	1.12
1985	100,000	1,975,030	1,510,496	76.5	17,956.9	0.91	1.19
1984	100,000	1,805,334	1,393,421	77.2	16,529.4	0.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
1978	40,000	1,145,835	760,706	66.4	8,796.0	0.77	1.16
1977	40,000	1,050,435	692,533	65.9	7,992.8	0.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	0.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	0.77	1.18
1974	40,000	833,277	520,309	62.4	6,124.2	0.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	0.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	0.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	0.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	0.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	0.82	1.29
1968	15,000	491,513	296,701	60.4	3,749.2	0.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	0.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	0.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	0.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	0.82	1.48
1963	10,000	313,304	177,381	56.6	2,667.9	0.85	1.50
1962	10,000	297,548	170,210	57.2	2,502.0	0.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	0.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	0.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	0.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	0.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	0.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	0.79	1.44

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through September 30, 2022[1] (continued)
Dollars in Millions (except Insurance Coverage)

	Deposits in Insured Institutions[2]					Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits	Percentage of Domestic Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1955	10,000	212,226	116,380	54.8	1,639.6	0.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	0.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.6	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	0.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	0.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	0.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	0.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	0.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	0.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	0.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	0.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	0.68	1.52
1934	5,000	40,060	18,075	45.1	291.7	0.73	1.61

[1] For 2022, figures are as of September 30; all other prior years are as of December 31. Prior to 1989, figures are for the Bank Insurance Fund (BIF) only and exclude insured branches of foreign banks. For 1989 to 2005, figures represent the sum of the BIF and Savings Association Insurance Fund (SAIF) amounts; for 2006 to 2022, figures are for DIF. Amounts for 1989-2022 include insured branches of foreign banks. Prior to year-end 1991, insured deposits were estimated using percentages determined from June Call and Thrift Financial Reports.

[2] The year-end 2008 coverage limit and estimated insured deposits do not reflect the temporary increase to $250,000 then in effect under the Emergency Economic Stabilization Act of 2008. The Dodd-Frank Wall Street Reform and Consumer Protection (Dodd-Frank) Act made this coverage limit permanent. The year-end 2009 coverage limit and estimated insured deposits reflect the $250,000 coverage limit. The Dodd-Frank Act also temporarily provided unlimited coverage for non-interest bearing transaction accounts for two years beginning December 31, 2010. Coverage for certain retirement accounts increased to $250,000 in 2006. Initial coverage limit was $2,500 from January 1 to June 30, 1934.

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2022
Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other	Effective Assessment Rate[1]	Total	Provision for Ins. Losses	Admin. and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
TOTAL	$287,115.8	$213,309.3	$12,157.2	$85,963.7		$156,225.2	$106,059.2	$40,681.4	$9,484.7	$139.5	$131,030.1
2022	9,606.7	8,310.8	0.0	$1,295.9	0.0397%	1,803.5	(82.9)	1,882.9	3.5	0.0	7,803.2
2021	8,153.4	7,080.2	0.0	1,073.2	0.0356%	1,705.3	(143.7)	1,842.7	6.3	0.0	6,448.1
2020	8,796.5	7,153.9	60.7	$1,703.3	0.0395%	1,691.9	(157.3)	1,846.5	2.7	0.0	7,104.6
2019	7,095.3	5,642.7	703.6	2,156.2	0.0312%	513.2	(1,285.5)	1,795.6	3.1	0.0	6,582.1
2018	11,170.8	9,526.7	0.0	1,644.1	0.0626%	1,205.2	(562.6)	1,764.7	3.1	0.0	9,965.6
2017	11,663.7	10,594.8	0.0	1,068.9	0.0716%	1,558.2	(183.1)	1,739.4	2.0	0.0	10,105.5
2016	10,674.1	9,986.6	0.0	687.5	0.0699%	150.6	(1,567.9)	1,715.0	3.5	0.0	10,523.5
2015	9,303.5	8,846.8	0.0	456.7	0.0647%	(553.2)	(2,251.3)	1,687.2	10.9	0.0	9,856.7
2014	8,965.1	8,656.1	0.0	309.0	0.0663%	(6,634.7)	(8,305.5)	1,664.3	6.5	0.0	15,599.8
2013	10,458.9	9,734.2	0.0	724.7	0.0775%	(4,045.9)	(5,659.4)	1,608.7	4.8	0.0	14,504.8
2012	18,522.3	12,397.2	0.2	6,125.3	0.1012%	(2,599.0)	(4,222.6)	1,777.5	(153.9)	0.0	21,121.3
2011	16,342.0	13,499.5	0.9	2,843.4	0.1115%	(2,915.4)	(4,413.6)	1,625.4	(127.2)	0.0	19,257.4
2010	13,379.9	13,611.2	0.8	(230.5)	0.1772%	75.0	(847.8)	1,592.6	(669.8)	0.0	13,304.9
2009	24,706.4	17,865.4	148.0	6,989.0	0.2330%	60,709.0	57,711.8	1,271.1	1,726.1	0.0	(36,002.6)
2008	7,306.3	4,410.4	1,445.9	4,341.8	0.0418%	44,339.5	41,838.8	1,033.5	1,467.2	0.0	(37,033.2)
2007	3,196.2	3,730.9	3,088.0	2,553.3	0.0093%	1,090.9	95.0	992.6	3.3	0.0	2,105.3
2006	2,643.5	31.9	0.0	2,611.6	0.0005%	904.3	(52.1)	950.6	5.8	0.0	1,739.2
2005	2,420.5	60.9	0.0	2,359.6	0.0010%	809.3	(160.2)	965.7	3.8	0.0	1,611.2
2004	2,240.3	104.2	0.0	2,136.1	0.0019%	607.6	(353.4)	941.3	19.7	0.0	1,632.7
2003	2,173.6	94.8	0.0	2,078.8	0.0019%	(67.7)	(1,010.5)	935.5	7.3	0.0	2,241.3
2002	2,384.7	107.8	0.0	2,276.9	0.0023%	719.6	(243.0)	945.1	17.5	0.0	1,665.1
2001	2,730.1	83.2	0.0	2,646.9	0.0019%	3,123.4	2,199.3	887.9	36.2	0.0	(393.3)
2000	2,570.1	64.3	0.0	2,505.8	0.0016%	945.2	28.0	883.9	33.3	0.0	1,624.9
1999	2,416.7	48.4	0.0	2,368.3	0.0013%	2,047.0	1,199.7	823.4	23.9	0.0	369.7
1998	2,584.6	37.0	0.0	2,547.6	0.0010%	817.5	(5.7)	782.6	40.6	0.0	1,767.1
1997	2,165.5	38.6	0.0	2,126.9	0.0011%	247.3	(505.7)	677.2	75.8	0.0	1,918.2
1996	7,156.8	5,294.2	0.0	1,862.6	0.1622%	353.6	(417.2)	568.3	202.5	0.0	6,803.2
1995	5,229.2	3,877.0	0.0	1,352.2	0.1238%	202.2	(354.2)	510.6	45.8	0.0	5,027.0
1994	7,682.1	6,722.7	0.0	959.4	0.2192%	(1,825.1)	(2,459.4)	443.2	191.1	0.0	9,507.2
1993	7,354.5	6,682.0	0.0	672.5	0.2157%	(6,744.4)	(7,660.4)	418.5	497.5	0.0	14,098.9
1992	6,479.3	5,758.6	0.0	720.7	0.1815%	(596.8)	(2,274.7)	614.8[3]	1,063.1	35.4	7,111.5
1991	5,886.5	5,254.0	0.0	632.5	0.1613%	16,925.3	15,496.2	326.1	1,103.0	42.4	(10,996.4)
1990	3,855.3	2,872.3	0.0	983.0	0.0868%	13,059.3	12,133.1	275.6	650.6	56.1	(9,147.9)
1989	3,494.8	1,885.0	0.0	1,609.8	0.0816%	4,352.2	3,811.3	219.9	321.0	5.6	(851.8)

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2022 (continued)

Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other	Effective Assessment Rate[1]	Total	Provision for Ins. Losses	Admin. and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0825%	7,588.4	6,298.3	223.9	1,066.2	0.0	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833%	3,270.9	2,996.9	204.9	69.1	0.0	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0787%	2,963.7	2,827.7	180.3	(44.3)	0.0	296.4
1985	3,385.5	1,433.5	0.0	1,952.0	0.0815%	1,957.9	1,569.0	179.2	209.7	0.0	1,427.6
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800%	1,999.2	1,633.4	151.2	214.6	0.0	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714%	969.9	675.1	135.7	159.1	0.0	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769%	999.8	126.4	129.9	743.5	0.0	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714%	848.1	320.4	127.2	400.5	0.0	1,226.6
1980	1,310.4	951.9	521.1	879.6	0.0370%	83.6	(38.1)	118.2	3.5	0.0	1,226.8
1979	1,090.4	881.0	524.6	734.0	0.0333%	93.7	(17.2)	106.8	4.1	0.0	996.7
1978	952.1	810.1	443.1	585.1	0.0385%	148.9	36.5	103.3	9.1	0.0	803.2
1977	837.8	731.3	411.9	518.4	0.0370%	113.6	20.8	89.3	3.5	0.0	724.2
1976	764.9	676.1	379.6	468.4	0.0370%	212.3	28.0	180.4[4]	3.9	0.0	552.6
1975	689.3	641.3	362.4	410.4	0.0357%	97.5	27.6	67.7	2.2	0.0	591.8
1974	668.1	587.4	285.4	366.1	0.0435%	159.2	97.9	59.2	2.1	0.0	508.9
1973	561.0	529.4	283.4	315.0	0.0385%	108.2	52.5	54.4	1.3	0.0	452.8
1972	467.0	468.8	280.3	278.5	0.0333%	65.7	10.1	49.6	6.0[5]	0.0	401.3
1971	415.3	417.2	241.4	239.5	0.0345%	60.3	13.4	46.9	0.0	0.0	355.0
1970	382.7	369.3	210.0	223.4	0.0357%	46.0	3.8	42.2	0.0	0.0	336.7
1969	335.8	364.2	220.2	191.8	0.0333%	34.5	1.0	33.5	0.0	0.0	301.3
1968	295.0	334.5	202.1	162.6	0.0333%	29.1	0.1	29.0	0.0	0.0	265.9
1967	263.0	303.1	182.4	142.3	0.0333%	27.3	2.9	24.4	0.0	0.0	235.7
1966	241.0	284.3	172.6	129.3	0.0323%	19.9	0.1	19.8	0.0	0.0	221.1
1965	214.6	260.5	158.3	112.4	0.0323%	22.9	5.2	17.7	0.0	0.0	191.7
1964	197.1	238.2	145.2	104.1	0.0323%	18.4	2.9	15.5	0.0	0.0	178.7
1963	181.9	220.6	136.4	97.7	0.0313%	15.1	0.7	14.4	0.0	0.0	166.8
1962	161.1	203.4	126.9	84.6	0.0313%	13.8	0.1	13.7	0.0	0.0	147.3
1961	147.3	188.9	115.5	73.9	0.0323%	14.8	1.6	13.2	0.0	0.0	132.5
1960	144.6	180.4	100.8	65.0	0.0370%	12.5	0.1	12.4	0.0	0.0	132.1
1959	136.5	178.2	99.6	57.9	0.0370%	12.1	0.2	11.9	0.0	0.0	124.4
1958	126.8	166.8	93.0	53.0	0.0370%	11.6	0.0	11.6	0.0	0.0	115.2
1957	117.3	159.3	90.2	48.2	0.0357%	9.7	0.1	9.6	0.0	0.0	107.6
1956	111.9	155.5	87.3	43.7	0.0370%	9.4	0.3	9.1	0.0	0.0	102.5
1955	105.8	151.5	85.4	39.7	0.0370%	9.0	0.3	8.7	0.0	0.0	96.8
1954	99.7	144.2	81.8	37.3	0.0357%	7.8	0.1	7.7	0.0	0.0	91.9

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2022 (continued)

Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other	Effective Assessment Rate[1]	Total	Provision for Ins. Losses	Admin. and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
1953	94.2	138.7	78.5	34.0	0.0357%	7.3	0.1	7.2	0.0	0.0	86.9
1952	88.6	131.0	73.7	31.3	0.0370%	7.8	0.8	7.0	0.0	0.0	80.8
1951	83.5	124.3	70.0	29.2	0.0370%	6.6	0.0	6.6	0.0	0.0	76.9
1950	84.8	122.9	68.7	30.6	0.0370%	7.8	1.4	6.4	0.0	0.0	77.0
1949	151.1	122.7	0.0	28.4	0.0833%	6.4	0.3	6.1	0.0	0.0	144.7
1948	145.6	119.3	0.0	26.3	0.0833%	7.0	0.7	6.3[6]	0.0	0.0	138.6
1947	157.5	114.4	0.0	43.1	0.0833%	9.9	0.1	9.8	0.0	0.0	147.6
1946	130.7	107.0	0.0	23.7	0.0833%	10.0	0.1	9.9	0.0	0.0	120.7
1945	121.0	93.7	0.0	27.3	0.0833%	9.4	0.1	9.3	0.0	0.0	111.6
1944	99.3	80.9	0.0	18.4	0.0833%	9.3	0.1	9.2	0.0	0.0	90.0
1943	86.6	70.0	0.0	16.6	0.0833%	9.8	0.2	9.6	0.0	0.0	76.8
1942	69.1	56.5	0.0	12.6	0.0833%	10.1	0.5	9.6	0.0	0.0	59.0
1941	62.0	51.4	0.0	10.6	0.0833%	10.1	0.6	9.5	0.0	0.0	51.9
1940	55.9	46.2	0.0	9.7	0.0833%	12.9	3.5	9.4	0.0	0.0	43.0
1939	51.2	40.7	0.0	10.5	0.0833%	16.4	7.2	9.2	0.0	0.0	34.8
1938	47.7	38.3	0.0	9.4	0.0833%	11.3	2.5	8.8	0.0	0.0	36.4
1937	48.2	38.8	0.0	9.4	0.0833%	12.2	3.7	8.5	0.0	0.0	36.0
1936	43.8	35.6	0.0	8.2	0.0833%	10.9	2.6	8.3	0.0	0.0	32.9
1935	20.8	11.5	0.0	9.3	0.0833%	11.3	2.8	8.5	0.0	0.0	9.5
1933-34	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8	0.0	0.0	(3.0)

[1] The effective assessment rate is calculated from annual assessment income (net of assessment credits), excluding transfers to the Financing Corporation (FICO), Resolution Funding Corporation (REFCORP) and FSLIC Resolution Fund, divided by the average assessment base. Figures represent only BIF-insured institutions prior to 1990, and BIF- and SAIF-insured institutions from 1990 through 2005. After 1995, all thrift closings became the responsibility of the FDIC and amounts are reflected in the SAIF. Beginning in 2006, figures are for the DIF.

The annualized assessment rate for 2022 is based on full year assessment income divided by a four quarter average of 2022 quarterly assessment base amounts. The assessment base for fourth quarter 2022 was estimated using the third quarter 2022 assessment base and an assumed quarterly growth rate of one percent.

Historical Assessment Rates:

1934 – 1949	The statutory assessment rate was 0.0833 percent.
1950 – 1984	The effective assessment rates varied from the statutory rate of 0.0833 percent due to assessment credits provided in those years.
1985 – 1989	The statutory assessment rate was 0.0833 percent (no credits were given).
1990	The statutory rate increased to 0.12 percent.
1991 – 1992	The statutory rate increased to a minimum of 0.15 percent. The effective rates in 1991 and 1992 varied because the FDIC exercised new authority to increase assessments above the statutory minimum rate when needed.

1993 – 2006 Beginning in 1993, the effective rate was based on a risk-related premium system under which institutions paid assessments in the range of 0.23 percent to 0.31 percent. In May 1995, the BIF reached the mandatory recapitalization level of 1.25 percent. As a result, BIF assessment rates were reduced to a range of 0.04 percent to 0.31 percent of assessable deposits, effective June 1995, and assessments totaling $1.5 billion were refunded in September 1995. Assessment rates for the BIF were lowered again to a range of 0 to 0.27 percent of assessable deposits, effective the start of 1996. In 1996, the SAIF collected a one-time special assessment of $4.5 billion. Subsequently, assessment rates for the SAIF were lowered to the same range as the BIF, effective October 1996. This range of rates remained unchanged for both funds through 2006.

2007 – 2008 As part of the implementation of the Federal Deposit Insurance Reform Act of 2005, assessment rates were increased to a range of 0.05 percent to 0.43 percent of assessable deposits effective at the start of 2007, but many institutions received a one-time assessment credit ($4.7 billion in total) to offset the new assessments.

2009 – 2011 For the first quarter of 2009, assessment rates were increased to a range of 0.12 percent to 0.50 percent of assessable deposits. On June 30, 2009, a special assessment was imposed on all insured banks and thrifts, which amounted in aggregate to approximately $5.4 billion. For 8,106 institutions, with $9.3 trillion in assets, the special assessment was 5 basis points of each insured institution's assets minus tier one capital; 89 other institutions, with assets of $4.0 trillion, had their special assessment capped at 10 basis points of their second quarter assessment base. From the second quarter of 2009 through the first quarter of 2011, initial assessment rates ranged between 0.12 percent and 0.45 percent of assessable deposits. Initial rates were subject to further adjustments.

2011 – 2016 Beginning in the second quarter of 2011, the assessment base changed to average total consolidated assets less average tangible equity (with certain adjustments for banker's banks and custodial banks), as required by the Dodd-Frank Act. The FDIC implemented a new assessment rate schedule at the same time to conform to the larger assessment base. Initial assessment rates were lowered to a range of 0.05 percent to 0.35 percent of the new base. The annualized assessment rates averaged approximately 17.6 cents per $100 of assessable deposits for the first quarter of 2011 and 11.1 cents per $100 of the new base for the last three quarters of 2011 (which is shown in the table).

2016 Beginning July 1, 2016, initial assessment rates were lowered from a range of 5 basis points to 35 basis points to a range of 3 basis points to 30 basis points, and an additional surcharge was imposed on large banks (generally institutions with $10 billion or more in assets) of 4.5 basis points of their assessment base (after making adjustments).

2018 The 4.5 basis point surcharge imposed on large banks ended effective October 1, 2018. The annualized assessment rates averaged approximately 7.2 cents per $100 of the assessable base for the first three quarters of 2018 and 3.5 cents per $100 of the assessment base for the last quarter of 2018. The full year annualized assessment rate averaged 6.3 cents per $100 (which is shown in the table).

2019 Assessment income for 2019 was reduced by small bank credits of $703.6 million.

2020 Assessment income for 2020 was reduced by small bank credits of $60.7 million.

[2] These expenses, which are presented as operating expenses in the Statement of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and do not include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Resolutions, net" line on the Balance Sheet. The narrative and graph presented on page 117 of this report shows the aggregate (corporate and receivership) expenditures of the FDIC.
[3] Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits (1992).
[4] Includes a $106 million net loss on government securities (1976).
[5] This amount represents interest and other insurance expenses from 1933 to 1972.
[6] Includes the aggregate amount of $81 million of interest paid on capital stock between 1933 and 1948.

Assets and Deposits of Failed or Assisted Insured Institutions and Losses to the Deposit Insurance Fund, 1934 - 2022

Dollars in Thousands

Bank and Thrift Failures[1]				
Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Losses to the Fund[4]
	2,631	**$947,307,165**	**$713,862,572**	**$104,582,869**
2022	0	0	0	0
2021	0	0	0	0
2020	4	454,986	437,138	93,370
2019	4	208,767	$190,547	26,234
2018	0	0	0	0
2017	8	5,081,737	4,683,360	1,082,256
2016	5	277,182	268,516	42,474
2015	8	6,706,038	4,870,464	858,079
2014	18	2,913,503	2,691,485	378,385
2013	24	6,044,051	5,132,246	1,204,125
2012	51	11,617,348	11,009,630	2,381,860
2011	92	34,922,997	31,071,862	6,394,904
2010[5]	157	92,084,988	78,290,185	15,789,632
2009[5]	140	169,709,160	137,835,208	25,912,803
2008[5]	25	371,945,480	234,321,715	17,790,944
2007	3	2,614,928	2,424,187	157,440
2006	0	0	0	0
2005	0	0	0	0
2004	4	170,099	156,733	3,917
2003	3	947,317	901,978	62,647
2002	11	2,872,720	2,512,834	413,989
2001	4	1,821,760	1,661,214	292,465
2000	7	410,160	342,584	32,138
1999	8	1,592,189	1,320,573	586,027
1998	3	290,238	260,675	221,606
1997	1	27,923	27,511	5,026
1996	6	232,634	230,390	60,615
1995	6	802,124	776,387	84,472
1994	13	1,463,874	1,397,018	179,051
1993	41	3,828,939	3,509,341	632,646
1992	120	45,357,237	39,921,310	3,674,149
1991	124	64,556,512	52,972,034	6,001,595
1990	168	16,923,462	15,124,454	2,771,489
1989	206	28,930,572	24,152,468	6,195,286
1988	200	38,402,475	26,524,014	5,377,497
1987	184	6,928,889	6,599,180	1,862,492
1986	138	7,356,544	6,638,903	1,682,538
1985	116	3,090,897	2,889,801	648,179
1934 - 1984	729	16,719,435	12,716,627	1,682,538

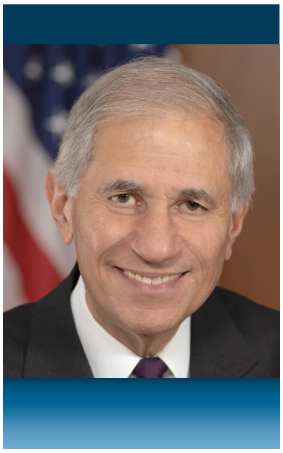
Assets and Deposits of Failed or Assisted Insured Institutions and Losses to the Deposit Insurance Fund, 1934 - 2022 (continued)
Dollars in Thousands

Assistance Transactions				
Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Losses to the Fund[4]
	154	**$3,317,099,253**	**$1,442,173,417**	**$5,430,481**
2010 - 2022	0	0	0	0
2009[6]	8	1,917,482,183	1,090,318,282	0
2008[6]	5	1,306,041,994	280,806,966	0
1993 - 2007	0	0	0	0
1992	2	33,831	33,117	250
1991	3	78,524	75,720	3,024
1990	1	14,206	14,628	2,338
1989	1	4,438	6,396	2,296
1988	80	15,493,939	11,793,702	1,540,642
1987	19	2,478,124	2,275,642	160,164
1986	7	712,558	585,248	93,179
1985	4	5,886,381	5,580,359	359,056
1984	2	40,470,332	29,088,247	1,116,275
1983	4	3,611,549	3,011,406	337,683
1982	10	10,509,286	9,118,382	1,042,784
1981	3	4,838,612	3,914,268	772,790
1980	1	7,953,042	5,001,755	0
1934 - 1979	4	1,490,254	549,299	0

[1] Institutions for which the FDIC is appointed receiver, including deposit payoff, insured deposit transfer, and deposit assumption cases.
[2] For 1990 through 2005, amounts represent the sum of BIF and SAIF failures (excluding those handled by the RTC); prior to 1990, figures are only for the BIF. After 1995, all thrift closings became the responsibility of the FDIC and amounts are reflected in the SAIF. For 2006 to 2022, figures are for the DIF.
[3] Assets and deposit data are based on the last Call Report or TFR filed before failure.
[4] Losses to the fund include final and estimated losses. Final losses represent actual losses for unreimbursed subrogated claims of inactivated receiverships. Estimated losses generally represent the difference between the amount paid by the DIF to cover obligations to insured depositors and the estimated recoveries from the liquidation of receivership assets.
[5] Includes amounts related to transaction account coverage under the Transaction Account Guarantee Program (TAG). The estimated losses as of December 31, 2022, for TAG accounts in 2010, 2009, and 2008 are $362 million, $1.1 billion, and $12 million, respectively.
[6] Includes institutions where assistance was provided under a systemic risk determination.

B. MORE ABOUT THE FDIC

FDIC BOARD OF DIRECTORS



Martin J. Gruenberg

Martin J. Gruenberg was sworn in as Chairman of the FDIC Board of Directors on January 5, 2023. He has been a member of the FDIC Board since August 2005 and previously served as Vice Chairman from August 2005 to July 2011 and as Chairman from November 2012 to mid-2018. Mr. Gruenberg has also served as Acting Chairman on a number of occasions.

Mr. Gruenberg joined the FDIC Board after broad congressional experience in the financial services and regulatory areas. He served as Senior Counsel to Senator Paul S. Sarbanes (D-MD) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 1993 to 2005. He also served as Staff Director of the Banking Committee's Subcommittee on International Finance and Monetary Policy from 1987 to 1992.

Mr. Gruenberg served as Chairman of the Executive Council and President of the International Association of Deposit Insurers (IADI) from November 2007 to November 2012. In addition, Mr. Gruenberg served as Chairman of the Federal Financial Institutions Examination Council from April 2017 to June 2018.

Since June 2019, Mr. Gruenberg has served as Chairman of the Board of Directors of the Neighborhood Reinvestment Corporation (NeighborWorks America), and he has been a member of the Board since April 2018.

Beginning February 15, 2022, Mr. Gruenberg assumed the role of Chairman of the Resolution Steering Group (ReSG) of the Financial Stability Board.

Mr. Gruenberg holds a J.D. from Case Western Reserve Law School and an A.B. from Princeton University, Princeton School of Public and International Affairs.

Travis Hill

Travis Hill was sworn in as Vice Chairman of the FDIC Board of Directors on January 5, 2023. Previously, he worked at the FDIC from 2018 to 2022, as Deputy to the Chairman for Policy and before that as Senior Advisor to the Chairman. In these roles, among other responsibilities, he oversaw and coordinated regulatory and policy initiatives at the agency and advised the Chairman on regulatory and policy matters.

Prior to joining the FDIC, Mr. Hill served as Senior Counsel at the United States Senate Committee on Banking, Housing, and Urban Affairs, where he worked from 2013 to 2018. In this role, he participated extensively in the drafting and negotiating of numerous bipartisan bills. Before working at the Senate, he worked as a policy analyst at Regions Financial Corporation from 2011 to 2013.

Mr. Hill received a Bachelor of Science from Duke University, where he studied economics and political science, and a Juris Doctor from Georgetown University Law Center.

Jonathan McKernan

Jonathan McKernan was sworn in as a member of the Board of Directors of the Federal Deposit Insurance Corporation on January 5, 2023. Mr. McKernan previously was a Counsel to Ranking Member Pat Toomey (R-PA) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 2021 to 2022. He also has served as a Senior Counsel at the Federal Housing Finance Agency from 2019 to 2021, a Senior Policy Advisor at the Department of the Treasury from 2018 to 2019, and a Senior Financial Policy Advisor to Senator Bob Corker (R-TN) from 2017 to 2018.

Prior to his government service, from 2007 to 2017, Mr. McKernan was an attorney in private practice focused on matters under the banking and consumer financial laws.

Mr. McKernan holds a Bachelor of Arts and Master of Arts in economics from the University of Tennessee and a Juris Doctor with High Honors from the Duke University School of Law.

Michael J. Hsu

Michael J. Hsu became Acting Comptroller of the Currency on May 10, 2021, upon his designation as First Deputy Comptroller by Secretary of the Treasury Janet Yellen pursuant to her authority under 12 U.S.C. 4.

As Acting Comptroller of the Currency, Mr. Hsu is the administrator of the federal banking system and chief executive officer of the Office of the Comptroller of the Currency (OCC). The OCC ensures that the federal banking system operates in a safe and sound manner, provides fair access to financial services, treats customers fairly, and complies with applicable laws and regulations. It supervises nearly 1,200 national banks, federal savings associations, and federal branches and agencies of foreign banks that serve consumers, businesses, and communities across the United States and conducts approximately 70 percent of banking activity in the country. These banks range from community banks serving local neighborhood needs to the nation's largest, most internationally active banks.

The Comptroller also serves as a Director of the Federal Deposit Insurance Corporation and a member of the Financial Stability Oversight Council and the Federal Financial Institutions Examination Council.

Prior to joining the OCC, Mr. Hsu served as an Associate Director in the Division of Supervision and Regulation at the Federal Reserve Board of Governors. In that role, he chaired the Large Institution Supervision Coordinating Committee Operating Committee, which has responsibility for supervising the global systemically important banking companies operating in the United States. He co-chaired the Federal Reserve's Systemic Risk Integration Forum, served as a member of the Basel Committee Risk and Vulnerabilities Group, and co-sponsored forums promoting interagency coordination with foreign and domestic financial regulatory agencies.

His career has included serving as a Financial Sector Expert at the International Monetary Fund, Financial Economist at the U.S. Department of the Treasury helping to establish the Troubled Asset Relief Program, and Financial Economist at the Securities and Exchange Commission overseeing the largest securities firms.

Mr. Hsu began his career in 2002 as a staff attorney in the Federal Reserve Board's Legal Division. He holds of a bachelor of arts from Brown University, a master of science in finance from George Washington University, and juris doctor degree from New York University School of Law.

Rohit Chopra

Rohit Chopra was confirmed as Director of the Consumer Financial Protection Bureau (CFPB) on October 12, 2021. The CFPB is a unit of the Federal Reserve System charged with protecting families and honest businesses from illegal practices by financial institutions, and ensuring that markets for consumer financial products and services are fair, transparent, and competitive.

In 2018, Mr. Chopra was unanimously confirmed by the U.S. Senate as a Commissioner on the Federal Trade Commission, where he served until assuming office as CFPB Director. During his tenure at the FTC, he successfully worked to strengthen sanctions against repeat offenders, to reverse the agency's reliance on no-money, no-fault settlements in fraud cases, and to halt abuses of small businesses. He also led efforts to revitalize dormant authorities, such as those to protect the Made in USA label and to promote competition.

Mr. Chopra previously served at the CFPB from 2010 to 2015. In 2011, the Secretary of the Treasury designated him as the agency's student loan ombudsman, where he led the Bureau's efforts on student lending issues. Prior to his government service, Mr. Chopra worked at McKinsey & Company, the global management consultancy, where he consulted in the financial services, health care, and consumer technology sectors.

Mr. Chopra holds a BA from Harvard University and an MBA from the Wharton School at the University of Pennsylvania.

Jelena McWilliams

Jelena McWilliams was sworn in as the 21st Chairman of the FDIC on June 5, 2018, and served in that capacity until her resignation of February 4, 2022.

Ms. McWilliams was Executive Vice President, Chief Legal Officer, and Corporate Secretary for Fifth Third Bank in Cincinnati, Ohio. At Fifth Third Bank she served as a member of the executive management team and numerous bank committees including: Management Compliance, Enterprise Risk, Risk and Compliance, Operational Risk, Enterprise Marketing, and Regulatory Change.

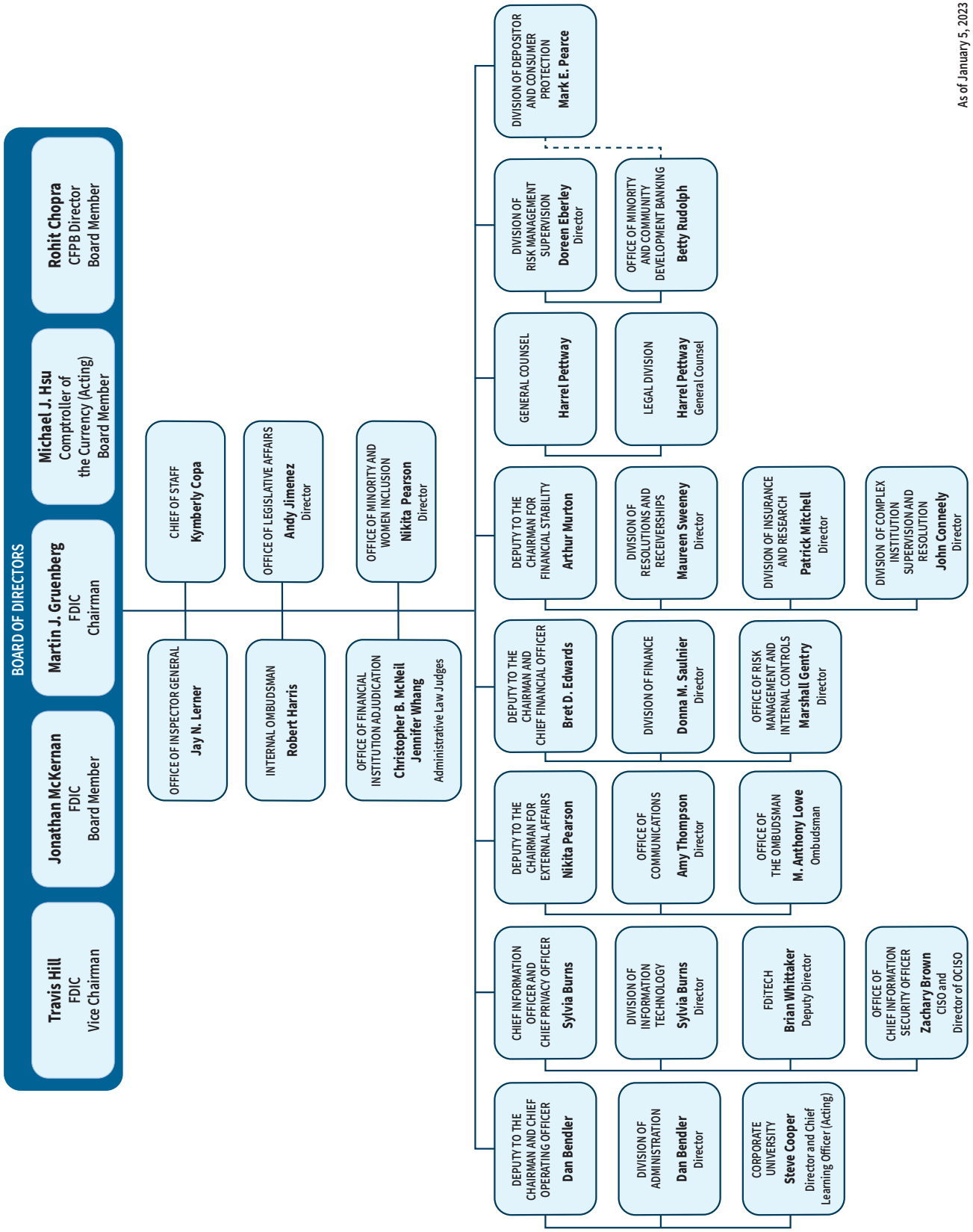
Prior to joining Fifth Third Bank, Ms. McWilliams worked in the U.S. Senate for six years, most recently as Chief Counsel and Deputy Staff Director with the Senate Committee on Banking, Housing and Urban Affairs, and previously as Assistant Chief Counsel with the Senate Small Business and Entrepreneurship Committee.

From 2007 to 2010, Ms. McWilliams served as an attorney at the Federal Reserve Board of Governors, where she drafted consumer protection regulations, reviewed and analyzed comment letters on regulatory proposals, and responded to consumer complaints.

Before entering public service, she practiced corporate and securities law at Morrison & Foerster LLP in Palo Alto, California, and Hogan & Hartson LLP (now Hogan Lovells LLP) in Washington, D.C. In legal practice, Ms. McWilliams advised management and boards of directors on corporate governance, compliance, and reporting requirements under the Securities Act of 1933 and the Securities Exchange Act of 1934. She also represented publicly- and privately-held companies in mergers and acquisitions, securities offerings, strategic business ventures, venture capital investments, and general corporate matters.

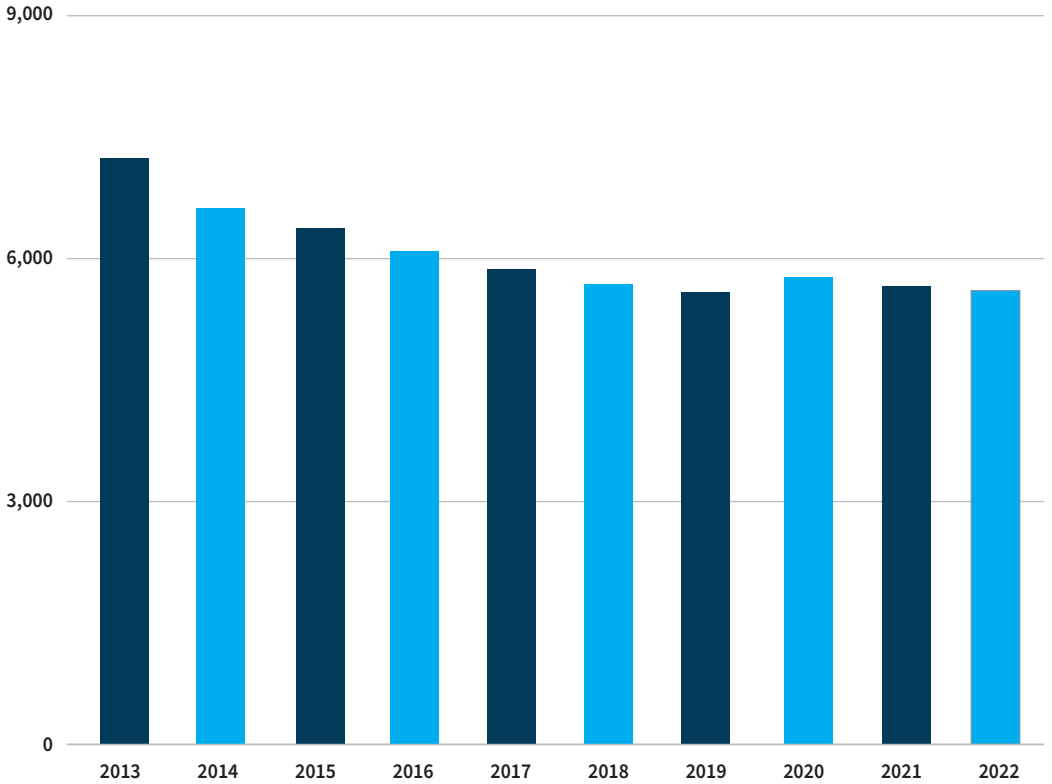
Ms. McWilliams graduated with highest honors from the University of California at Berkeley with a B.S. in political science, and earned her law degree from U.C. Berkeley School of Law.

FDIC ORGANIZATIONAL CHART



As of January 5, 2023

CORPORATE STAFFING TRENDS



2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
7,254	6,631	6,385	6,096	5,880	5,693	5,593	5,776	5,670	5,612

FDIC Year–End Staffing

Note: 2013-2022 staffing totals reflect year-end full time equivalent staff.

Number of Employees by Division/Office (Year-End)[1]						
	Total		Washington		Regional/Field	
Division or Office:	2022	2021	2022	2021	2022	2021
Division of Risk Management Supervision	2,376	2,484	151	159	2,225	2,325
Division of Depositor and Consumer Protection	785	787	117	115	668	672
Legal Division	429	440	288	295	141	145
Division of Administration	395	375	289	269	106	106
Division of Resolutions and Receiverships	332	317	54	90	278	228
Division of Information Technology [2]	292	284	165	225	127	59
Division of Complex Institution Supervision and Resolution	286	280	117	130	169	150
Division of Insurance and Research	190	199	153	163	37	36
Division of Finance	134	134	131	131	3	3
Executive Support Offices [2]	88	103	76	92	12	11
Corporate University	65	65	53	57	12	8
Office of the Chief Information Security Officer	54	49	53	49	1	0
Office of Risk Management and Internal Controls [2]	23	0	23	0	0	0
Executive Offices[3]	20	21	20	21	0	0
Office of Inspector General	143	132	92	84	51	48
Total	**5,612**	**5,670**	**1,781**	**1,879**	**3,830**	**3,792**

[1] The FDIC reports staffing totals using a full-time equivalent methodology, which is based on an employee's scheduled work hours. Division/Office staffing has been rounded to the nearest whole FTE. Totals may not foot due to rounding.
[2] Includes the Offices of the Legislative Affairs, Communications, Ombudsman, Financial Institution Adjudication, and Minority and Women Inclusion. In 2022, the Office of Risk Management and Internal Controls was separated from Executive Support Offices, and FDITECH was removed from Executive Support Offices and merged with DIT.
[3] Includes the Offices of the Chairman, Vice Chairman, Director (Appointive), Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Consumer Protection and Innovation, External Affairs, Policy, and Financial Stability.

SOURCES OF INFORMATION

FDIC WEBSITE

www.fdic.gov

A wide range of banking, consumer, and financial information is available on the FDIC's website. This includes the FDIC's Electronic Deposit Insurance Estimator (EDIE), which estimates an individual's deposit insurance coverage; the Institution Directory, which contains financial profiles of FDIC-insured institutions; Community Reinvestment Act evaluations and ratings for institutions supervised by the FDIC; Call Reports, which are bank reports of condition and income; and *Money Smart*, a training program to help individuals outside the financial mainstream enhance their money management skills and create positive banking relationships. Readers also can access a variety of consumer pamphlets, FDIC press releases, speeches, and other updates on the agency's activities, as well as corporate databases and customized reports of FDIC and banking industry information.

FDIC CALL CENTER

Phone: 877-275-3342 (877-ASK-FDIC)
703-562-2222

Hearing Impaired: 800-877-8339
703-562-2289

The FDIC Call Center in Washington, DC, is the primary telephone point of contact for general questions from the banking community, the public, and FDIC employees. The Call Center directly, or with other FDIC subject-matter experts, responds to questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. The Call Center also refers callers to other federal and state agencies as needed. Hours of operation are 8:00 a.m. to 6:00 p.m., Eastern Time, Monday – Friday, 8:00 a.m. to 1:00 p.m., Saturday, and closed Sunday. Recorded information about deposit insurance and other topics is available 24 hours a day at the same telephone number.

As a customer service, the FDIC Call Center has many bilingual Spanish agents on staff and has access to a translation service, which is able to assist callers with over 40 different languages.

PUBLIC INFORMATION CENTER

3501 Fairfax Drive
Room E-1021
Arlington, VA 22226

Phone: 877-275-3342 (877-ASK-FDIC),
703-562-2200

Fax: 703-562-2296

FDIC Online Catalog: https://catalog.fdic.gov

E-mail: publicinfo@fdic.gov

Publications such as *FDIC Quarterly* and *Consumer News* and a variety of deposit insurance and consumer pamphlets are available at www.fdic.gov or may be ordered in hard copy through the FDIC online catalog. Other information, press releases, speeches and congressional testimony, directives to financial institutions, policy manuals, and FDIC documents are available on request through the Public Information Center. Hours of operation are 9:00 a.m. to 4:00 p.m., Eastern Time, Monday – Friday; walk-in service is available at the mailing address location. Onsite visits are by appointment only.

OFFICE OF THE OMBUDSMAN

3501 Fairfax Drive
Room E-2022
Arlington, VA 22226

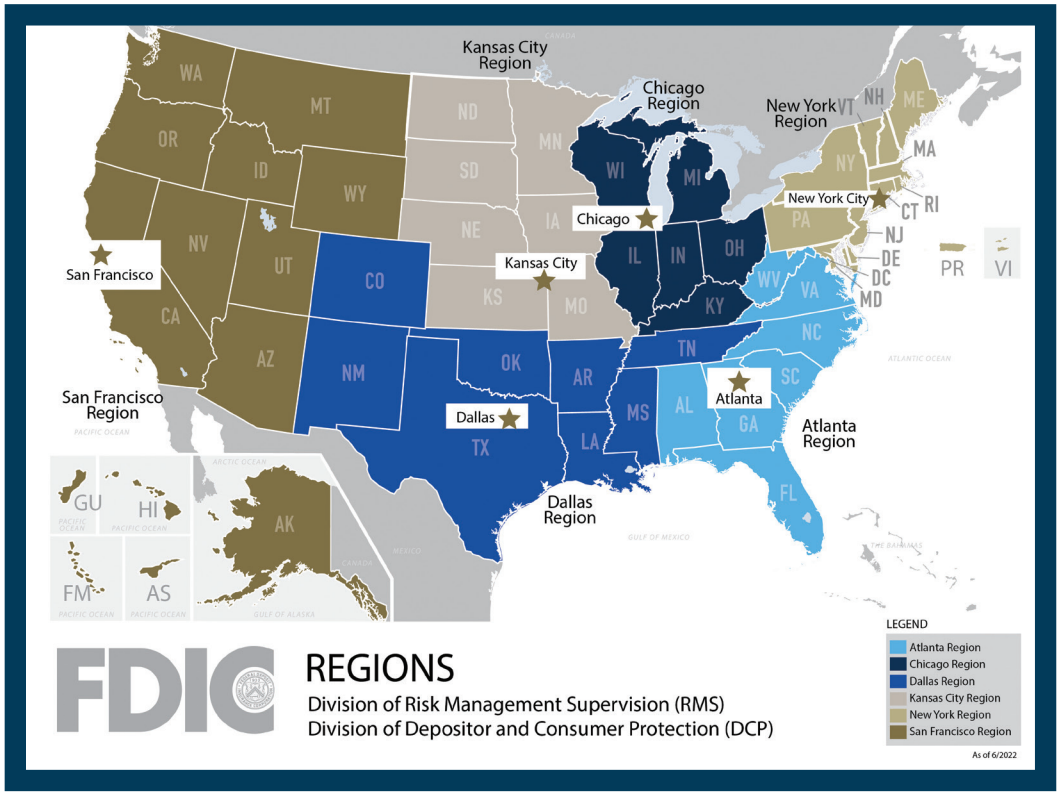
Phone: 877-275-3342 (877-ASK-FDIC)

Fax: 703-562-6057

E-mail: ombudsman@fdic.gov

The Office of the Ombudsman (OO) is an independent, neutral, and confidential resource and liaison for the banking industry and the general public. The OO responds to inquiries about the FDIC in a fair, impartial, and timely manner. It researches questions and fields complaints from bankers and bank customers. OO representatives are present at all bank closings to provide accurate information to bank customers, the media, bank employees, and the general public. The OO also recommends ways to improve FDIC operations, regulations, and customer service.

REGIONAL AND AREA OFFICES



ATLANTA REGIONAL OFFICE

John Vogel, Acting Regional Director
10 Tenth Street, NE
Suite 900
Atlanta, Georgia 30309
(678) 916-2200

States represented:
Alabama
Florida
Georgia
North Carolina
South Carolina
Virginia
West Virginia

CHICAGO REGIONAL OFFICE

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Suite 1700
Chicago, Illinois 60606
(312) 382-6000

States represented:
Illinois
Indiana
Kentucky
Michigan
Ohio
Wisconsin

DALLAS REGIONAL OFFICE

Kristie K. Elmquist, Regional Director
600 North Pearl Street
Suite 700
Dallas, Texas 75201
(214) 754-0098

States represented:
Arkansas
Colorado
Louisiana
Mississippi
New Mexico
Oklahoma
Tennessee
Texas

KANSAS CITY REGIONAL OFFICE

James D. LaPierre, Regional Director
1100 Walnut Street
Suite 2100
Kansas City, Missouri 64106
(816) 234-8000

States represented:
Iowa
Kansas
Minnesota
Missouri
Nebraska
North Dakota
South Dakota

NEW YORK REGIONAL OFFICE

Frank R. Hughes, Regional Director
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Suite 1200
New York, New York 10118
(917) 320-2500

States and territories represented:
Connecticut
Delaware
District of Columbia
Maine
Maryland
Massachusetts
New Hampshire
New Jersey
New York
Pennsylvania
Puerto Rico
Rhode Island
Vermont
Virgin Islands

SAN FRANCISCO REGIONAL OFFICE

Kathy L. Moe, Regional Director
25 Jessie Street at Ecker Square
Suite 2300
San Francisco, California 94105
(415) 546-0160

States and territories represented:
Alaska
American Samoa
Arizona
California
Federated States of Micronesia
Guam
Hawaii
Idaho
Montana
Nevada
Oregon
Utah
Washington
Wyoming

Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation

February 2023

Federal Deposit Insurance Corporation
Office of Inspector General

Federal Deposit Insurance Corporation
Office of Inspector General

Date: February 16, 2023

Memorandum To: Board of Directors

From: Tyler Smith
Acting Inspector General

Subject Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation

The Office of Inspector General (OIG) presents its annual assessment of the Top Management and Performance Challenges facing the Federal Deposit Insurance Corporation (FDIC). This document summarizes the most serious challenges facing the FDIC and briefly assesses the Agency's progress to address them.

This Challenges document is based on the OIG's experience and observations from our oversight work, reports by other oversight bodies, review of academic and relevant literature, perspectives from Government agencies and officials, and information from private-sector entities. In several instances, we discuss topic areas where the OIG has previously conducted work to evaluate, audit, and review the FDIC's progress in these Challenge areas.

We identified nine Top Challenges facing the FDIC. These Challenges include all aspects of the Challenges that we reported last year, with important updates. Among these updates are the need for supervisory attention and crises planning to include executing its resolution processes, examining banks' compliance with U.S.-imposed sanctions, and assessing digital asset risk. The Challenges identify risks to FDIC mission-critical activities and to FDIC internal programs and processes that support mission execution.

The FDIC's Top Challenges include:

1. Preparing for Crises in the Banking Sector
2. Mitigating Cybersecurity Risks at Banks and Third Parties
3. Supervising Risks Posed by Digital Assets
4. Fostering Financial Inclusion for Underserved Communities
5. Fortifying IT Security at the FDIC
6. Managing Changes in the FDIC Workforce
7. Improving the FDIC's Collection, Analysis, and Use of Data
8. Strengthening FDIC Contracting and Supply Chain Management
9. Implementing Effective Governance at the FDIC

We commend the FDIC for taking steps in some areas to address certain Challenges, and we note many of these actions in the attached document. This researched and deliberative analysis guides our work, and we believe it is beneficial and constructive for policy makers, including the FDIC and Congressional oversight bodies. We further hope that it is informative for the American people regarding the programs and operations at the FDIC and the Challenges it faces.

Executive Summary

The FDIC plays a unique role in support of the U.S. financial system. The FDIC insures nearly $10 trillion in deposits at more than 4,700 banks, supervises over 3,200 banks, and oversees the $125 billion Deposit Insurance Fund (DIF) that protects bank depositor accounts and resolves failing banks. The readiness of the FDIC to execute all facets of its mission promotes confidence and stability in the Nation's financial system.

Currently, banks are facing a rising interest rate environment while the U.S. economy faces inflationary pressure and continued uncertainties remain resulting from Russia's invasion of Ukraine. Banks have also adopted new technologies and third-party partnerships to engage customers at a time of increasing cyber security breaches. Banks are also entering into markets for digital assets, which may increase money laundering and terrorist financing risks. The FDIC's operating environment is also changing. The FDIC moved to a hybrid working environment and faces increased retirements and resignations among FDIC personnel.

In light of these circumstances, this document summarizes the most serious challenges facing the FDIC and briefly assesses the Agency's progress to address them, pursuant to the Reports Consolidation Act of 2000 and Office of Management and Budget Circular A-136 (revised August 27, 2020). This document is based on the OIG's experience and observations from our oversight work, reports by other oversight bodies, review of academic and relevant literature, perspectives from Government agencies and officials, and information from private-sector entities. To compile this document, we received input and considered comments from the FDIC, and while exercising our independent judgment, we incorporated suggestions where appropriate and fair.

We identified nine Top Challenges facing the FDIC that could impact its capabilities to promote public confidence and financial stability:

Preparing for Crises in the Banking Sector. The FDIC has a unique mission to administer the DIF and insure Americans' bank deposits against losses during crises. The FDIC's effective maintenance of the DIF, supervision of banks, and resolution of failed banks provides financial stability to the United States. The FDIC faces crises readiness challenges to fully develop its plans to respond to an unfolding crisis, including exercising the orderly liquidation of systemically important entities. Further, FDIC readiness and supervisory activities should take into account climate-related risks. FDIC supervisory processes should also be agile to respond to evolving risks such as fraud in crises-related Government-guaranteed loan programs and the evasion of US-imposed economic and trade sanctions.

Mitigating Cybersecurity Risks at Banks and Third Parties. Cybersecurity has been identified as the most significant threat to the banking sector and the critical infrastructure of the United States. The FDIC faces challenges to ensure that examiners have the skillsets and knowledge to conduct information technology examinations that adequately identify and mitigate cybersecurity risks at banks and their third-party service providers (TSP). Further, the FDIC should ensure that it has effective processes for the intake of banks' cybersecurity incident reports and uses these reports to mitigate identified risks, identify trends and patterns of nefarious activity, and adjust supervisory processes. Mitigating cybersecurity risk is critical, as a cyber incident at one bank or TSP has the potential to cause contagion within the financial sector.

Supervising Risks Posed by Digital Assets. About 52 million Americans have invested in digital assets and 136 FDIC-insured banks have ongoing or planned digital asset activities. The FDIC should work with other regulators to provided clarity regarding the regulation of digital

assets. The FDIC should also have examiners with appropriate skillsets and examination processes to assess the safety and soundness of banks' digital asset activities and identify consumer risks. Further, the FDIC should ensure that its examinations, policies, and procedures address consumer risks regarding digital assets, including the relationship of deposit insurance and digital assets.

Fostering Financial Inclusion for Underserved Communities. Federal statute mandates that the FDIC study the unbanked market in the United States and identify the primary issues that prevent unbanked individuals from establishing conventional accounts in financial institutions. Converting the information gleaned from the study of unbanked individuals into effective actions that banks can take to increase access to the financial system for unbanked individuals is a challenging endeavor for the FDIC. Further, the FDIC should also ensure that its examiners have the skills, capabilities, and procedures to assess the effect of banks' use of artificial intelligence (AI) in decision making. AI can be beneficial by increasing the speed and reducing the cost of bank operations, but it can also result in biases against individuals when the algorithms or data used for these decisions are flawed.

Fortifying IT Security at the FDIC. The FDIC is custodian of about 1.8 petabytes of sensitive and Personally Identifiable Information (PII) relating to failed banks and more than 4,700 insured banks. The FDIC continues to face challenges to ensure that it has strong information security processes to guard against persistent and increasing cyber threats against Federal agencies. Security control weaknesses of FDIC systems limit the effectiveness of FDIC controls, which places the confidentiality, integrity, and availability of FDIC systems and data at risk. The FDIC should have robust personnel security and suitability program and privacy controls to safeguard IT access to sensitive information and guard against insider threats.

Managing Changes in the FDIC Workforce. A total of 21 percent of the FDIC workforce was eligible to retire in 2022, and that figure climbs to 38 percent within 5 years (2027). These retirements may have a significant impact on key Divisions involved in Crises Readiness efforts and for subject matter experts in areas such as consumer compliance and information technology. At the same time, the FDIC is experiencing increased resignations of its examiners-in-training. Absent effective human capital management, the FDIC may lose valuable knowledge and leadership skill sets upon the departure of experienced examiners, managers, and executives. Meeting these challenges is especially important as the FDIC shifts its operations to a hybrid environment.

Improving the FDIC's Collection, Analysis, and Use of Data. Data and information can enhance the FDIC's and its supervised banks' capabilities to mitigate threats to the U.S. financial system. The FDIC faces challenges in receiving and using reliable information. Specifically, the FDIC should establish processes to acquire, analyze, and disseminate threat information from Government partners, databases, and repositories. Such information informs senior FDIC officials and decision-makers, FDIC examiners and Regional personnel, its supervisory program officials, and banks. Further, the FDIC should improve the reliability of its internal data to ensure that the FDIC Board and senior management can confidently use the data to assess program effectiveness.

Strengthening FDIC Contracting and Supply Chain Management. The FDIC awards nearly $600 million in contracts every year. Over a 5-year period, the FDIC awarded more than 2,600 contracts valued at $2.85 billion. The FDIC faces challenges to establish an effective contract management program that ensures the FDIC receives goods and services according to contract terms, price, and timeframes. An effective FDIC procurement program is important because the

FDIC relies on contractor services for day-to-day activities and especially during crises. The FDIC should also have programs in place to mitigate security risks associated with the supply chains for contracted goods and services. Weaknesses in contractor-provided software to Government agencies have exposed examples of these supply chain risks. Further, the FDIC should have whistleblower processes and provisions within FDIC contracts to protect contractor personnel who report allegations of contractor violations and gross mismanagement.

Implementing Effective Governance at the FDIC. Effective governance allows FDIC Board members and senior FDIC officials to proactively manage risk, formulate regulatory policy, and provide clear guidance to banks and FDIC Regional Offices. Through these processes, the FDIC can allocate resources, prioritize and improve the flow of risk information to decision makers, and work toward achieving the FDIC's mission. The FDIC should ensure that risks to the FDIC are identified and monitored through an effective Enterprise Risk Management Program. The FDIC should also ensure that OIG-identified program weaknesses are promptly resolved and remediated. FDIC program performance should be measured using outcome measures to assess whether the FDIC is meeting a program's strategic objectives. The FDIC should also clarify its implementation of Executive Branch best practices, ensure the validity of its rulemaking process, and promulgate rules based on rigorous cost benefit analyses.

The FDIC has taken certain concrete and measurable steps to address some of these Challenges, as noted in this Challenges document. We also recognize that there may be other ongoing plans, inputs, intentions, or future activities that might still be under development at the time of this writing.

Preparing for Crises in the Banking Sector

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Executing orderly liquidation processes;
- Enhancing readiness for crises;
- Addressing climate risks to banks;
- Mitigating pandemic loan fraud; and
- Ensuring banks' compliance with U.S. sanctions.

The OIG has identified Preparing for Crises as a Top Challenge for the FDIC since 2018.

The Board of Governors of the Federal Reserve (Federal Reserve Board) stated that U.S. financial stability may be affected by sudden adverse events.[1] These events may include cyber attacks, climate change risk, and global instability.[2] The U.S. financial system also faces risks arising internationally from outside the United States through "a contagious spread of a financial crisis" across regions and countries.[3] Financial instability could result in failures for banks, broker-dealers, financial market utilities, insurance companies, and other systemically important organizations that could require the FDIC to exercise its expansive resolution authorities.

In addition, according to the Financial Stability Oversight Council's Report on Climate-Related Financial Risk 2021 (FSOC Climate Report) (October 2021), climate change continues to grow as an emerging threat to the financial stability of the United States. The National Oceanic and Atmospheric Administration reported 18 weather and climate-related disaster events in 2022 with losses exceeding $1 billion across the United States. The Organization for Economic Co-operation and Development (OECD) also noted that the transition to low-carbon economies may result in financing risks for stranded or obsolete assets and production processes that do not support renewable energy.[4] The 60 largest banks financed $4.6 trillion in loans to fossil fuel companies between 2016 and 2021.[5]

The banking sector also faces risks related to the Government's response to the pandemic crisis. In 2020 and 2021, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the American Rescue Plan were enacted, and these laws provided funds for the Paycheck Protection Program (PPP) in the amount of $814 billion. The PPP has been administered through the Nation's banks. It is estimated that fraud in the PPP could be as high as $117.3 billion, and banks may suffer losses as a result of fraudulent loans.[6]

In addition, the Department of the Treasury's Office of Foreign Assets Control (OFAC) administers economic and trade sanctions that prohibit domestic banks from conducting transactions with a number of entities sanctioned by the United States. For example, the U.S. recently imposed additional sanctions against Russia in response to a crisis presented by the invasion of Ukraine. If banks do not have sufficient compliance programs to adhere to the U.S. sanctions, they may face increased legal, compliance, operational, and reputational risks, and significant enforcement actions.

Executing Orderly Liquidation Processes

The FDIC is the primary Federal agency responsible for the resolution of insured depository institutions. The FDIC's authority stems from the Federal Deposit Insurance Act (FDI Act), which allows the FDIC to pay insured deposits and become a receiver of failed banks. The FDIC's resolution

authority under the FDI Act, however, does not apply to certain financial institutions, such as investment banks, insurance companies, broker-dealers, and other systemically important financial institutions.[7] As a result, during the financial crisis of 2008-2011, several large financial firms—such as Lehman Brothers, Bear Stearns, and AIG—were not eligible for FDIC receiverships.[8] In response, Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) was enacted and designed to address this gap, and granted Orderly Liquidation Authority (OLA) to the FDIC.

OLA presents unique challenges for the FDIC because this authority has not been invoked, and the FDIC has limited information and experience with financial market utilities, insurance companies, and broker-dealers that may require OLA resolutions. The FDIC should be ready to swiftly execute its OLA in an efficient manner. In December 2013, the FDIC published a strategy to execute an orderly liquidation.[9] The strategy includes a number of steps, including: (i) coordination among the FDIC, the Department of the Treasury, and other banking regulators; (ii) hiring qualified executives to run the holding company; (iii) communicating with staff, shareholders, and the public regarding the status of the receivership; and (iv) contracting and coordination within FDIC Divisions and Offices.

The FDIC should clearly define policies, procedures, roles, and responsibilities to ensure efficient implementation of its OLA authorities. Absent such clarity, the resolution may not effectively address an entity's failure, thus impeding mitigation of systemic risk throughout the financial system. We have work ongoing to determine if the FDIC has established key elements to execute its OLA, including comprehensive policies and processes, necessary resources and skill sets, and integration with the Agency's crisis readiness and response planning efforts.[10]

Current areas of focus for resolution planning under OLA include domestic bank holding companies designated as "global systemically important banks" (GSIB),[11] U.S. holding companies of foreign-based GSIBs,[12] and systemically important financial market utilities (FMU) designated by FSOC.[13] The FDIC, however, does not supervise or examine FMUs and, as a result, has limited expertise or familiarity with their operations. Similarly, the FDIC does not have examination or supervisory authority over broker-dealers and therefore has limited knowledge of their operations.

Enhancing Readiness for Crises

In April 2020, we issued an OIG evaluation report, The FDIC's Readiness for Crises, regarding the FDIC's execution of FDI Act resolutions, which found that the FDIC did not have documented Agency policy and procedures for crisis readiness planning and did not have an Agency-wide all hazards readiness plan nor Agency-wide hazard-specific readiness plans. The FDIC needed to fully establish seven elements of crisis readiness to be prepared to respond to any type of crisis that may impact the banking system: (1) policies and procedures; (2) plans; (3) training; (4) exercises; (5) lessons learned; (6) maintenance; and (7) assessment and reporting. The FDIC has addressed the report recommendations.

Subsequent to our report, the Council of Inspectors General on Financial Oversight issued its Guidance in Preparing for and Managing Crises (June 2022).[14] This Guidance identified critical activities for pre-crisis planning and crisis management that FSOC and member agencies can use to evaluate existing efforts and coordinate and plan for future crises. The Guidance includes three activity categories:

- **Collaboration and Pre-Crisis Planning**. A proactive crisis readiness effort involves working collaboratively to coordinate crisis

readiness efforts across Federal, state, and international agencies by: (1) identifying risks and conducting scenario analyses; and (2) developing plans ahead of time that outline how an agency will respond to crises.

- **Crisis Readiness Plan Elements**. Crisis readiness plans create an overarching framework for crisis management to include strategic decision-making, communication, and coordination.

- **Crisis Management.** The key elements to managing a crisis effectively include clear leadership response, coordination, communication, resource assessments, supervisory activities, and implementation of response or rescue programs.

The FDIC should continuously assess its own preparedness efforts and make changes to address any gaps in its readiness.

Addressing Climate Risks to Banks

The FDIC should be prepared to address banks' climate-related risks, including how these risks may affect FDIC bank examinations and supervision. For example, the FDIC may need to increase the information it collects from banks, reassess bank stress testing, and review banks' concentrations in industry financing of fossil fuels. The FDIC also may need to revise its supervisory strategies and examination procedures to address climate risks.

On May 20, 2021, the President issued Executive Order 14030, Climate-Related Financial Risk, which required that FSOC, including the FDIC:

- Assess, in a detailed and comprehensive manner, the climate-related financial risk, including both physical and transition risks, to the financial stability of the Federal Government and the stability of the U.S. financial system;
- Facilitate the sharing of climate-related financial risk data and information among FSOC member agencies and other executive departments and agencies as appropriate; and
- Issue a report to the President within 180 days of the date of the order on any efforts by FSOC member agencies to integrate consideration of climate-related financial risk in their policies and programs.

The FSOC Climate Report issued 30 recommendations to its members related to four topic areas to strengthen the financial system and lessen the vulnerabilities to climate-related shocks:

- Building capacity and expanding efforts to address climate-related financial risks.
- Filling climate-related data and methodology gaps.
- Enhancing public climate-related disclosures.
- Assessing and mitigating climate-related risks that could threaten the stability of the financial system.

The FSOC Climate Report also noted that a climate event may "disproportionately affect financially vulnerable populations potentially including lower-income communities, communities of color, Native American communities, and other disadvantaged or underserved communities." For example, a study of weather-related climate issues conducted by the FDIC Division of Insurance and Research, Severe Weather Events and Local Economic and Banking Conditions (June 2022), concluded that climate change events affect areas

differently based on the health and resiliency of the economy preceding the event.

The FDIC 2022 Annual Performance Plan noted that to "address the risks to the safety and soundness of financial institutions and the stability of the financial system, the FDIC will establish an interdivisional working group to assess the enumerated risks and provide advice to staff developing interagency guidance. The FDIC will also join the international Network of Central Banks and Supervisors for Greening the Financial System."

In April 2022, the FDIC issued a Notice of Proposed Policy Statement on a high-level framework for banks' management of climate-related financial risk. As of the writing of this Top Challenges Report, the FDIC continues to review the comments received on this high-level framework. However, to date, the FDIC has not issued guidance regarding climate change to its examiners or to the banks.

In November 2022, the FDIC also added climate-related financial risk to its Risk Inventory as part of the FDIC's Enterprise Risk Management (ERM) program. The purpose of ERM is to capture risk areas and guide FDIC resources and decision-making to address such risks. On November 15, 2022, the then-Acting Chairman of the FDIC stated that the Agency "is still in the beginning stages of [its] work on climate-related financial risks."[15]

In order to address the FSOC Climate Report recommendations, the FDIC would need a coordinated effort among its Divisions and Offices, other regulators, and international organizations. In so doing, the FDIC would need to continue to gather data related to climate change risks to banks and establish processes to define, measure, monitor, assess, and report on these risks. Further, based upon identified risks, the FDIC would need to provide guidance to banks and examiners for risk mitigation, update existing policies and processes, and formulate new regulations as needed.

We will continue to monitor FDIC efforts in this area, and we are participating in the efforts of the Council of Inspectors General on Financial Oversight to assess FSOC's efforts to address the requirements of Executive Order 14030.

Mitigating Pandemic Loan Fraud

In response to the pandemic, the CARES Act established the PPP, which was intended to provide financial relief to workers, small businesses, and individuals most in need during the pandemic. PPP loans were guaranteed by the Small Business Administration (SBA), if lenders complied with program requirements.

More than 2,600 FDIC-supervised financial institutions originated over 3 million PPP loans, totaling approximately $267 billion. Government-guaranteed loans also introduce other risks such as Operational, Compliance, Liquidity, Reputation, and Strategic Risks.[16] For example, when financial institutions fail to materially comply with Government-guaranteed loan program requirements in the areas of loan underwriting, closing, and servicing, those Federal agencies guaranteeing the loans can be released from their obligations. The originating bank is therefore responsible for the entire loan amount.

It is estimated that fraudulent loans in the PPP may amount to $117.3 billion. For example, the SBA OIG's Inspection of SBA's Implementation of the Paycheck Protection Program reported that nearly 55,000 PPP loans worth about $7 billion went to potentially ineligible businesses or fraudulent recipients and 1.9 million loans were disbursed where the loan participants did not submit loan forgiveness applications—a key fraud indicator. Further, as of October 2022, the Government has brought charges against 1,616 defendants

related to 1,050 criminal cases involving more than $1.2 billion in pandemic relief program funds.[17] We have an evaluation ongoing to assess the FDIC's examination of Government-guaranteed loans.

Ensuring Banks' Compliance with U.S. Sanctions

The U.S. imposes sanctions on countries and organizations that threaten the U.S. economy, foreign policy, and national security. For example, in response to Russia's invasion of Ukraine, the United States imposed sanctions on organizations and entities related to the Russian government.

OFAC regulations require that financial institutions block or reject transactions subject to sanctions, thereby limiting sanctioned parties' access to funding. In addition, banks must notify OFAC of blocked or rejected transactions within 10 days of their occurrence and report all blocked property to OFAC annually by September 30. In addition, banks are required to file Suspicious Activity Reports with the Financial Crimes Enforcement Network (FinCEN) for potential evasion of the sanctions. If a bank's compliance program is inadequate, it faces increased legal, compliance, operational, and reputational risks and significant enforcement action.

In February 2022, the U.S. announced sanctions against major Russian banks and specific Russian individuals.[18] On March 7, 2022, FinCEN alerted banks to be vigilant against attempts to evade sanctions.[19] FinCEN provided a list of red flag indicators of evasion of sanctions, such as the use of third parties to shield the identity of sanctioned persons, the use of shell companies for wire transfers, and non-routine foreign exchange transactions.

FDIC examinations should ensure that banks uphold and comply with the requirements of the sanctions. According to FDIC examination guidance, banks "should establish and maintain effective OFAC programs and screening capabilities in order to facilitate safe and sound banking practices." The guidance continues that "examination procedures should focus on evaluating the adequacy of an institution's overall OFAC compliance program and procedures, including the systems and controls in place to reasonably assure accounts and transactions are blocked and rejected." We have work planned to assess the effectiveness of the FDIC's examination of banks' sanctions compliance programs.

The FDIC should be prepared to address any sort of crisis affecting the U.S. banking sector— whether it is a financial crisis or one due to climate change, a pandemic, or foreign war. To ensure effective execution of resolutions, the FDIC should ensure that it has clear policies, defined roles and responsibilities, effective organizational processes, trained individuals, and ample resources. The FDIC also should ensure that it makes necessary supervisory adjustments to policy and examinations to address emerging risks such as climate change. Further, FDIC examinations should review for Government-guaranteed loan risks, including risks related to the PPP. FDIC examinations also should assess banks' compliance programs to block and reject financial transactions by individuals and entities subject to U.S. sanctions.

Mitigating Cybersecurity Risk at Banks and Third Parties

Key Areas of Concern

The primary areas of concern for this Challenge area are:

- Ensuring FDIC examinations address cybersecurity risks at banks;
- Examining for third-party risk; and
- Recording and assessing banks' cybersecurity incidents.

The OIG has identified Cybersecurity in the banking sector as a Top Challenge for the FDIC since 2018.

The FSOC 2022 Annual Report recognized that a cybersecurity incident could threaten U.S. financial stability. FSOC stated that the "financial sector is vulnerable to malicious cyber incidents, including ransomware, denial-of-service attacks, data breaches, and non-malicious cyber incidents." FSOC noted that millions of Americans could be affected by cybersecurity incidents that result in billions of dollars in financial losses.

The financial industry suffered the largest number of data breaches in 2021 when compared to 20 other industries, according to Verizon's 2022 Data Breach Incident Report.[20] In November 2022, FinCEN reported 1,251 ransomware-related incidents at U.S. banks in 2021—which is more than double the 602 ransomware events reported in 2020. Further, the total value of these ransomware events in 2021 was about $886 million, which was 68 percent more than in 2020 ($527 million).

Further, 74 percent of bank leaders surveyed stated that their institution had experienced one or more ransomware attacks, with 63 percent of institutions paying the ransom demanded, according to VMWare.[21] Banks incur significant costs from ransomware attacks (beyond paying the ransom), including "data restoration, investigation and response, regulatory and legal fines, and brand damage."[22] In March 2022, a bank in New York suffered a cybersecurity incident—including ransomware and denial of service attacks—that resulted in the bank's temporary loss of access to its internal systems and data, and the exfiltration of bank customers' personal information.[23]

The Federal Reserve Board reported that cybersecurity risks may affect financial stability, because traditional stabilizing responses (capital and liquidity) are not likely to resolve such an attack. The Federal Reserve Board further noted that interconnected payment and settlement systems make it difficult to restore operations after a cybersecurity incident. As a result, "[u]ncertainty about the nature and extent of an incident may prompt runs on [the bank's] counterparties, competitors, or unaffected segments of the firm's operations."

The Office of the Comptroller of the Currency (OCC) also has observed "increases in the frequency and severity of cyber attacks against financial institutions and their service providers in recent years. Disruptive and destructive cyber attacks, such as ransomware, targeted at the financial sector have elevated risks beyond the mere threat of financial loss. Disruption to financial services can significantly impact banks' abilities to deliver critical services to their customers and has the potential to affect the broader economy."[24]

In its 2022 Risk Review, the FDIC stated that "[m]alicious cyber actors pose serious risk to bank information systems by compromising the security of software and computing services provided by third-party suppliers." The OCC further recognized that "[t]hreat actors are increasingly

exploiting vulnerabilities in IT systems and third-party software to conduct malicious cyber activities while negotiating ransom payments."[25] In April 2022, VMWare reported that "[c]ybercrime cartels have studied the interdependencies of financial institutions and now understand which managed service provider is used."[26] Sixty percent of the financial institutions in its survey were infiltrated through their vendor relationships or third-party service providers (TSP), a 58-percent increase from 2020, according to VMWare.[27] In May 2022, the Department of Homeland Security, Cybersecurity & Infrastructure Security Agency, issued an alert, Protecting Against Cyber Threats to Managed Service Providers and their Customers, stating that malicious cyber actors were targeting service providers to "enable follow-on activity—such as ransomware and cyber espionage—against the [service provider] and the [service provider's] customer base."

FDIC IT examinations should evaluate banks' IT risk management, to ensure that bank and TSP cybersecurity risks are mitigated.

Ensuring FDIC Examinations Address Cybersecurity Risks at Banks

The FDIC uses the Information Technology Risk Examination (InTREx) Program procedures to conduct risk-focused examinations to assess banks' management of IT and cybersecurity risks. The FDIC should ensure that its InTREx examinations accurately capture current and relevant risks and reflect the scope and complexity of banks' IT security and systems. The FDIC should also ensure that it has appropriate examination processes, resources, and staff. FDIC examiners should have up-to-date information on cyber controls and threats, and the requisite skills to identify risks and complete thorough examinations.

In our OIG evaluation, Implementation of the FDIC's Information Technology Risk Examination (InTREx) Program (January 2023), we found weaknesses in the InTREx program that limit the ability of FDIC examiners to assess and address banks' IT and cyber risks at financial institutions:

- The InTREx program is outdated and does not reflect current Federal guidance and frameworks for three of four InTREx Core Modules;
- The FDIC did not communicate or provide guidance to its examiners after updates were made to the program;
- FDIC examiners did not complete InTREx examination procedures and decision factors required to support examination findings and ratings;
- The FDIC has not employed a supervisory process to review IT workpapers prior to the completion of the examination, in order to ensure that findings are sufficiently supported and accurate;
- The FDIC does not offer training to reinforce InTREx program procedures to promote consistent completion of IT examination procedures and decision factors;
- The FDIC's examination policy and InTREx procedures were unclear, which led examiners to file IT examination workpapers in an inconsistent and untimely manner;
- The FDIC does not provide guidance to examination staff on reviewing threat information to remain apprised of emerging IT threats and those specific to financial institutions;
- The FDIC is not fully utilizing available data and analytic tools to

improve the InTREx program and identify emerging IT risks; and

- The FDIC has not established goals and performance metrics to measure its progress in implementing the InTREx program.

The weaknesses detailed above collectively demonstrate the need for the FDIC to take actions to ensure that its examiners effectively assess and address IT and cyber risks during IT examinations. Without effective implementation of the InTREx program, significant IT and cyber risks may not be identified by examiners and addressed by financial institutions. We made 19 recommendations to the FDIC to improve its InTREx examination processes. The FDIC concurred with 16 of the 19 recommendations and partially concurred with 3 recommendations. Of the 19 recommendations, 5 are unresolved. We will work with the FDIC to reach resolution during the audit follow-up process.

Also, the FDIC faces an upcoming wave of pending retirements among its IT subject matter experts. As described later in this Top Challenges Report, 36 percent of examiners with advanced IT skills and 20 percent of IT examiners with intermediate skills were eligible to retire in 2022. These retirement-eligibility figures rise to 64 percent for advanced IT examiners and 44 percent for intermediate IT examiners in 2027. Absent skilled IT examiners, the FDIC may not have the expertise to identify banks' IT risks. The FDIC will need to replace this expertise in order to ensure it has the requisite number of skilled staff to complete IT examinations.

Examining for Third-Party Risk

Banks routinely rely on TSPs for numerous activities, including document processing, IT services, accounting, compliance, human resources, and loan servicing.[28] According to the FDIC's Supervisory Insights, "[f]ailure to manage [third-party] risks can expose a financial institution to regulatory action, financial loss, litigation, and reputational damage, and may even impair the institution's ability to establish new or service existing customer relationships."

In the Semiannual Risk Perspective (Fall 2022), the OCC noted that banks are increasingly reliant on TSPs, and that such dependence poses operational and cyber risks to banks. Numerous banks may rely on the services of at least one TSP, which increases the risk of a cyber incident passing from a TSP to other banks, or from one bank through a TSP to multiple banks. Further, the OCC stressed the importance of banks conducting due diligence and ongoing monitoring and oversight of TSPs "commensurate with the nature and criticality of the proposed activity."

FDIC examinations of banks' cybersecurity should include an assessment of the risk management programs of all TSPs affiliated with the bank. The Federal Financial Institutions Examination Council's (FFIEC) guidance, Supervision of Technology Service Providers, notes that "[a] financial institution's use of a TSP to provide needed products and services does not diminish the responsibility of an institution's board of directors and management to ensure that the activities are conducted in a safe and sound manner and in compliance with applicable laws and regulations just as if the institution were to perform the activities in-house." We have work planned to assess the FDIC's examination processes for TSPs.

Recording and Assessing Banks' Cybersecurity Incidents

The FDIC, along with other banking regulators, promulgated a rule requiring banks to notify the FDIC about certain computer security incidents within 36 hours of the event; this rule became effective on May 1, 2022.[29] According to the rule, the

banks must notify the primary bank regulator when a computer-security incident materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, a banking organization's ability to carry out its banking operations, the bank's business lines, or operations.[30]

According to FDIC data, between May 1 and July 31, 2022, banks reported 41 cybersecurity incidents under the new rule.[31] FDIC examinations should have procedures to evaluate banks' compliance with the regulatory requirements and identify possible underreporting of incidents. When FDIC personnel become aware of cybersecurity incidents at banks, they should report the information to law enforcement, including the FDIC OIG, for further investigation. As of the writing of this Top Challenges Report, the FDIC has not reported these cybersecurity incidents to law enforcement.

In addition, the FDIC does not currently have processes in place to ensure that reported incidents are recorded in the FDIC's system that supports FDIC supervision and insurance responsibilities called ViSION.[32] For example, a recent internal FDIC review of nine reported incidents at the Atlanta Regional Office found that four of the nine incidents reported to the FDIC were not recorded in the ViSION system.

In addition, it is critical that IT examiners are notified of banks' cybersecurity incidents, including the range of cybersecurity incidents occurring across FDIC-insured institutions. The FDIC should also look across all reported incidents for important trends and patterns of nefarious activity. Such trends may be helpful to examiners, policymakers, and banks as they assess cybersecurity risks at financial institutions.

Cybersecurity is a threat to banks and TSPs. A single cybersecurity incident—either alone or through interconnections—could have a devastating impact on financial stability in the United States. FDIC IT examinations should assess emerging cyber risks and ensure that banks and TSPs take appropriate action to address these risks. Further, the FDIC should have effective processes for the intake and assessment of banks' reporting of cybersecurity incidents, including follow-up to ensure their mitigation.

Supervising Risks Posed by Digital Assets

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Regulating digital assets in a coordinated fashion;
- Evaluating and supervising risks at banks related to digital assets; and
- Clarifying consumer risks regarding digital assets.

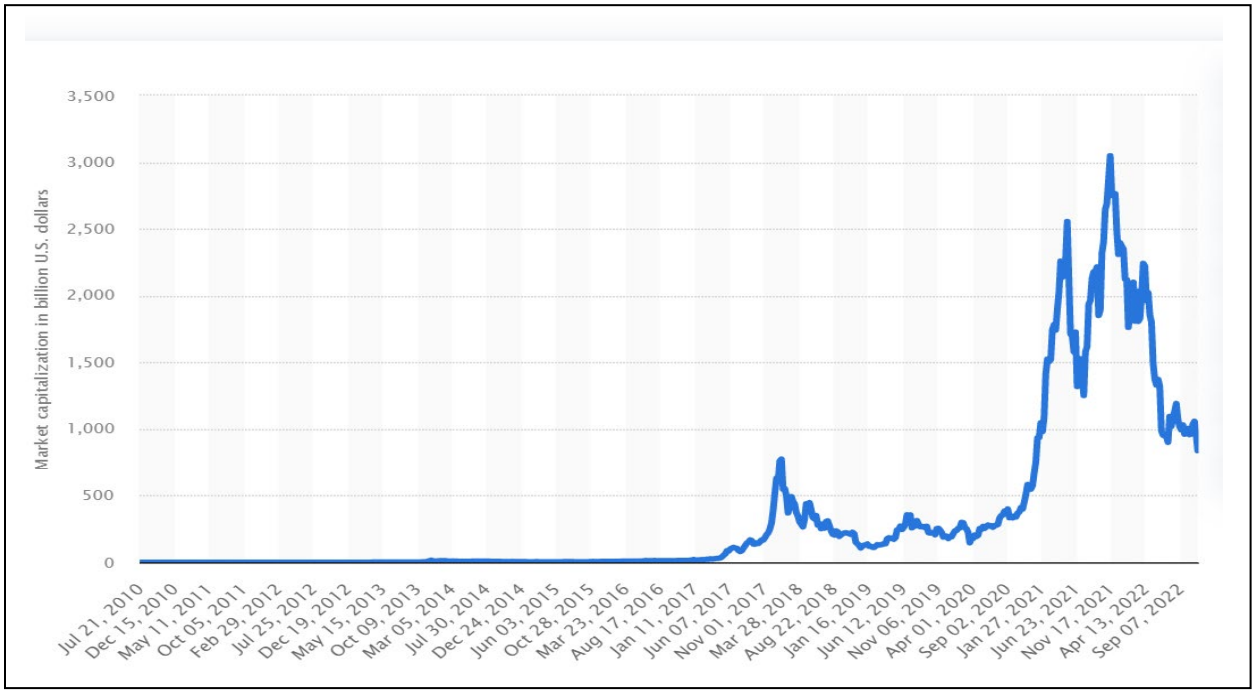
The OIG has identified Digital Asset Risk as a Top Challenge for the FDIC since 2018.

The Executive Order on Ensuring Responsible Development of Digital Assets (March 9, 2022), defined digital assets as a broad term including central bank digital currencies, crypto assets (also known as cryptocurrencies), and stablecoins that are used to "make payments or investments, or transmit or exchange funds or the equivalent thereof, that are issued or represented in digital form through the use of distributed ledger technology." The crypto asset markets have been extremely volatile over the last 3 years. The total market capitalization of crypto assets fluctuated from about $132 billion in January 2019 rising to $3 trillion in November 2021, and falling by about two-thirds to $1 trillion in 10 months (September 2022). As of December 2022, crypto asset market capitalization fell further to $840 billion.[33]

According to FDIC data, as of January 2023, the FDIC was aware that 136 insured banks had ongoing or planned crypto asset-related activities. For example, these banks have arrangements with third parties that allow bank customers to buy and sell crypto assets. Banks also provide account deposit services, custody services, and lending to crypto asset exchanges.

For example, it was reported that 90 percent of Silvergate Bank's deposit base

Figure 1: Crypto Asset Market Capitalization—July 2010 to September 2022



Source: Statistia.

(approximately $11.9 billion) were accounts for crypto asset customers.[34] In the 4th quarter of 2022, Silvergate Bank crypto asset customers withdrew funds causing total bank deposits to fall to $3.8 billion—a 68-percent deposit reduction from $11.9 billion in the 3rd quarter.[35] As a result, the bank was forced to quickly raise funds to satisfy customer withdrawals. The bank sold $5.2 billion in debt securities at a loss of $718 million, which is greater than the bank's total profits since about 2013. Further, the recent bankruptcy of crypto asset exchange FTX revealed that 11 banks were doing business with FTX and may have had involvement in alleged wire transfer fraud – this includes Moonstone Bank, where an FTX-affiliated company invested $11.5 million, doubling the bank's asset size of $5.7 million.[36] Banks also sponsor debit cards and prepaid cards that provide bank customers with crypto asset rewards.

Banks' interactions with crypto assets present risks for the FDIC in supervising banks and resolving failed institutions. The FSOC Report on Digital Asset Financial Stability Risks and Regulation (FSOC Digital Asset Report) (September 2022) noted that "[c]rypto-asset activities could pose risks to the stability of the U.S. financial system." For example, the Basel Committee on Banking Supervision noted that crypto asset price volatility could lead to bank "liquidity risk, credit risk, market risk, operational risk (including fraud and cyber risks), money laundering/terrorist financing risk, and legal and reputation risks."[37]

Banks must regularly assess the fluctuations in crypto asset values used as collateral. Further, the FDIC should maintain expertise in digital assets in order to manage bank resolutions for failed institutions. FinCEN also noted that the anonymity, lack of transparency, and speed of crypto assets made the use of crypto assets appealing for "money laundering, sanctions evasion, and other illicit financing."[38]

Executive Order 14067, Ensuring Responsible Development of Digital Assets (March 9, 2022), recognized that digital asset growth has "profound implications" for the protection of consumers, including data privacy and security, and criminal activity. According to the Comprehensive Framework for Responsible Development of Digital Assets, 16 percent of Americans (about 52 million people) have purchased digital assets. The Federal Trade Commission reported that since 2021, 46,000 people have lost over $1 billion to crypto asset scams.[39] As noted in the Joint Statement on Crypto-Asset Risks to Banking Organizations (January 3, 2023), the FDIC and other banking regulators should assess banks' crypto asset activities to ensure adequate safety and soundness, consumer protection, legal permissibility, and compliance with applicable laws and regulations, including anti-money laundering and illicit finance statutes and rules.

Regulating Digital Assets in a Coordinated Fashion

The FSOC Digital Asset Report noted that the current digital asset regulatory landscape was opaque. FSOC noted that there should be a consistent regulatory framework for digital assets, including the "analysis, monitoring, supervision, and regulation of crypto-asset activities." FSOC recommended a Government-wide approach to the collection and sharing of data to enhance regulators' understanding of digital assets in order to assess their impact on U.S. financial stability. Executive Order 14067, Ensuring Responsible Development of Digital Assets, also emphasized the importance of a "whole-of-government approach to addressing the risks and harnessing the potential benefits of digital assets and their underlying technology."

Prior to the FSOC Digital Asset Report and the Executive Order, on November 23, 2021, the Federal Reserve Board, the FDIC,

and the OCC issued a Joint Statement on Crypto-Asset Policy Sprint Initiative and Next Steps (Joint Statement) that "focused on quickly advancing and building on the agencies' combined knowledge and understanding related to banking organizations' potential involvement in crypto-asset-related activities" and provided a roadmap for agencies to collectively provide greater clarity on banks' crypto-related activities. The Joint Statement noted that "it is important that the agencies provide coordinated and timely clarity where appropriate to promote safety and soundness, consumer protection, and compliance with applicable laws and regulations, including anti-money laundering and illicit finance statutes and rules."

The recent Joint Statement on Crypto-Asset Risks to Banking Organizations (January 3, 2023), noted risks for digital assets, including fraud, legal uncertainty regarding custody and crypto asset ownership rights, unfair or misleading representations and disclosures regarding deposit insurance by crypto asset firms, crypto asset volatility and contagion risk from crypto asset interconnections, and potential banking outflow and stability risks for stablecoins. Regulators stated that they "continue to take a careful and cautious approach related to current or proposed crypto-asset-related activities and exposures at each banking organization." We have ongoing work to determine whether the FDIC has developed and implemented strategies that address the risks posed by crypto assets.

Evaluating and Supervising Risks at Banks Related to Digital Assets

Criminals use crypto assets for illicit activities and move funds to conceal or disguise the origin of funds.[40] The FDIC should ensure that its examiners have the appropriate training, skills, and processes to assess crypto asset risks at banks.[41] The FDIC also should have resolution staff with the appropriate skillsets and processes to resolve banks involved in digital assets. Otherwise, examiners may be unaware of banks' digital asset risks, and FDIC resolution and asset sales may be impacted by a bank's digital-asset holdings or activities.

In addition, FDIC examination, receivership, and other staff overseeing digital-asset supervision and policy should be free from any conflicts of interest. On July 5, 2022, in a Legal Advisory, the Office of Government Ethics stated that a Federal "employee who holds any amount of a cryptocurrency or stablecoin may not participate in a particular matter if the employee knows that particular matter could have a direct and predictable effect on the value of their cryptocurrency or stablecoins." On August 17, 2022, the FDIC issued an Ethics Analysis that allows employees with certain interest in digital assets to participate in non-policymaking assignments. For example, if an employee holds the crypto asset Ethereum, the employee may examine a bank that is involved in Bitcoin provided the effect of the examination does not go beyond Bitcoin. As banks increase their involvement with crypto assets, the FDIC should ensure that it has sufficient staff that are not conflicted in order to meet its mission requirements.

Clarifying Consumer Risks Regarding Digital Assets

According to the Comprehensive Framework for Responsible Development of Digital Assets, approximately 52 million Americans have purchased digital assets. The FDIC has noted an "increasing number of instances where financial service providers or other entities or individuals have misused the FDIC's name or logo or have made false or misleading representations about deposit insurance."[42] For example, bankrupt crypto asset platform Voyager Digital (Voyager) misrepresented that U.S. dollars deposited with the firm for the purchase of crypto assets were covered by FDIC insurance. Voyager had deposit

accounts for the benefit of its customers at Metropolitan Commercial Bank that were used for customers' purchase and sale of crypto assets, but Voyager was not FDIC-insured.[43] Voyager customers have not received their funds and await bankruptcy court rulings regarding potential fund recovery.[44]

The FDIC became aware of Voyager's misrepresentation of FDIC insurance in February 2021. However, it was not until 17 months later on July 28, 2022, that the FDIC and the Federal Reserve Board issued a letter demanding that Voyager cease and desist from making false and misleading statements regarding its FDIC deposit insurance status and take immediate action to correct any such prior statements.[45] One day after issuing the joint letter to Voyager, the FDIC noted its concerns about the risks of consumer confusion or harm arising from crypto assets offered in connection with insured depository institutions.[46] On August 19, 2022, the FDIC issued additional cease and desist letters to five companies for making crypto-related false or misleading representations about deposit insurance.[47]

The risks associated with digital assets and emerging technologies require a whole-of-government response. FDIC digital asset guidance for banks and policies and procedures for examinations should be consistent with those of other regulators to ensure that similarly situated banks are subject to the same supervisory strategies. The FDIC should also have information and analysis regarding digital asset risks to make data-driven policy decisions and enable broad assessment of risks across the banking sector.

Fostering Financial Inclusion for Underserved Communities

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Developing the FDIC's strategy to foster financial inclusion; and
- Managing bias risk associated with technology.

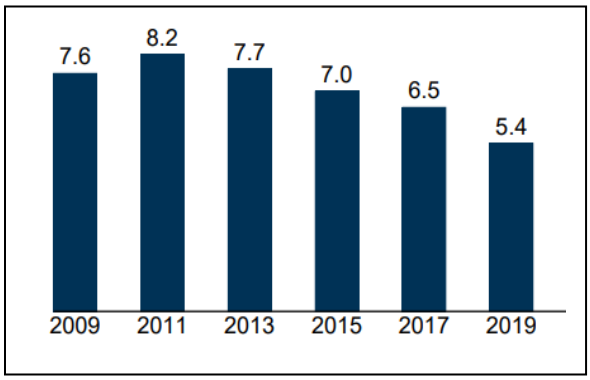
The OIG has identified Financial Inclusion as a Top Challenge since 2020.

The World Bank notes that access to a bank account is "a first step toward broader financial inclusion since a transaction account allows people to store money, and send and receive payment."[48] In addition, bank accounts allow previously excluded and underserved populations to receive other financial products.

Developing the FDIC's Strategy to Foster Financial Inclusion

In October 2022, the FDIC, in partnership with the Census Bureau, issued its biennial 2021 National Survey of Unbanked and Underbanked Households. The Survey found that 5.4 percent were unbanked—meaning that no one in the household had a checking or savings account at a bank or credit union (Figure 2).

Figure 2: Household Unbanked Percentage Rate, 2009-2021

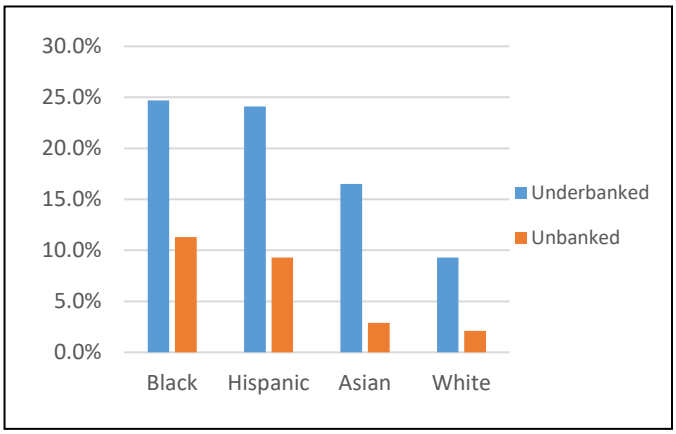


Source: FDIC 2021 National Survey of Unbanked and Underbanked Households (October 2022).

Further, the Survey found that 14.1 percent were underbanked—meaning that someone in the household had a bank account, but they used other high-cost services, such as money orders, check cashing, payday lending, pawn shops, tax refund anticipation loans, or auto title loans.

The Survey also found disparities in banking status based on race and ethnicity. As shown in Figure 3, consistent with prior surveys, the unbanked and underbanked rates were higher for Black, Hispanic, and Asian households than for White households. Further, the Federal Reserve Board found that on average, Black and Hispanic households earned half of White households and that their net worth was 15 to 20 percent of White households.[49]

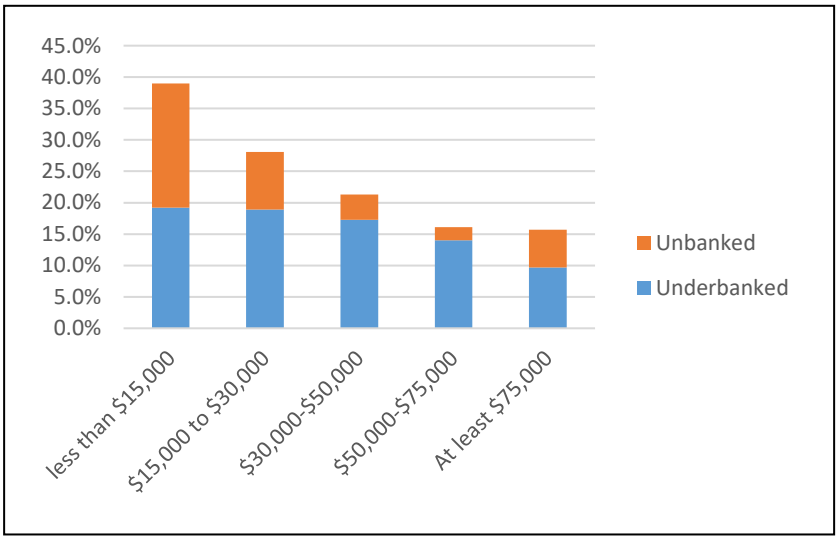
Figure 3: Banking Status by Race/Ethnicity



Source: FDIC 2021 National Survey of Unbanked and Underbanked Households (October 2022).

In addition, the Survey noted differences based on household income. As shown in Figure 4, consistent with prior Surveys, households with lower income had higher unbanked and underbanked rates when compared to households with incomes of $50,000 or more.

Figure 4: Unbanked and Underbanked Rates by Household Income



Source: FDIC 2021 National Survey of Unbanked and Underbanked Households (October 2022).

The FDIC has identified financial inclusion as a strategic challenge for the Agency.[50] Further, the FDIC has not completed development of measures to determine the effectiveness of its efforts to promote financial inclusion, including whether it is achieving the desired outcomes.

The Government Accountability Office (GAO) reported that the FDIC's plans (Economic Inclusion Strategic Plan and Annual Performance Plan) do not assess the outcomes of efforts to facilitate consumers' access to banking services.[51] In February 2022, the GAO recommended that the FDIC develop and implement outcome-oriented performance measures for its strategic objective of ensuring access to safe and affordable bank services that reflect leading practices, including demonstrating results, measuring outcomes, and providing useful information for decision-making. The FDIC's 2022 Annual Performance Plan included a goal to track and report outcome-based performance measures for economic inclusion programs; however, the GAO recommendation remains unimplemented at the time of this Report.

Absent outcome-oriented performance measures for financial inclusion-related work, the FDIC is limited in evaluating whether these programs and initiatives are effective in increasing participation in the insured banking system. We have ongoing work to determine whether the FDIC has developed and implemented an effective strategic plan to increase participation in the banking system.

Managing Bias Risk Associated with Technology

In October 2022, the White House Office of Science and Technology Policy issued a Blueprint for an AI Bill of Rights that identified five principles and associated practices to help guide the design, use, and deployment of automated systems to protect the American public in the age of Artificial Intelligence (AI).[52] These principles include: Protection from unsafe or ineffective automated systems; Protection from discrimination by algorithms and systems; Data privacy; Explanation of how an automated system is being used and why it contributes to outcomes; and Access to personnel who will remedy problems encountered. While AI can offer banks certain benefits, it can generate or amplify risks to consumers, such as unlawful discrimination; unfair, deceptive, or abusive acts or practices; and privacy concerns. In particular, AI models may use data that has inherent biases, and its models may be outdated without proper oversight.[53]

In May 2022, a working paper from the Federal Reserve Bank of Minneapolis found bias in conventional mortgage data processed between 2018 and 2020. Specifically, data indicates that Black applicants were 2.9 percent more likely to have their mortgage denied than White applicants, and Asian and Latinx applicants were 2.2 percent and 1.5 percent more likely to face denials, respectively, than White applicants. The study concluded that biased systems and data can adversely affect minority communities.

On March 31, 2021, the FDIC and other financial regulators issued a Request for Information (RFI) to gather information and public comments on financial institutions' use of AI, including machine learning. The purpose of this RFI was to understand respondents' views on the use of AI by financial institutions in their provision of services to customers and for other business or operational purposes. On May 17, 2021, the RFI comment period was extended from June 1, 2021 to July 1, 2021. Although the FDIC has stated that it has engaged with other regulators on this topic, as of the date of this Top Challenges Report, the FDIC has not promulgated AI policy guidance.

Also, in a November 29, 2021 letter, the Chairwoman of the House Financial Services Committee and Chairman on the Task Force on Artificial Intelligence requested that the FDIC, in assessing banks' use of AI, "prioritize principles of transparency, enforceability, privacy, and fairness and equity … [to] ensure AI regulation and rulemaking can meaningfully address appropriate governance, risk management, and controls over AI."

The FDIC should ensure that it takes a holistic, outcome-based approach in its efforts to address unbanked and underbanked individuals. This may include new methods or strategies to reach Black, Hispanic, Asian, and low-income communities. Further, FDIC examinations should ensure that banks' decision-making technologies and analytics are unbiased measures of creditworthiness.

Fortifying IT Security at the FDIC

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Improving the FDIC's information security profile;
- Protecting the FDIC's wireless network;
- Assessing the FDIC's readiness for a ransomware attack;
- Migrating the FDIC's IT systems to the cloud;
- Addressing weaknesses in the FDIC's personnel security program; and
- Ensuring the security and privacy of FDIC information.

The OIG has identified IT Security as a Top Challenge for the FDIC since 2018.

According to the Cybersecurity & Infrastructure Security Agency (CISA), the Federal Government must improve its efforts to protect against malicious cyber campaigns to ensure the security of Federal IT assets.[54] In 2022, the GAO continued to recognize Federal IT security as a high risk across the Federal Government,[55] and in 2021, Federal IT systems suffered 32,543 incidents, a 6-percent increase from 2020.[56]

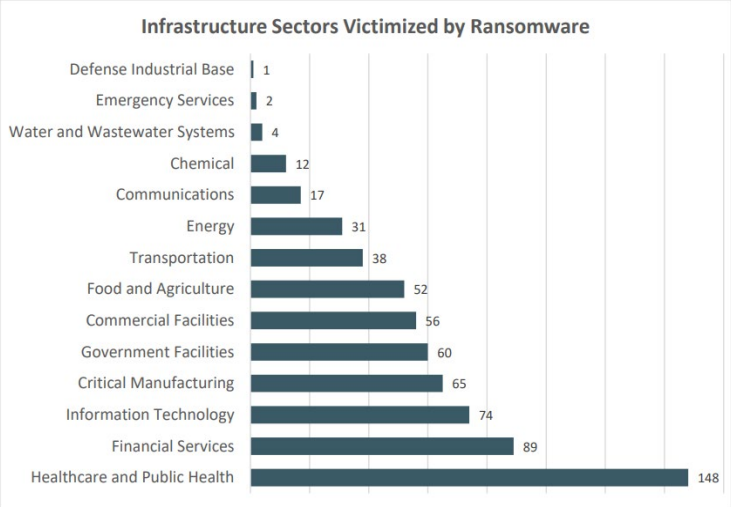
For example, on November 16, 2022, CISA issued an alert that the network of a Federal agency was compromised by Iranian Government-sponsored actors.[57] The threat actors exploited unpatched vulnerabilities in a certain proprietary server, were able to move laterally throughout the network, compromised credentials, and installed mining and other software.

CISA further noted that IT and cyber vulnerabilities used to exploit private organizations, as shown in Figure 5, pose similar risks to Federal agencies.[58]

According to a report from cybersecurity firm Comparitech, there were 330 ransomware attacks on state and local government organizations between 2018 and October 2022 that impacted data for over 230 million individuals with ransom demands totaling $36.5 million. For example, in August 2022, the City of Wheat Ridge, Colorado was attacked by ransomware, and the town refused to pay the ransom. It took more than 3 weeks to determine whether the town could resume operations through backup data.

The FDIC relies heavily on information systems, data, and personnel to carry out its mission. The FDIC is custodian of about 1.8 petabytes of sensitive and Personally Identifiable Information (PII) relating to failed banks and more than 4,700 insured banks. FDIC IT systems also contain sensitive information, such as PII that includes names, Social Security Numbers, and bank account numbers for FDIC employees and depositors of failed financial institutions; confidential bank examination information, including supervisory ratings; and sensitive financial data, including credit card numbers.

Figure 5: Infrastructure Sectors Victimized by Ransomware



Source: FBI Internet Crimes Complaint Center.

The FDIC should have effective controls in place to protect the information contained in its IT systems. The FDIC has a duty to ensure the safekeeping of sensitive information and PII that it collects, maintains, uses, and discloses.[59] A cybersecurity incident at the FDIC could severely limit its capabilities to meet mission requirements, particularly during a crisis.

The FDIC should also ensure that its employees and contractors possess the requisite suitability to ensure the safety and security of the FDIC workplace and information. An FDIC data breach could result in FDIC employees and contractors, bank customers, and bank employees and executives suffering identity theft, and affected banks and the FDIC experiencing operational and reputational risk.

Improving the FDIC's Information Security Profile

In our OIG report, The FDIC's Information Security Program –2022 (September 2022), we evaluated the effectiveness of the FDIC's information security program and practices. We found security control weaknesses that reduced the effectiveness of the FDIC's information security program and practices:

- **The FDIC's Supply Chain Risk Management (SCRM) Program Lacks Maturity:** The FDIC is still developing its policies and procedures to address the SCRM finding from our Information Security report in 2021. Additionally, in our OIG evaluation report, The FDIC's Implementation of Supply Chain Risk Management (March 2022), we found that the FDIC had not implemented several objectives outlined in its SCRM Implementation Project Charter; did not conduct supply chain risk assessments in accordance with best practices; had not ensured that its Enterprise Risk Management processes fully capture supply chain risks; and FDIC Contracting Officers did not maintain contract documents in the proper system. We issued nine recommendations, five of which remain unimplemented.

- **The FDIC Did Not Adequately Oversee and Monitor Information Systems:** Federal agencies must conduct security risk assessments for the information and information systems that support the operations and assets of the agency, including those provided or managed by contractors and other entities. We concluded that the FDIC had not conducted security risk assessments in accordance with National Institute of Standards and Technology (NIST) guidance for approximately 52 percent of its legacy systems and subsystems (as of May 19, 2022).

- **The FDIC Did Not Address Flaw Remediation Plans of Action and Milestones (POA&M) in a Timely Manner:** A POA&M is a tool used by agency Chief Information Officers, security personnel, program officials, and others to track the progress of corrective actions pertaining to security vulnerabilities identified through security control assessments and other sources. We found that the FDIC had 31 POA&Ms related to flaw remediation open past their estimated completion dates (as of June 21, 2022).

- **The FDIC Did Not Configure Privileged Accounts in Accordance with the Principle of "Least Privilege":** We are currently conducting an audit of the FDIC's security controls over its Windows Active Directory. During the course of our work, we identified instances where accounts were configured with elevated account settings;

however, there was no justification provided for such settings, and the elevated settings were no longer needed for administrators to perform their business roles. Additionally, we identified concerns relating to the Background Investigations for Privileged Account Holders at the FDIC and issued a Management Advisory Memorandum in June 2022.

- **The FDIC Did Not Fully Implement Its Document Labeling Guide:** In a previous OIG report, The FDIC's Information Security Program - 2021, we recommended that the FDIC implement document labeling guide requirements across the organization. However, the FDIC had not yet implemented this recommendation and did not anticipate implementation until 2023.

These control weaknesses must be improved to reduce the impact to the confidentiality, integrity, and availability of the FDIC's information systems and data.

Protecting the FDIC's Wireless Network

The FDIC provides wireless access (WiFi) throughout its facilities. Absent effective security controls, WiFi access provides an avenue into FDIC systems that could compromise the confidentiality, availability, and integrity of FDIC data and systems. In our OIG review of Security Controls Over the FDIC's Wireless Network (December 2022), we found that the FDIC did not comply or partially complied with five practices recommended by NIST and guidance from the FDIC and other Federal agencies in the following areas:

- **Configuration of Wireless Networks:** The FDIC did not properly configure its Policy Manager, which enforces security policies for wireless network connectivity. Also, the FDIC's Chief Information Officer Organization's (CIOO) Wi-Fi Operations Group did not have control or awareness of the set-up and configuration of numerous wireless devices operating in FDIC buildings and facilities.

- **Wireless Signal Strength:** The FDIC did not have processes to examine and modify the signal strength of wireless devices and networks broadcasting throughout its buildings and leaking outside of FDIC facilities.

- **Security Assessments and Authorizations:** The FDIC did not maintain a current Authorization to Operate for its wireless network and did not conduct sufficient continuous monitoring testing activities to support the Agency's ongoing authorization of its wireless network.

- **Vulnerability Scanning:** The FDIC did not include certain wireless infrastructure devices in its vulnerability scans. In addition, the FDIC did not use credentialed scans on wireless infrastructure devices.

- **Wireless Policies, Procedures, and Guidance:** The FDIC did not maintain policies and procedures addressing key elements of the FDIC's wireless networks, including roles and responsibilities for the CIOO's Wi-Fi Operations Group; procedures for remediating wireless equipment alerts; standards for configuration settings; updates of wireless inventory records; and detection of rogue access points.

As a result, the FDIC faces potential security risks based upon its current wireless practices and controls, including

unauthorized access to the FDIC networks and insecure wireless devices broadcasting Wi-Fi signals. We made eight recommendations to strengthen FDIC wireless networks.

Assessing the FDIC's Readiness for a Ransomware Attack

According to CISA, "[r]ansomware is an ever-evolving form of malware designed to encrypt files on a device, rendering any files and systems that rely on them unusable." The goal of most ransomware attacks is to halt processes, interrupt services, and cause disruption until a ransom payment is made in exchange for decrypting files and systems. CISA notes that ransomware "can severely impact business processes and leave organizations without the data they need to operate or deliver mission-critical services."

The FDIC relies on its IT systems for day-to-day activities and especially during crises. A ransomware attack on the FDIC could hinder the FDIC's ability to resolve failed banks, issue deposit insurance payments to bank account holders, examine and supervise financial institutions, and manage receiverships. Disruption of any of these FDIC core functions could lead to financial system instability, including a loss of public confidence in the FDIC's ability to pay depositors. We have work planned to assess the FDIC's activities to prepare for and respond to a ransomware attack.

Migrating the FDIC's IT Systems to the Cloud

Executive Order 14028, Improving the Nation's Cybersecurity, requires Federal agencies to adopt security best practices, including accelerating the transition of IT systems to secure cloud environments. Cloud transition requires the secure and effective transfer of data from legacy systems into new cloud environments hosted by outside organizations. According to the GAO, Federal agencies face four key risks in their cloud transitions:

- Ensuring the cybersecurity of cloud service providers.
- Procuring cloud services through agreements that define security breaches and responsibilities, how data will be managed, and the possible consequences for non-compliance with the agreement.
- Maintaining a skilled workforce for a cloud environment.
- Tracking cloud transition costs and savings.[60]

The FDIC accelerated its multi-year transition to a cloud-based environment and has spent over $100 million on this effort since 2021. The FDIC should ensure that it safeguards FDIC data and information during the cloud transition. FDIC cloud computing contracts should include information security provisions, and the FDIC should have knowledgeable staff and governance processes to manage these contracts. We have ongoing work to assess the governance, strategy, and security of the FDIC's cloud-based systems.

Addressing Weaknesses in the FDIC's Personnel Security Program

According to the 2022 Verizon Data Breach Investigations Report, data breaches involving misuse of access are almost entirely conducted by insiders. To protect FDIC personnel, systems, and information, the FDIC vets all employees and contractors for standards of fitness and integrity and conducts background investigations commensurate with an individual's duties.[61] The FDIC's personnel security and suitability program is the first line of defense to ensure a safe workplace and to mitigate the risk of unauthorized IT access to FDIC sensitive information and PII.

In our OIG Management Advisory Memorandum, Background Investigations for Privileged Account Holders (June 6, 2022), we identified that the FDIC did not have adequate controls to ensure that certain contractors and employees who require privileged access to FDIC information systems and data had background investigations commensurate with their positions. As a result, the FDIC could not be sure that certain employees and contractors who were granted privileged access to the FDIC's information systems and related data subsequent to their onboarding would have an appropriate risk designation level and related background investigation. The FDIC took actions to address our findings.

In 2021, we also found several deficiencies in the FDIC's background investigation program. In our OIG evaluation, The FDIC's Personnel Security and Suitability Program (January 2021), we concluded that the FDIC's program was not fully effective in ensuring the timely completion of preliminary suitability screenings, background investigations commensurate with position risk designations, and reinvestigations. Specifically we found that two contractors with IT administrator rights remained with the FDIC despite unfavorable background adjudications. These individuals had access to FDIC databases and information for nearly 6 years and over 4 years, respectively. The FDIC took action to close the 21 recommendations from our report.

The FDIC should maintain and sustain controls over its personnel security program as it hires and transfers employees and contractors in a changing work environment.

Ensuring the Security and Privacy of FDIC Information

In recent reports, both the GAO and the OIG have found that the FDIC should strengthen controls to secure sensitive information and PII. The GAO found that the FDIC had "not established metrics to measure its overall implementation of privacy controls."[62] Absent such metrics, the FDIC is challenged to report on the sufficiency of its privacy controls. The GAO recommended that the FDIC identify and specify privacy metrics.

In our OIG report, The FDIC's Privacy Program (December 2019), we found that the FDIC's Privacy Program controls and practices we assessed were not effective or partially effective in four areas:

- The FDIC did not fully integrate privacy considerations into its risk management framework designed to categorize information systems, establish system privacy plans, and select and continuously monitor system privacy controls;
- The FDIC did not adequately define the responsibilities of the Deputy Chief Privacy Officer or implement Records and Information Management Unit responsibilities for supporting the Privacy Program;
- The FDIC did not effectively manage or secure PII stored in network shared drives and in hard copy, or dispose of PII within established timeframes; and
- The FDIC did not ensure that Privacy Impact Assessments were always completed, monitored, and retired in a timely manner.

These weaknesses in the FDIC's Privacy Program increased the risk of PII loss, theft, and unauthorized access or disclosure, which could lead to identity theft or other forms of consumer fraud against individuals. We made 14 recommendations that have been implemented by the FDIC.

The security of FDIC systems impacts bank employees and their customers, FDIC employees and contractors, and the U.S. financial sector. The FDIC should ensure that its IT security can withstand risks to Federal systems, including the increasing risks posed by ransomware and those posed when systems transition to the cloud. Further, the FDIC should have robust personnel security and suitability program and privacy controls to safeguard sensitive information and guard against insider threats. Strong IT systems ensure that the FDIC can securely carry out day-to-day activities and respond to crisis events.

Managing Changes in the FDIC Workforce

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Managing a wave of pending retirements at the FDIC; and
- Addressing increased resignations by examiners-in-training.

The OIG has identified FDIC Workforce Changes as a Top Challenge for the FDIC since 2019.

The GAO has recognized strategic human capital management as a high-risk area across the Federal Government. The FDIC faces challenges in the strategic management of its workforce. In 2022, more than 21 percent of the FDIC workforce was eligible to retire. Retirement-eligibility rates were higher for senior FDIC leaders and Subject Matter Experts, and in certain FDIC Divisions and Offices with critical roles for the Agency's Crisis Readiness. In addition, in 2021 and 2022, the FDIC experienced a substantial number of resignations among bank examiners-in-training—at rates greater than pre-pandemic levels. Examiners play key roles in assessing the safety and soundness of banks, and it is costly for the FDIC to hire and train replacement examiners.

The FDIC should ensure strategic management of its workforce and manage the loss of employees to retirements and resignations, while navigating its post-pandemic hybrid work environment where 80 percent of FDIC employees are working remotely. Without strategic workforce planning, retirements and resignations could result in the FDIC experiencing mission-critical skills and leadership gaps.

Managing a Wave of Pending Retirements at the FDIC

The FDIC's ability to execute its mission may be affected by numerous departures of its personnel. A total of 21 percent (1,264 individuals) of the FDIC workforce was eligible to retire in 2022 (Table 1); this figure is significantly higher than the Government-wide rate of 15 percent.[63] This retirement-eligibility figure climbs to more than a third of the FDIC workforce—-38 percent (2,215 individuals)—within 5 years (in 2027).

Table 1: FDIC Employee Retirement Eligibility Percentage

Division	2022 (%)	2027 (%)
Legal Division	39	50
Division of Finance (DOF)	39	49
Division of Resolutions and Receiverships (DRR)	36	54
Division of Administration (DOA)	28	45
Division of Risk Management Supervision (RMS)	18	34
Division of Information Technology (DIT)	16	33
Division of Insurance and Research (DIR)	16	30
Division of Depositor and Consumer Protection (DCP)	16	32
Division of Complex Institution Supervision & Resolution (CISR)	15	36
Overall for the FDIC	21	38

Source: OIG analysis of DOA retirement data as of June 2022.

Further, all FDIC Divisions have current retirement-eligibility rates that are greater than the 15-percent Government-wide average rate of retirement-eligibility.

Retirements in Key Crisis Readiness FDIC Divisions. The FDIC faces significant risks regarding retirement eligibility in key Divisions involved in Crisis Readiness efforts. In 2022, 36 percent of all employees in the Division of Resolutions and Receiverships were eligible to retire (Table 1). This figure rises to 54 percent in 5 years. DRR employees are critical in crises, because they work to resolve failed banks by arranging the sale of assets and liabilities to healthy banks, ensure timely payment of deposit insurance to bank customers when an acquiring bank is not found, and sell failed bank assets that are not sold at the time of resolution using a variety of sales strategies and techniques.

In addition, Divisions that support the FDIC's efforts to resolve failed banks also face significant retirement challenges. For example, the FDIC attorneys in its Legal Division execute documents to support the FDIC's failed bank transactions and investigate professional liability claims against failed bank management. In 2022, the Legal Division's retirement-eligibility rate was 39 percent and rising to half of the Division (50 percent) in 5 years. The Division of Finance and Division of Administration also play important roles during crises through the provision of deposit insurance and receivership funding, and contracting for goods and services, respectively. DOF had retirement-eligibility rates of 39 percent for 2022 and 49 percent in 5 years. DOA staff retirement-eligibility rates were 28 percent in 2022 and increased to 45 percent in 5 years. Absent seasoned professionals from key Divisions with institutional knowledge of lessons learned from past crises, the FDIC may not be able to execute its responsibilities with respect to resolution and receivership activities.

Retirements for FDIC Subject Matter Experts. In addition, nearly a third of FDIC employees who are considered Subject Matter Experts (SME) in risk areas related to consumer compliance matters, trusts, and IT were eligible to retire at the end of 2022 (Table 2). The FDIC designates certain personnel as SMEs because of the individuals' deep understanding and experience regarding certain functions or subject areas, and retirement rates for these experts climb within the next 5 years.

Table 2: FDIC Subject Matter Expert Employee Retirement Eligibility Percentage

SME Designation	2022 (%)	2027 (%)
Consumer Compliance	39	56
Trusts	32	55
Advanced IT	31	64
Intermediate IT	21	45
Bank Secrecy Act/Anti-Money Laundering (BSA/AML)	18	45
Accounting	16	37
Capital Markets	11	30

Source: OIG analysis of RMS and DCP SME data in combination with DOA retirement data as of June 2022.

The retirement-eligibility rates for FDIC Advanced and Intermediate IT SMEs escalates at a time when cyber threats at banks and their TSPs are increasing (as noted in the Mitigating Cybersecurity Risk at Banks and Third Parties section of this Report). In 2022, Advanced IT SME retirement-eligibility rates were 31 percent rising to 64 percent in 5 years. For Intermediate IT expertise, retirement-eligibility rates for 2022 were 21 percent and increasing to 45 percent in 5 years. Similarly, retirement-eligibility rates for FDIC Consumer Compliance experts is increasing.

Executive and Managerial Retirements. As noted in Table 3, a total of 40 percent of FDIC Executives and 30 percent of FDIC Managers were eligible to retire in 2022. These rates climb to 67 percent for FDIC Executives and 56 percent for Managers in 5 years.

These retirements may result in gaps in leadership positions. Leadership gaps can cause delayed decision-making, reduced program oversight, and failure to achieve Agency goals.

Table 3: FDIC Executives and Managers Retirement Eligibility Percentage

Regional Office	2022 (%)	2027 (%)
Executives		
Atlanta	50	100
Chicago	67	80
Dallas	60	80
Kansas City	75	75
New York	20	60
San Francisco	67	100
Headquarters	37	64
All EMs	40	67
Managers		
Atlanta	18	51
Chicago	23	64
Dallas	44	71
Kansas City	41	74
New York	17	49
San Francisco	29	57
Headquarters	30	49
All CMs	30	56

Source: OIG analysis of DOA retirement data as of June 2022.

Certain FDIC Regional Offices have significantly higher retirement rates for their Executives and Managers. For example, 75 percent of all Executives in Kansas City, and 60 percent or more of the Executives from the Chicago, Dallas, and San Francisco Regional Offices were eligible to retire in 2022.

Beginning in 2023, the FDIC's Atlanta Regional Office faces a 100-percent retirement-eligibility rate for its Executives. Further, over 40 percent of the Managers in the Dallas and Kansas City Regional Offices were eligible to retire in 2022.

Addressing Increased Resignations by Examiners-in-Training

The FDIC is also facing increasing resignation rates for its examiners-in-training known as Financial Institution Specialists (FIS). As shown in Figure 6, the FDIC saw more than a doubling of FIS resignations after 2020—with 54

resignations in 2021 and another 62 resignations for the first 9 months of 2022.

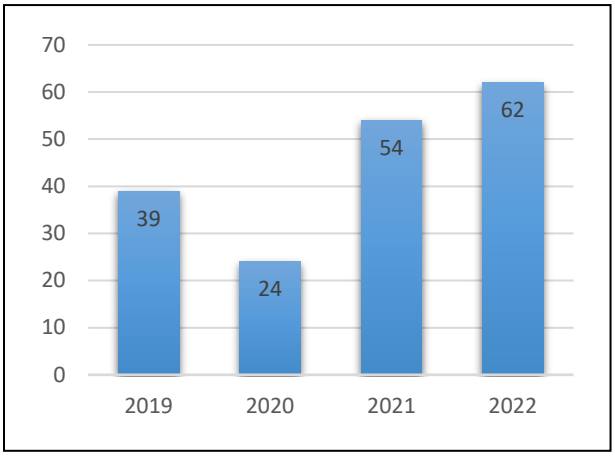
FIS resignations are costly to the FDIC. The FDIC invests in approximately 4 years of training from the time a FIS is hired until that individual earns an examination commission. Such commissioning requires that employees meet benchmarks, training, and other technical requirements, including passing a Technical Examination. Of the 62 FIS resignations in 9 months of 2022, 32 percent had 3 or more years of FDIC training, 53 percent had between 1 and 2 years of FDIC training, and 15 percent had less than one year of FDIC training. The total cost to train each new FIS is about $400,000.

Further, the departure of FIS personnel impacts FDIC succession planning and management. More than 17 percent of all current FDIC examiners were eligible to retire 2022, and this figure rises to 36 percent in 5 years (2027). Given the timeline for FIS training, the FDIC may have a limited number of new examiners to fill the positions of retiring seasoned examiners.

We had previously identified concerns with the FDIC's management of its employee retention, including a lack of established metrics or indicators to measure the effectiveness of its retention activities or actions for examination staff. In our OIG memorandum, The FDIC's Management of Employee Talent (September 2021), we found that the FDIC:

- Did not have clear goals to manage employee retention.

Figure 6: FIS Resignations by Year



Source: OIG analysis of DOA separation data 2019-September 2022.

- Did not have a systematic process for collecting and analyzing employee retention data. The FDIC did not have a systematic process to holistically capture and analyze data, and to ensure that the information flowed to the Divisions and Offices.
- Did not establish metrics or indicators to measure the effectiveness of its retention activities or actions. The FDIC could not determine whether or not its retention activities were working effectively.

We made three recommendations to improve the FDIC's management of talent at the Agency. One recommendation remains unimplemented as of the writing of this Top Challenges report.

The FDIC should continue to focus on managing its human capital lifecycle—hiring, talent management, resignations, and retirements.

Improving the FDIC's Collection, Analysis, and Use of Data

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Facilitating threat information sharing among financial sector participants; and
- Ensuring adequate data collection and analysis.

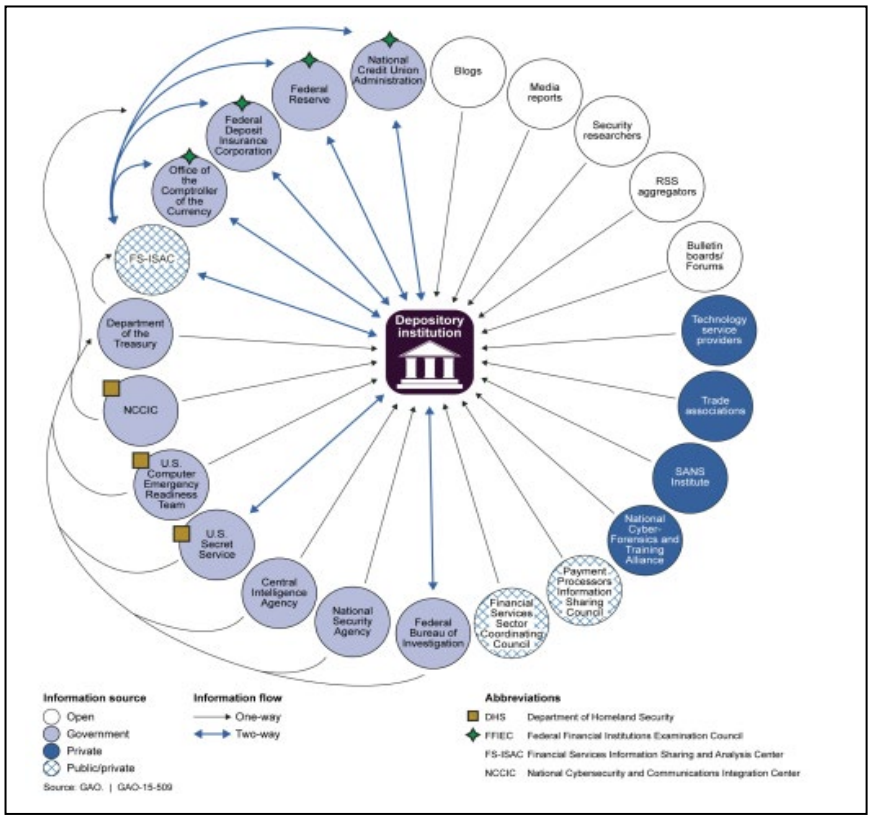
The OIG has identified Sharing of Threat Information as a Top Challenge for the FDIC since 2018.

Federal Government agencies gather a substantial volume of information related to financial institutions and their operations in the United States, and thus, relevant to FDIC supervisory and other activities. For example, Government agencies collect information about cyber threats, money laundering, and illicit financing activity.[64] Figure 7 depicts the GAO's determination of entities that hold information relevant to banks and the financial services sector.

The FDIC collects threat information relevant to the financial services sector regarding cyber attacks, money laundering, terrorist financing, pandemics, and natural disasters. Both the FSOC and OCC have encouraged greater information sharing among public and private entities to safeguard against threats to the financial sector.[65] Effective sharing of threat information helps the FDIC develop situational awareness, supports informed decision-making, enhances supervisory strategies, and assists in ensuring financial stability in the United States. According to NIST, information sharing also allows organizations to leverage "knowledge, expertise, and capabilities … to gain a more complete understanding of threats" and allows for informed decision-making.[66] Further, multiple sources of threat information can allow an organization to enrich existing information and make it actionable.

In addition, agencies may use data to understand and improve their programs and operations, and enable data-driven decision-making.[67] Federal agencies are also using sophisticated data analytics such as AI and machine learning. The FDIC should ensure that it receives and accesses actionable and relevant information regarding threats to the financial sector, analyzes such information, and shares it with its own Agency personnel and banks in order to mitigate the threats. The FDIC should also collect and analyze data in order to guide FDIC decision-making,

Figure 7: Sources of Threat Information for Financial Institutions

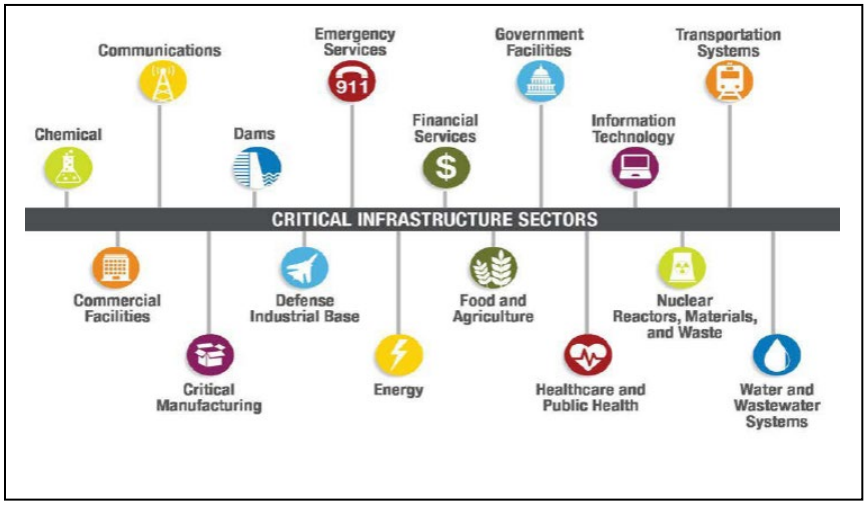


identify trends and patterns, and proactively address threats and vulnerabilities.

Facilitating Threat Information Sharing Among Financial Sector Participants

As shown in Figure 8, the FDIC is a member of the financial services sector, which is one of 16 critical infrastructure sectors with "physical and cyber systems and assets that are so vital to the United States that their incapacity or destruction would have a debilitating impact on our physical or economic security or public health or safety."[68]

Figure 8: 16 Critical Infrastructure Sectors in the U.S.



Source: DHS Critical Infrastructure Threat Sharing Framework, A Reference Guide for the Critical Infrastructure Community (October 2016).

In our OIG report, Sharing of Threat Information to Guide the Supervision of Financial Institutions (January 2022), we assessed whether the FDIC established effective processes to acquire, analyze, disseminate, and use relevant and actionable threat information to guide the supervision of financial institutions. We found that the FDIC did not establish effective processes to acquire, analyze, disseminate, and use relevant and actionable threat information to guide the supervision of financial institutions. We identified gaps in the FDIC's Threat Sharing Framework. Specifically:

- The FDIC did not establish a written governance structure to guide its threat information sharing activities;
- The FDIC had not completed or implemented a governance Charter that established a common understanding of the role for the Intelligence Support Program or defined an overall strategy and requirements for it;
- The FDIC had not developed goals, objectives, or measures to guide the performance of its Intelligence Support Program;
- The FDIC did not establish adequate policies and procedures that defined roles and responsibilities for key stakeholders involved in the threat information sharing program and activities; and
- The FDIC did not fully consider the risks discussed in our report for its Enterprise Risk Inventory and Risk Profile.

We also identified gaps in the FDIC's processes for acquiring, analyzing, and disseminating threat information, and in its processes for obtaining feedback from stakeholders regarding how the use of threat information can be improved.

We made 25 recommendations to the FDIC to close these gaps and to ensure effective sharing of threat information to guide the FDIC's supervision of financial institutions. As of this Top Challenges Report, 20 recommendations remain unimplemented. Two of the recommendations are Unresolved, which means that the FDIC has not provided an acceptable solution to resolve the recommendations. These recommendations include establishing and implementing a means to share classified information with Regional Offices, and ways

for Regional Offices to handle classified information once received.

In addition to ensuring the FDIC's receipt of relevant and actionable threat information, the FDIC should have assurances that banks obtain such threat information. We have work ongoing to determine whether the FDIC has implemented effective processes to ensure that FDIC-supervised and insured institutions receive actionable and relevant threat and vulnerability information.

Ensuring Adequate Data Collection and Analysis

The Government's Federal Data Strategy (FDS) promotes harnessing existing data; anticipating future uses of existing and potentially available data; and demonstrating responsiveness by improving data collection, analysis, and dissemination by seeking input from users and stakeholders. The FDS also highlights the critical importance of sharing data among Government agencies to inform decision-making and allow for thorough analyses.

The FDIC should have reliable data for decision-making at all levels of the Agency and to enable the FDIC Board to exercise its governance responsibilities. Further, the FDIC should have capabilities to analyze data to identify important trends. Incorrect, incomplete, and otherwise faulty data can lead to ineffective decision-making especially when data is the basis for policy determinations. Therefore, it is critical that the FDIC support and maintain data integrity.

In our recent OIG audits, evaluations, and reviews, we have found several examples of significant shortcomings in FDIC data, including:

- **Inadequate Use and Analysis of FDIC Data.** In our OIG review, Implementation of the FDIC's Information Technology Risk Examination (InTREx) Program (January 2023), we found that the FDIC is not fully utilizing available tools and data to improve the effectiveness of the FDIC's IT examination program and to identify emerging risks at financial institutions. In 2017, the FDIC developed a tool to conduct analysis of unstructured data from IT examinations to improve IT examinations. However, the FDIC had not used the tool's analytics measures in the past 4 years (since 2018). In our OIG review, Sharing of Threat Information to Guide the Supervision of Financial Institutions (January 2022), we found that the FDIC was not performing trend analysis of data collected by FDIC examiners, such as those available in electronic documents and other supervisory records, nor had the FDIC established procedures to guide its data analysis. In our OIG report, The FDIC's Management of Employee Talent (September 2021), we found that the FDIC did not have a process for collecting and analyzing the various types of data that can be used to assess employee retention across the Agency as part of its talent management strategy. Specifically, the FDIC did not have a systematic process to holistically capture and analyze data, and to ensure that the information flowed to the FDIC Divisions and Offices.

- **Unreliable Data and Incorrect Reporting.** In four OIG reports, we found that FDIC data was unreliable, and in one report, unreliable data led to inaccurate reports to the FDIC Board of Directors.

  - In our OIG evaluation, Termination of Bank Secrecy Act/Anti-Money Laundering

Consent Orders (December 2021), we found that the FDIC did not consistently track Consent Order termination data in its system of record. As a result, the FDIC provided nine incorrect reports to the FDIC Board of Directors concerning enforcement actions; and did not report three BSA/AML Consent Order terminations in a quarterly report to FinCEN.

- In our OIG evaluation, The FDIC's Personnel Security and Suitability Program (January 2021), we found that contractor position risk levels recorded in FDIC systems were unreliable. As a result, the FDIC could not determine whether these contractors received background investigations commensurate with their positions. We also found that FDIC systems were missing data for employee and contractor preliminary background investigation completion dates.

- In our OIG audit, FDIC's Compliance under the Digital Accountability and Transparency Act of 2014 (November 2021), we found that the FDIC's submission of financial and award data excluded information for the Federal Savings and Loan Insurance Corporation Resolution Fund and the Resolution Trust Corporation.

- In our OIG evaluation, Reliability of Data in the FDIC Virtual Supervisory Information on the Net System (November 2021), we found that two of the four key data elements we tested in the FDIC's ViSION system, were not reliable. Errors in either date increase the risk of inaccurate reporting of examination performance metrics to FDIC management.

The FDIC has addressed the recommendations in these reports.

A key element to ensuring financial stability is the flow of timely and actionable threat information from across the Federal Government. Banks' receipt of threat information allows them to take mitigating action. Threat information also assists the FDIC in conducting bank examinations, implementing supervisory approaches, and making policy determinations. In addition, analysis of reliable and accurate FDIC program data facilitates measurement and assessment of FDIC programs by the FDIC Board and senior management.

Strengthening FDIC Contracting and Supply Chain Management

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Addressing continued weaknesses in FDIC contracting systems and processes;
- Managing the FDIC's supply chain; and
- Ensuring whistleblower rights and protections for contractor personnel.

The OIG has identified Contracting and Supply Chain Management as a Top Challenge for the FDIC since 2018.

The FDIC awards nearly $600 million in contracts every year. Over a 5-year period, the FDIC awarded more than 2,600 contracts valued at $2.85 billion. The FDIC procures goods and services, including for the continuity of its operations, IT systems support, legal services, and resolution and receivership activities. For its IT needs alone, the FDIC contracts for about $400 million per year, and the Agency has more than 3,700 contract employees. The FDIC should have an effective internal control environment and culture to ensure that its procurements are timely, cost-effective, and within the terms of the awards.

Goods and services should also be rendered to the FDIC through secure supply chains. The Federal Government has acknowledged the need for secure supply chains in order to maintain its economic strength and national security.[69] On November 16, 2022, CISA issued an alert that a Federal Executive Branch Agency's network was compromised through a software vulnerability.[70] In this instance, the threat actors exploited unpatched vulnerabilities in a server, were able to move laterally throughout the network, compromised credentials, and implanted mining and other software.

The FDIC also should ensure that its contract employees are able to report fraud, waste, abuse, and mismanagement at the Agency without fear of retaliation or reprisal, and that they are aware of their whistleblower rights and protections.

Addressing Continued Weaknesses in FDIC Contracting Systems and Processes

FDIC contracting efforts require significant improvement. The former FDIC Chairman recognized the urgent need for improvements in the area of contract oversight management. In June 2021, the former FDIC Chairman acknowledged that "[i]n the last 10 years, the [FDIC CIOO] has been the subject of 303 recommendations from the [OIG] or the GAO. Roughly 61 of these recommendations, or 20 percent, related to program management or acquisition issues. About 62 reflected inadequate policies, procedures or program documentation."[71] Further, the former FDIC Chairman stated that "[t]he FDIC acquisition process has also been routinely criticized during this period with [an] additional 55 contracting recommendations. ...[t]hey point to systemic cultural shortfalls that must be remedied."

In March 2021, the FDIC began moving its entire acquisition processes to a new procurement system known as the FDIC Acquisition Management System (FAMS). In June 2022, FAMS was deployed to all users. However, in September 2022, just 16 months later, the Agency decided to revert back to its earlier system known as the Automated Procurement System (APS) and reassess the use of FAMS. The FDIC installed FAMS at a cost of $7.6 million and more than 8,300 staff hours. In order for the FDIC to transition from FAMS back to APS,

Agency personnel needed to manually enter contracts into the old APS. We have work planned to assess the FAMS procurement.

Also, in our OIG evaluation, Contract Oversight Management (October 2019), we determined that the APS had limited data and reporting capabilities for Agency-wide oversight of its contract portfolio. We found that the FDIC was overseeing acquisitions on a contract-by-contract basis, rather than on a portfolio basis. Therefore, the FDIC did not have an effective contracting management information system to readily gather, analyze, and report portfolio-wide contract information across the Agency. As a result, FDIC Board Members and other senior management officials were not provided with a portfolio-wide view or the ability to analyze historical contracting trends across the portfolio, identify anomalies, and perform ad hoc analyses to identify risks or plan for future acquisitions. We recommended that the FDIC provide enhanced contract portfolio reports to FDIC Executives, senior management, and the Board of Directors. This recommendation remains unimplemented since the issuance of the report more than 3 years ago.

For the past 2 years, the GAO has also identified significant deficiencies in the FDIC's internal controls over financial reporting related to FDIC contracting. In 2020, the GAO identified deficiencies in the FDIC's controls over contract payment review processes and stated that "the FDIC cannot reasonably assure internal controls over contract payments are operating effectively, which increases the risks of improper payments and financial statement misstatements."[72] In 2021, the GAO identified significant deficiencies in the FDIC's controls over contract payment review and documentation processes. The GAO noted that the deficiencies may have resulted in a "misstatement in unaudited financial information FDIC reported internally and externally."[73]

Further, in our OIG evaluation, Critical Functions in FDIC Contracts (March 2021), we found that the FDIC did not have policies and procedures to identify Critical Functions at the Agency, nor did it implement any heightened monitoring of these Critical Functions.[74] Therefore, the FDIC could not be assured that it would provide sufficient management oversight of contractors performing Critical Functions or supervision to ensure that the Agency did not lose control of its mission or operations. We made 13 recommendations to strengthen the FDIC's identification and monitoring of contracts involving Critical Functions, and as of the date of this Top Challenges Report, 12 recommendations remain unimplemented. We have additional work ongoing to assess other FDIC contracts.

Managing the FDIC's Supply Chain

According to NIST, organizations face risks that the products and services they acquire "may contain potentially malicious functionality, are counterfeit, or are vulnerable to poor manufacturing and development practices within the supply chain."[75] An agency may have reduced visibility, understanding, and control of these risks when its vendors rely on second- and third-tier suppliers and service providers. The GAO noted that Federal agencies face supply chain risks, "including threats posed by malicious actors who may exploit vulnerabilities in the supply chain, and, thus compromise the confidentiality, integrity, or availability of an organization's systems and the information they contain."[76]

Because the FDIC is a financial regulator and holds vast amounts of sensitive and nonpublic information, adversaries may seek to disrupt the Agency's operations, programs, and functions and may manipulate or exploit the sensitive information for their own purpose or benefit. As noted by NIST, "adversaries are using the supply chain as an attack vector and [as an] effective means of penetrating [United

States' public and private] systems, compromising the integrity of system elements, and gaining access to critical assets."[77]

In our OIG report, The FDIC's Implementation of Supply Chain Risk Management (March 2022), we examined whether the FDIC developed and implemented its SCRM Program in alignment with the Agency's objectives and best practices. We found that the FDIC was not conducting supply chain risk assessments in accordance with best practices. Specifically:

- The FDIC had not identified known risks to the FDIC's supply chain;
- The FDIC did not define a risk management framework to evaluate risks to non-IT procurements; and
- The FDIC had not established metrics and indicators related to continuous monitoring and evaluation of supply chain risks.

Absent SCRM implementation and risk assessments, supply chain risks could compromise FDIC IT and data and provide adversaries a means to exfiltrate sensitive information such as confidential bank examination information. Further, the FDIC's supply chain could compromise the products, services, and facilities that enable the FDIC to perform its mission.

We made nine recommendations to the FDIC to improve its SCRM program and ensure contract document retention. As of the date of this Top Challenges Report, six recommendations remain unimplemented, nearly a year after issuance of our report.

In our OIG report, the FDIC's Information Security Program—2022 (September 2022), we similarly found that the FDIC had not yet developed its policies and procedures to address SCRM.

Ensuring Whistleblower Rights and Protections for Contractor Personnel

In our OIG report, Whistleblower Rights and Protections for FDIC Contractors (January 2022), we found that the FDIC had not aligned its procedures and processes with laws, regulations, and policies designed to ensure notice to contractor and subcontractor employees about their whistleblower rights and protections. The FDIC also did not always comply with the requirements to notify contractors of their whistleblower rights and protections.

The FDIC's Legal Division did not adopt any whistleblower rights notification provisions for contractors or include any whistleblower clauses in its contracts. The FDIC also did not verify that contractors and subcontractors notified employees of their whistleblower rights and protections. We made nine recommendations to improve the FDIC's compliance with legal requirements for whistleblower contractor clauses. As of this Top Challenges Report, four recommendations remain unimplemented, more than a year after issuance of our report.

Contract and supply chain management are critical to the FDIC's mission. Absent an accountable organizational culture and effective internal controls, the FDIC may not have insight into the reliability and integrity of the supply chain for its procured goods and services. Further, absent whistleblower protections, contractors may not report waste, fraud, and abuse in FDIC contracts.

Implementing Effective Governance at the FDIC

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Capturing the FDIC's enterprise risks;
- Addressing repeat and unimplemented recommendations in a timely manner;
- Using outcome measures of performance;
- Explaining whether the FDIC will follow Executive Branch guidance; and
- Ensuring the validity and efficacy of FDIC rulemaking.

The OIG has identified Governance as a Top Challenge at the FDIC since 2018.

The FDIC Board of Directors (FDIC Board) and senior officials are responsible for the governance of the FDIC.[78] Governance refers to a management framework that incorporates operational, financial, risk management, and reporting processes, so that FDIC Board members and senior officials can effectively plan, govern, and meet strategic objectives.[79] A governance framework should ensure strategic guidance, effective monitoring of management, and accountability to stakeholders.[80] Effective governance is critical to ensure that the FDIC assesses and addresses risks—especially those identified in this Report. Governance also should ensure consistent implementation of FDIC policies and effective rulemaking.

Capturing the FDIC's Enterprise Risks

An important role for the FDIC Board is oversight of the Agency's ERM program.[81] ERM is an essential component of governance that provides an entity-wide view of the full spectrum of internal and external risks facing an organization.

Effective ERM provides information to FDIC Board members and senior officials, so that they can allocate resources appropriately, effectively prioritize and proactively manage risk, improve the flow of risk information, and work towards achieving the FDIC's mission. Further, the FDIC should use its ERM process whenever it makes significant decisions or organizational changes affecting the enterprise. Absent robust identification, assessment, and mitigation of these risks, and the use of ERM in FDIC decision-making, the FDIC may be hindered in its ability to achieve its mission.

In our OIG evaluation, The FDIC's Implementation of Enterprise Risk Management (July 2020), we determined that ERM was not fully implemented at the FDIC, and, therefore, proper execution of program activities, roles, and responsibilities had yet to take place. In recent OIG reports issued since that time, we continue to find that the FDIC has not considered or captured important internal and external risks into its ERM processes. For example:

Contracting. In our OIG report Critical Functions in FDIC Contracts (March 2021), we found that the FDIC's Risk Inventory did not recognize procured Critical Functions as a separate and distinct risk, or as an analytical factor in determining inherent or residual risk associated with cybersecurity and privacy support services. As a result, the FDIC relied heavily on a contractor to mitigate controls for potential FDIC cyber-attacks and/or data breach losses.

Climate-related Financial Risk. In our Top Challenges Report for 2021,

we noted that the FDIC's ERM program had not fully considered the financial risks associated with climate change as identified in the FSOC Climate Report. Absent identification of climate-related risk within the ERM program, the FDIC budget, staff, and efforts did not focus on identifying and addressing related risks. In November 2022, the FDIC added climate-related risks to its ERM program.

Operations in a Continuing Hybrid Work Environment. The FDIC has not identified risks for its hybrid work model. Beginning in September 2022, 80 percent of FDIC staff chose a home-based work option, meaning their home has become their primary place of work. The FDIC has not assessed how its new hybrid environment may impact the FDIC's crisis readiness.

Sharing of Threat Information. In our OIG report, Sharing of Threat Information to Guide the Supervision of Financial Institutions (January 2022), we found that the FDIC did not establish effective processes to acquire, analyze, disseminate, and use relevant and actionable threat information to guide the supervision of financial institutions. The FDIC had not included threat sharing as an ERM risk.

Addressing Repeat and Unimplemented Recommendations in a Timely Manner

The FDIC Board and senior officials should ensure that program weaknesses are promptly resolved and remediated in a timely manner. If recommendations are not addressed expeditiously, the FDIC faces an increased likelihood that the underlying vulnerabilities or deficiencies will continue or recur until remediated by the FDIC. Therefore, the FDIC should prioritize the corrective actions intended to address the recommended improvements, in line with the timing and representations made by the Agency at the time of our reports, and it should allocate sufficient resources to implement such corrective actions.

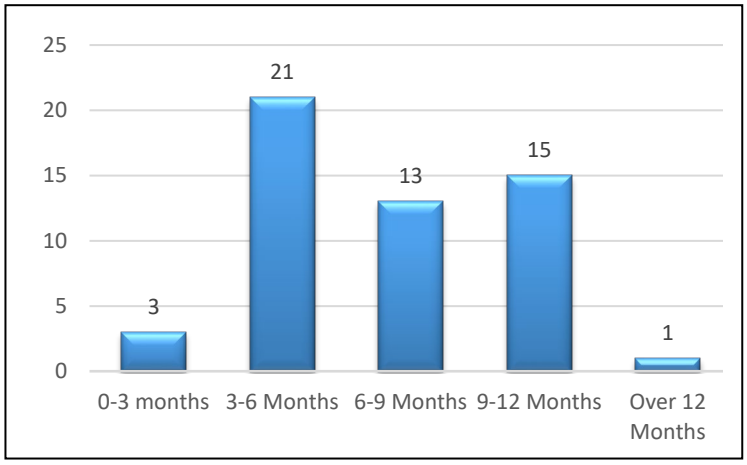
The OIG has made repeated recommendations for several programs and processes at the FDIC, including:

- **Cybersecurity Vulnerabilities.** In each of our past five annual OIG reviews of FDIC Information Security (2018 through 2022), we reported weaknesses related to the FDIC's management of Administrative Accounts. Weaknesses in the FDIC's processes for managing Administrative Accounts increase the risk of unauthorized activity, such as individuals accessing, modifying, deleting, or exfiltrating sensitive information. We also found that the FDIC has not taken timely action or has not addressed POA&Ms, which is a management tool used by the Agency to track the progress of corrective actions pertaining to security vulnerabilities identified through security control assessments and other sources. Without consistently addressing control deficiencies in a timely manner, FDIC data is vulnerable to security exploits from unmitigated threats.

- **Weaknesses in the FDIC's Personnel Security and Suitability Program.** In our OIG evaluation, The FDIC's Personnel Security and Suitability Program (PSSP) (January 2021), we found several deficiencies that were similar to those identified in previous reports—including our OIG evaluation of the FDIC's PSSP conducted 6 years earlier in 2014. Specifically, a number of issues had not been corrected, including: Completing preliminary background investigations within allowed timeframes; Keeping records of background investigation documentation; Ensuring that background investigation levels match an individual's position risk; and Ensuring the reliability of background investigation data in FDIC systems. Similarly, in our OIG Management Advisory Memorandum, Background Investigations for Privileged Account Holders (June 6, 2022), we identified that the FDIC did not have adequate controls to ensure that certain contractors and employees who require privileged access to FDIC information systems and data had background investigations commensurate with their positions. As a result, the FDIC could not be sure that certain employees and contractors who were granted privileged access to the FDIC's information systems and related data subsequent to their onboarding would have an appropriate risk designation level and related background investigations.

Further, for 73 percent of the outstanding OIG report recommendations (53 of 73 recommendations), the FDIC amended its initial corrective action completion dates several times. At the time of the issuance of an OIG report, the FDIC sets the timeframe to implement changes to address OIG recommendations. In general, it takes the FDIC an average of 8 months to take corrective action. However, when the FDIC extends its implementation timeframe, the weaknesses that we identified continue to persist. As shown in Figure 9, the FDIC amended its implementation dates by moving them from 3 to more than 12 months beyond the FDIC's initial implementation dates.

Figure 9: FDIC Extension of Corrective Action Dates



Source: OIG analysis of corrective action dates and extensions.

Using Outcome Measures of Performance

The GPRA Modernization Act of 2010 requires that agencies measure program performance. Further, according to the GAO, "[p]erformance measures may address the direct products and services delivered by a program (outputs), or the results of those products and services (outcomes)." The GAO noted that "agencies should make every attempt to identify and use outcome goals whenever possible to reflect the results of their activities."[82] The key to outcome-oriented performance measures is that they allow an agency to assess whether it is meeting a program's strategic objectives.

We found instances where the FDIC either did not have program performance measures in place, or used output rather than outcome measures to assess program

performance. As a result, the FDIC cannot assess whether its programs are achieving the desired outcomes. For example, in our report Implementation of the FDIC's Information Technology Risk Examination (InTREx) Program (January 2023), we found that the FDIC established goals focused on improving the FDIC's supervision program, but did not have a way to measure the outcome of this goal. Without establishing metrics for the FDIC's IT examinations, the FDIC is unable to determine whether its IT examination activities under the InTREx Program are achieving their desired outcomes or results.

The GAO's report, Banking Services: Regulators Have Taken Actions to Increase Access, but Measurement of Actions' Effectiveness Could be Improved (February 2022), found that the FDIC lacked outcome-oriented measures to assess FDIC efforts to increase banking access for unbanked and underbanked individuals. For example, the GAO stated, the "FDIC piloted a public awareness campaign on the benefits of bank accounts. Yet, its measures indicate only whether a task was completed and do not incorporate information on the outcomes (which could be used to assess the activities)."

Also, in our OIG Memorandum, The FDIC's Management of Employee Talent (September 2021), we found that the FDIC had not established metrics or indicators to measure the effectiveness of its retention activities or actions for examination staff. Instead, the FDIC tracked its "inputs" – that is, the implementation status of the activities or actions designed to meet its employee retention goals. The FDIC did not measure whether its activities were achieving their desired outcomes or results. Thus, the FDIC could not determine whether its retention activities were working effectively nor how to make improvements to its processes.

Explaining Whether the FDIC Will Follow Executive Branch Guidance

The Executive Branch regularly issues guidance for Federal agencies, in the form of Executive Orders, Presidential Directives, Office of Management and Budget (OMB) Circulars and Memoranda, and NIST guidance. Such guidance often addresses risks in operational areas, such as information technology, security, privacy, contracting, and risk management. The policies and guidance provide best practices that Executive Branch agencies should implement to mitigate operational risks.

The FDIC makes policy decisions to sometimes follow such requirements, and other times not. It is not clear under what circumstances and which specific portions or provisions of the policies or guidance are to be followed. Ambiguity in the FDIC's determinations and lack of clarity may result in inconsistencies with other agencies (including other bank regulators) and may cause uncertainty and confusion among FDIC employees in the application of such policies and guidance. For example, in our OIG report, Whistleblower Rights and Protections for FDIC Contractors (January 2022), we found that the FDIC's DOA Acquisition Services Branch voluntarily adopted some of the Federal whistleblower provisions and requirements for insertion into its contracts. However, the FDIC's Legal Division, under its separately delegated contracting authority, did not operate consistently with the FDIC's DOA. The FDIC Legal Division had neither adopted any whistleblower rights notification provisions for contractors nor included any whistleblower clauses in its contracts. We also found that FDIC procedures and processes were not aligned with laws, regulations, and policies designed to ensure notice to contractor and subcontractor employees about their whistleblower rights and protections.

Further, in our recent OIG reports, we found that when the FDIC did not implement Executive Branch guidance regarding administration, management, and governance, its programs incurred risks that these policies were intended and designed to address or mitigate:

- **Contracting:** The OMB issued Policy Letter 11-01 to provide Federal agencies with guidance on managing contracts for the performance of Critical Functions.[83] The FDIC's Legal Division concluded that the Policy Letter did not apply to the FDIC, but it may be used for guidance. In our OIG evaluation, Critical Functions in FDIC Contracts (March 2021), we found that the FDIC did not have policies and procedures for identifying Critical Functions in its contracts, as recommended by the OMB Policy Letter. Without these practices, the FDIC could not be assured that it will provide sufficient management oversight of contractors performing Critical Functions.

- **Enterprise Risk Management:** In 2016, in an effort to modernize existing agency risk management efforts across the Federal Government, the OMB updated its Circular A-123.[84] The FDIC took the position that it was not required to follow OMB Circular A-123. As noted earlier, in our OIG evaluation, The FDIC's Implementation of Enterprise Risk Management (July 2020), we found that the FDIC did not fully implement its ERM program in accordance with OMB criteria. Specifically, the FDIC did not establish a clear governance structure, and clearly define authorities, roles, and responsibilities related to ERM. Further, the FDIC did not clearly define the roles, responsibilities, and processes of the committees and groups involved in ERM.

- **Rulemaking Cost Benefit Analysis:** In our report, Cost Benefit Analysis Process for Rulemaking (February 2020), we found that the FDIC did not follow identified best practices from Executive Orders, the GAO, and other Federal agencies to establish and document a process for determining when to perform cost benefit analyses and how the analyses should be conducted. We made five recommendations to improve the FDIC's cost benefit analyses. The FDIC has implemented all five recommendations.

The FDIC should clearly articulate and explain its determinations regarding whether or not to follow Executive Branch policies and guidance, and it should be transparent under what circumstances and which specific portions or provisions of the policies or guidance are to be followed. Consistent analysis and application, and documentation of these decisions would enhance public confidence and transparency of FDIC operations, programs, and functions.

Ensuring the Validity and Efficacy of FDIC Rulemaking

On October 19, 2022, the U.S. Court of Appeals for the Fifth Circuit ruled that the funding of the Bureau of Consumer Financial Protection (CFPB) violated the appropriations clause of the Constitution and, as a result, the CFPB's Payday Lending Rule was invalid.[85] The CFPB receives it funding from the Federal Reserve, which is funded through bank assessments. The Court explained that this funding structure is not subject to the Congressional appropriations process and therefore violated the Appropriations

Clause. There is a risk that the Fifth Circuit's ruling could also be applied to the FDIC. The FDIC is funded outside of the Congressional appropriations process through bank assessments (similar to the Federal Reserve).

Also, FDIC rulemaking should be a transparent process that analyzes the need for bank regulation and the compliance burden placed on banks. A foundational component of transparent rulemaking is the FDIC's access to reliable information to measure a regulation's costs and benefits.

Effective governance is critical to ensure proper oversight of the FDIC and the accomplishment of its mission. The FDIC Board and management should ensure that the FDIC is identifying and managing risks through an effective ERM program and promptly addressing recommendations made by the OIG and GAO to address identified risks. The FDIC should measure program effectiveness by establishing outcome measurements and also address whether the FDIC will follow Executive Branch guidance. The FDIC should ensure the validity of its rulemaking and ensure that rules are premised on solid cost benefit analyses.

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[1] Board of Governors of the Federal Reserve, *Financial Stability Report* (May 2022).
[2] FSOC, *Report on Digital Asset Financial Stability Risks and Regulation* (2022); FSOC, *Report on Climate-Related Financial Risk* (2021); FSOC *Annual Report 2022*.
[3] European Central Bank Working Paper Series, *A Wake-up Call Theory of Contagion* (May 2022).
[4] OECD, *Financial Markets and Climate Transition, Opportunities, Challenges and Policy Implications* (April 10, 2021).
[5] Rainforest Action Network, *Banking on Climate Chaos, Fossil Fuel Finance Report 2022* (March 30, 2022).
[6] Journal of Finance, *Did FinTech Lender Facilitate PPP Fraud?* (August 18 2021, revised August 17, 2022).
[7] According to the Government Accountability Office, "[t]he Dodd-Frank Act does not use the term 'systemically important financial institution (SIFI).' This term is commonly used by academics and other experts to refer to bank holding companies with $50 billion or more in total consolidated assets and nonbank financial companies designated by the Financial Stability Oversight Council." GAO, *Bank Regulation: Lessons Learned and a Framework for Monitoring Emerging Risks and Regulatory Response* (June 2015).
[8] 12 USC § 5326. Bear Sterns and AIG received loans through the Federal Reserve Bank of New York, but Lehman Brothers did not receive loans.
[9] Notice and request for comment, Federal Register, *Resolution of Systemically Important Financial Institutions: The Single Point of Entry Strategy* 78 Fed. Reg. 76,614 (December 18, 2013); Notice extension of comment period, Federal Register, *Resolution of a Systemically Important Financial Institution: The Single Point of Entry Strategy* 79 Fed. Reg. 9,899 (February 21, 2014).
[10] In 2013, the OIG reviewed FDIC OLA planning efforts. In our report, *The FDIC's Progress in Implementing Systemic Resolution Authorities* (November 2013), we found that more work needed to be done by the FDIC to establish an FDIC-wide capability to implement systemic resolutions under the Dodd-Frank Act. As a result, we made six recommendations aimed at enhancing the FDIC's long-term strategic planning efforts, strengthening coordination among FDIC Divisions, and building out the Office of Complex Financial Institution's infrastructure to support systemic resolution activities. The FDIC provided a plan for future actions to implement these recommendations. The OIG closed the recommendations based on the FDIC's plans for future actions and stated that the OIG would continue to monitor the FDIC progress. In 2017, the OIG revised its process and now reviews all corrective actions to determine whether the FDIC's actions satisfy the recommendation before the recommendation is considered closed.
[11] The Financial Stability Board (FSB) has designated the following U.S.-based companies as "global systemically important banks": Bank of America, Bank of New York Mellon, Citigroup, Goldman Sachs, JP Morgan Chase, Morgan Stanley, State Street Corporation, and Wells Fargo. The FSB is an international body that monitors and makes recommendations about the global financial system. The FSB publishes annually a list of GSIBs using calendar year-end data and an assessment methodology designed by the Basel Committee on Banking Supervision (BCBS). The FSB, consulting with BCBS and national authorities, has identified GSIBs since 2011.
[12] Foreign GSIBs that have systemically important operations in the United States include: Barclays, Credit Suisse, Deutsche Bank, HSBC, and UBS.
[13] Financial Market Utilities are multilateral systems that provide infrastructure for transferring, clearing, and settling payments, securities, and other financial transactions among financial institutions or between financial institutions and the clearing/settlement system. FSOC was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and is responsible for identifying threats to the financial stability of the country, promoting market discipline, and responding to emerging risks to the stability of the

Nation's financial system. FSOC consists of 10 voting members and 5 non-voting members. FSOC voting members include: The Secretary of the Treasury, Chairman of the Board of Governors of the Federal Reserve System, Comptroller of the Currency, Director of the Bureau of Consumer Financial Protection, Chairman of the Securities and Exchange Commission, Chairman of the Federal Deposit Insurance Corporation, Chairman of the Commodity Futures Trading Commission, Director of the Federal Housing Finance Agency, Chairman of the National Credit Union Administration, and an independent member having insurance expertise who is appointed by the President and confirmed by the Senate for a 6-year term. The non-voting members include the Director of the Office of Financial Research, the Director of the Federal Insurance Office, a state banking supervisor, state insurance commissioner, and state securities commissioner.

[14] The Dodd-Frank Act created the Council of Inspectors General on Financial Oversight (CIGFO) to oversee the activities of the Financial Stability Oversight Council. CIGFO is chaired by the Inspector General of the Department of the Treasury and its membership includes the Inspectors General of the Board of Governors of the Federal Reserve System, Commodity Futures Trading Commission, Department of Housing and Urban Development, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, National Credit Union Administration, Securities and Exchange Commission, and Special Inspector General for the Troubled Asset Relief Program.

[15] Statement of Martin J. Gruenberg, Acting Chairman, FDIC, before the United States Senate, Committee on Banking, Housing, and Urban Affairs, *Oversight of Financial Regulators: A Strong Banking System for Main Street* (November 15, 2022).

[16] OCC Bulletin 2021-34, *Small Business Administration Lending: Risk Management Principles* (August 5, 2021). Additional risks include: **Operational risk:** A financial institution that does not have staff with the requisite knowledge of Government-guaranteed loan program requirements may realize losses due to its inability to operate within the Government-guaranteed loan program requirements. **Compliance risk:** A financial institution that does not comply with the Government-guaranteed loan program requirements could face civil money penalties or restitution. **Liquidity Risk**: Financial institutions can sell Government-guaranteed loans in the secondary market at a premium, which increases liquidity. **Reputation risk:** A financial institution that haphazardly engages in Government-guaranteed loan programs can result in negative public opinion or costly litigation. **Strategic risk:** A financial institution that makes a strategic decision to only originate Government-guaranteed loans may realize reduced revenue, resulting in operating losses if a Federal agency suspends its ability to originate Government-guaranteed loans.

[17] Congress of the United States, House of Representatives, Select Committee on the Coronavirus Crisis, Staff Report, *"We Are Not The Fraud Police": How Fintechs Facilitated Fraud In The Paycheck Protection Program* (December 2022).

[18] Department of Commerce, International Trade Administration, *Russia – Country Commercial Guide, Sanctions Framework* (July 21, 2022).

[19] FinCEN, *FinCEN Advises Increased Vigilance for Potential Russian Sanctions Evasion Attempts* (March 7, 2022).

[20] Verizon data showed that the financial industry accounted for 690 data breaches (13 percent) of the 5,212 data breaches reviewed in 2021.

[21] VMWare, *Modern Bank Heist 5.0* (April 2022).

[22] Fitch Ratings, *Exploratory Research: Quantifying U.S. Bank Systemic Cybersecurity Risk* (August 10, 2021).

[23] American Banker, *Small New York bank reports data breach* (March 14, 2022).

[24] Remarks by Acting Comptroller of the Currency Michael J. Hsu before the Joint Meeting of the Financial and Banking Information Infrastructure Committee and the Financial Services Sector Coordinating Council (August 2, 2022).

[25] OCC Semiannual Risk Perspective Spring 2022.

[26] VMWARE, *Modern Bank Heist 5.0* (April 20, 2022). Island hopping refers to infiltrating a bank through its vendor relationships that are also known as its third parties.

[27] VMWare, *Modern Bank Heist 5.0* (April 2022).

[28] See *Proposed Interagency Guidance on Third-Party Relationships: Risk Management*, 86 Fed. Reg. 38,182 (September 17, 2021).

[29] Final Rule, *Computer-Security Incident Notification Requirements for Banking Organizations and Their Bank Service Providers*, 86 Fed. Reg. 66,424 (November 23, 2021).

[30] 12 C.F.R. § 304.22(b)(7).

[31] The 41 banks include banks supervised by the FDIC and other regulators.

[32] ViSION is the FDIC's **V**irtual **S**upervisory **I**nformation **O**n the **N**et.

[33] Cointelegraph, *Total Crypto Market Cap Falls to $840 billion, but Derivatives Data Show Traders are Neutral* (December 8, 2022).

[34] The Washington Post, *These Banks Were Left Holding the Bag in Crypto Implosion* (November 23, 2022).

[35] Wall Street Journal, *Silvergate Raced to Cover $8.1 Billion in Withdrawals During Crypto Meltdown* (January 5, 2023); Wolf Street, *Crypto-Bank Silvergate Details its Own Implosion, Much of its Equity Capital Wiped Out, I'm waiting for the FDIC to Show Up* (January 5, 2023).

[36] American Banker, *What the Indictments Against FTX's Sam Bankman-Fried Means for Banks* (December 28, 2022); Forbes, *Why Did FTX Buy Into a U.S. Bank Owned by a Co-Creator of 'Inspector Gadget'* (December 2, 2022).

[37] Basel Committee on Banking Supervision, *Discussion Paper: Designing a Prudential Treatment for Crypto-assets* (May 2021).

[38] FinCEN, *Advisory on Illicit Activity Involving Convertible Virtual Currency* (May 9, 2019).
[39] Federal Trade Commission, *Reported Crypto Scam Losses Since 2021 Top $1 Billion, Says DTC Data Spotlight* (June 3, 2022).
[40] Reuters, *Cryptocurrency and Anti-money laundering Enforcement* (September 26, 2022).
[41] The Department of Justice has noted the importance of training and retaining investigators and prosecutors to handle changing and complex digital asset-related matters such as money laundering. See Department of Justice, *The Role of Law Enforcement In Detecting, Investigating, and Prosecuting Criminal Activity Related to Digital Assets* (September 2022).
[42] Final Rule, *False Advertising, Misrepresentation of Insured Status, and Misuse of the FDIC's Name or Logo* (June 2, 2022).
[43] FDIC Press Release, *FDIC and Federal Reserve Issue Letter Demanding Voyager Digital Cease and Desist from Making False or Misleading Representations of Deposit Insurance Status* (July 28, 2022).
[44]Forbes, *Binance.US Is Not Buying Voyager's Crypto Assets for $1.02 Billion. Here's What Really Happening* (December 19, 2022). Bloomberg, *Voyager Customers With Frozen Savings on "Edge of Seat" Ahead of Auction* (September 12, 2022); CNBC, *Voyager Customer Lost $1 Million Saved Over 24 Years And Is One Of the Many Now Desperate To Recoup Funds* (August 15, 2022).
[45] *Joint Letter Regarding Potential Violations of Section 18(a)(4) of the Federal Deposit Insurance Act* (July 28, 2022).
[46] Financial Institution Letter 35-2022, *Advisory to FDIC-Insured Institutions Regarding Deposit Insurance and Dealings with Crypto Companies* (July 29, 2022).
[47] FDIC Press Release, *FDIC Issues Cease and Desist Letters to Five Companies For Making Crypto-Related False or Misleading Representations about Deposit Insurance* (August 19, 2022).
[48] The World Bank, *Financial Inclusion*.
[49] Federal Reserve Board FED Notes, *Wealth Inequality and the Racial Wealth Gap* (October 22, 2021).
[50] The FDIC's Economic Inclusion Strategic Plan is intended to promote the widespread use of affordable and sustainable products and services from insured depository institutions that help consumers meet their financial goals.
[51] GAO, *Banking Services: Regulators Have Taken Actions to Increase Access, but Measurement of Actions' Effectiveness Could Be Improved* (February 2022).
[52] The *Blueprint for an AI Bill of Rights* is intended to support the development of policies and practices that protect civil rights and promote democratic values in the building, deployment, and governance of automated systems. However the Blueprint is non-binding and does not constitute U.S. Policy.
[53] Federal Register, *Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning*, 86 Fed. Reg.16,837 (March 31, 2021).
[54] CISA, *Binding Operational Directive 22-01-Reducing the Significant Risk of Known Exploited Vulnerabilities* (November 3, 2021).
[55] GAO, *High Risk Area: Ensuring Cybersecurity of the Nation*.
[56] Executive Office of the President of the United States, *Federal Information Security Modernization Act of 2014 Annual Report to Congress Fiscal Year 2021*.
[57] CISA Alert (AA-22-320A) *Iranian Government-Sponsored Actors Compromise Federal Network, Deploy Crypto Miner, Credential Harvest* (November 16, 2022).
[58] CISA, *Binding Operational Directive 22-01-Reducing the Significant Risk of Known Exploited Vulnerabilities* (November 3, 2021).
[59] 12 C.F.R. Parts 309, 310.
[60] GAO Snapshot, *Cloud Computing: Federal Agencies Face Four Challenges* (September 2022).
[61] FDIC Directive 2120.1, *Personnel Security and Suitability Program for Applicants and Employees* (updated January 15, 2020).
[62] GAO, *Privacy: Federal Financial Regulators Should Take Additional Actions to Enhance Their Protection of Personal Information* (January 2022).
[63] FedWeek, *Federal workforce attrition rises back up to pre-pandemic levels* (August 3, 2022).
[64] GAO, *Cybersecurity: Bank and Other Depository Regulators Need Better Data Analytics and Depository Institutions Want More Usable Threat Information* (July 2015), Figure 7 notes Federal sources of cyber threat information relevant to banks. Examples of Federal threat information include: The Financial and Banking Information Infrastructure Committee chartered under the President's Working Group on Financial Markets shares non-public cyber threat information pertaining to financial institutions. The Treasury Department and its component organizations: The Office of Cybersecurity and Critical Infrastructure Protection shares information about cybersecurity and physical threats and vulnerabilities; the Office of Intelligence and Analysis (OIA) has responsibility for the receipt, analysis, collation, and dissemination of foreign intelligence and foreign counterintelligence information related to the operation; FinCEN collects and analyzes financial transaction information provided by financial institutions; OFAC publishes lists of individuals and companies owned or controlled by, or acting for or on behalf of, countries subject to sanctions. OFAC also lists individuals, groups, and entities, such as terrorists and narcotics traffickers. The Department of Homeland Security provides analysis, expertise, and technical assistance to critical infrastructure owners and operators, and conducts vulnerability assessments. The FBI also disseminates information regarding specific threats to entities, including insured financial institutions through various methods, including Private Industry Notifications and Liaison Alert System reports.
[65] See FSOC *2022 Annual Report* and the OCC *Semiannual Risk Perspective* (Spring 2022).

[66] NIST, Special Publication 800-150, *Guide to Cyber Threat Information Sharing* (October 2016).
[67] GAO Issue Summary, *Using Data and Evidence to Improve Federal Programs*. Forbes, *How The U.S. Federal Government Is Mobilizing To Enable Data-Driven Decision Making* (June 1, 2022).
[68] See CISA critical infrastructure definition.
[69] Executive Order 13806, *Assessing and Strengthening the Manufacturing and Defense Industrial Base and Supply Chain Resiliency of the United States* (July 21, 2017), emphasizes that resilient supply chains are essential to the economic strength and national security of the U.S.; Executive Order 14017, *Executive Order on America's Supply Chains* (February 24, 2021), states that the U.S. needs resilient, diverse, and secure supply chains to ensure our economic prosperity and national security; and Executive Order 14028, *Improving the Nation's Cybersecurity* (May 17, 2021), includes actions to enhance software supply chain security.
[70] CISA Alert (AA-22-320A) *Iranian Government-Sponsored Actors Compromise Federal Network, Deploy Crypto Miner, Credential Harvest* (November 16, 2022).
[71] *Minutes of the Meeting of the Board of Directors – Federal Deposit Insurance Corporation* (June 2021).
[72] GAO, *Management Report: Improvements Needed in FDIC's Internal Control over Contract-Payment Review Processes* (May 13, 2021).
[73] GAO, *Management Report: Improvements Needed in FDIC's Internal Control over Contract-Payment Review Processes* (May 19, 2022).
[74] OMB Policy Letter 11-01, *Performance of Inherently Governmental and Critical Functions* (February 13, 2012), defined a Critical Function as "a function that is necessary to the agency being able to effectively perform and maintain control of its mission and operations. Typically, critical functions are recurring and long-term in duration."
[75] NIST SP 800-161r1, *Cybersecurity Supply Chain Risk Management Practices for Systems and Organizations* (May 2022).
[76] GAO, *Cybersecurity: Federal Agencies Need to Implement Recommendations to Manage Supply Chain Risks* (May 25, 2021).
[77] NIST Special Publication 800-37, *Risk Management Framework for Information Systems and Organizations: A System LifeCycle Approach for Security and Privacy* (December 2018)
[78] The FDIC Board has five members who are appointed by the President and confirmed by the Senate. Board members include: the FDIC Chairman, FDIC Vice Chairman, Comptroller of the Currency, Director of the Bureau of Consumer Financial Protection (CFPB), and an independent Director. The FDIC Board has designated the FDIC Operating Committee as the "focal point" for the coordination of risk management at the FDIC.
[79] Deloitte, *Developing an effective governance operating model – A guide for financial services boards and management teams*.
[80] Organization for Economic Co-operation and Development (OECD), *G20/OECD Principles of Corporate Governance* (2015).
[81] ERM is a governance issue that falls within the oversight responsibility of boards of directors. See Harvard Law School Forum on Corporate Governance and Financial Regulation, Risk Management and the Board of Directors (March 20, 2018).
[82] GAO, *Banking Services: Regulators Have Taken Actions to Increase Access, but Measurement of Actions' Effectiveness Could be Improved* (February 2022).
[83] OMB Office of Federal Procurement Policy, Policy Letter 11–01, *Performance of Inherently Governmental and Critical Functions* (February, 13, 2012).
[84] OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).
[85] *Community Financial Services of America v. Consumer Financial Protection Bureau* (October 19, 2022).

D. ACRONYMS

(INCLUDES ACRONYMS IN THE FINANCIAL STATEMENTS)

AEI	Alliances for Economic Inclusion
AFS	Available-For-Sale
AHDP	Affordable Housing Disposition Program
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
ANPR	Advance Notice of Proposed Rulemaking
ASBA	Association of Supervisors of Banks of the Americas
BCBS	Basel Committee on Banking Supervision
BDC	Backup Data Center
BIPOC	Black, Indigenous, and People of Color
BoA	Bank of America
BOA	Basic Ordering Agreement
BPM	Business Process Modernization
Call Report	Consolidated Reports of Condition and Income
CAMELS	**C**apital adequacy; **A**sset quality; **M**anagement capability; **E**arnings quality; **L**iquidity adequacy; **S**ensitivity to market risk
CARES Act	Coronavirus Aid Relief and Economic Security Act
CBAC	Advisory Committee on Community Banking
CCPs	Central Counterparties
CDFI	Community Development Financial Institution
CECL	Current Expected Credit Losses
CEO	Chief Executive Officer
CFO Act	Chief Financial Officers' Act
CFPB	Consumer Financial Protection Bureau
CFR	Center for Financial Research
CFT	Countering the Financing of Terrorism
CFTC	Commodity Futures Trading Commission

CIO	Chief Information Officer
CIOO	Chief Information Officer Organization
CISR	Division of Complex Institution Supervision and Resolution
CMG	Crisis Management Group
CMP	Civil Money Penalty
ComE-IN	Advisory Committee on Economic Inclusion
COVID-19	Coronavirus Disease 2019
CRA	Community Reinvestment Act
CRC	Consumer Response Center
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
CSRS	Civil Service Retirement System
DCP	Division of Depositor and Consumer Protection
DEIA	Diversity, Equity, Inclusion, and Accessibility
DIF	Deposit Insurance Fund
DIR	Division of Insurance and Research
DOA	Division of Administration
DRR	Division of Resolutions and Receiverships
EDIE	Electronic Deposit Insurance Estimator
ERM	Enterprise Risk Management
EU	European Union
FASB	Financial Accounting Standards Board
FBO	Foreign Banking Organization
FDI Act	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
FFIEC	Federal Financial Institutions Examination Council
FFMIA	Federal Financial Management Improvement Act

FID	Financial Institution Diversity
FIL	Financial Institution Letter
FinCEN	Financial Crimes Enforcement Network
FinTech	Financial Technology
FIRREA	Financial Institutions Reform, Recovery and Enforcement Act
FISs	Financial Institution Specialists
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act
FOCUS	Framework for Oversight of Compliance and CRA Activities User Suite
FRB	Board of Governors of the Federal Reserve System
FRF	FSLIC Resolution Fund
FSB	Financial Stability Board
FS-ISAC	Financial Services Information Sharing and Analysis Center
FSLIC	Federal Savings and Loan Insurance Corporation
FSOC	Financial Stability Oversight Council
FTE	Full-Time Equivalent
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GPRA	Government Performance and Results Act
G-SIBs	Global Systemically Important Banks
G-SIFIs	Global SIFIs
IADI	International Association of Deposit Insurers
IDI	Insured Depository Institution
IMF	International Monetary Fund
IT	Information Technology
LCFI	Large Complex Financial Institution
LIBOR	London Inter-bank Offered Rate
LIDI	Large Insured Depository Institution
LMF	Labor Management Forum
LMI	Low- Moderate-Income

LURAs	Land Use Restriction Agreements
MDI	Minority Depository Institutions
MOL	Maximum Obligation Limitation
MOU	Memoranda of Understanding
MRBA	Matters Requiring Board Attention
MSSP	Managed Security Services Provider
MWOB	Minority- and Women-Owned Business
MWOLF	Minority-and Women-Owned Law Firms
NAMWOLF	National Association of Minority-and Women-Owned Law Firms
NCDA	National Center for Consumer and Depositor Assistance
NCUA	National Credit Union Administration
NPR	Notice of Proposed Rulemaking
NSFR	Net Stable Funding Ratio
NTEU	National Treasury Employee Union
OCC	Office of the Comptroller of the Currency
OIG	Office of the Inspector General
OLF	Orderly Liquidation Fund
OMB	U.S. Office of Management and Budget
OMWI	Office of Minority and Women Inclusion
OO	Office of the Ombudsman
OPM	Office of Personnel Management
ORMIC	Office of Risk Management and Internal Controls
OTS	Office of Thrift Supervision
PPE	Primary Purpose Exception
PPP	Paycheck Protection Program
Q&A	Question and Answer
QFC	Qualified Financial Contract
REFCORP	Resolution Funding Corporation
ReSG	FSB's Resolution Steering Committee
RFI	Request For Information

RMS	Division of Risk Management Supervision
RTC	Resolution Trust Corporation
RTO	Return to the Office
SARC	Supervision Appeals Review Committee
SEC	Securities and Exchange Commission
SIFI	Systemically Important Financial Institution
SNC	Shared National Credit
SPPS	Security and Privacy Professional Services
SRAC	Systemic Resolution Advisory Committee
SRR	SIFI Risk Report
SSGN	Structured Sale of Guaranteed Note
TDR	Troubled Debt Restructuring
TSP	Federal Thrift Savings Plan
UDAA	Unclaimed Deposits Amendments Act of 1933
UFIRS	Uniform Financial Institutions Rating System
UK	United Kingdom
Treasury	U.S. Treasury
WE	Workplace Excellence

2022

Federal Deposit Insurance Corporation

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