Federal Deposit Insurance Corporation (FDIC)

Preliminary Presidential Transition

Background Materials

November 2016

FDIC Point-of-Contact

Barbara A. Ryan, Chief Operating Officer, Chief of Staff

202-898-3841
# FDIC Abbreviations for Divisions & Offices

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<th>Abbreviation</th>
<th>Division</th>
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<tr>
<td>CU</td>
<td>Corporate University</td>
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<tr>
<td>DOA</td>
<td>Division of Administration</td>
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<tr>
<td>DCP</td>
<td>Division of Depositor and Consumer Protection</td>
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<td>DOF</td>
<td>Division of Finance</td>
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<td>DIT</td>
<td>Division of Information Technology</td>
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<td>DIR</td>
<td>Division of Insurance Research</td>
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<td>DRR</td>
<td>Division of Resolutions and Receiverships</td>
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<tr>
<td>RMS</td>
<td>Division of Risk Management Supervision</td>
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<tr>
<td>Legal</td>
<td>Legal Division</td>
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<thead>
<tr>
<th>Abbreviation</th>
<th>Office</th>
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<tr>
<td>CIO</td>
<td>Chief Information Officer Organization</td>
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<tr>
<td>ISPS</td>
<td>Information Security and Privacy</td>
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<td>OCFI</td>
<td>Office of Complex Financial Institutions</td>
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<td>OIG</td>
<td>Office of Inspector General</td>
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<td>OLA</td>
<td>Office of Legislative Affairs</td>
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<td>OMWI</td>
<td>Office of Minority and Women Inclusion</td>
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<td>OO</td>
<td>Office of the Ombudsman</td>
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<td>OCOM</td>
<td>Office of Communications</td>
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<td>OCRM</td>
<td>Office of Corporate Risk Management</td>
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TAB 1
FDIC Mission, Vision, Core Values & Commitments

MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the 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.

FDIC CORE VALUES & COMMITMENTS

Fairness: We respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity, and trust.

Value Commitments:

- The diversity of employee backgrounds and viewpoints are respected and valued.
- The processes for decisions regarding performance, pay, awards and promotions are transparent and fairly administered.
- Employees are provided effective mechanisms for prompt and fair resolution of issues and disputes.
- Employees behave in a way that inspires trust among one another and among stakeholders.
- Policies and procedures are applied fairly, without bias or favoritism, to all employees.
**Accountability:** We are accountable to each other and to our stakeholders to operate in a financially responsible and operationally effective manner.

**Value Commitments:**

- The FDIC acts as a responsible fiduciary, consistently operating in an efficient and cost-effective manner.
- Managers accept responsibility for their decisions and promptly address issues that negatively impact operational effectiveness.
- All employees are accountable for adhering to the principles outlined in the FDIC's mission and values.

**Competence:** We are a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.

**Value Commitments:**

- Employee skills and competencies will be continually enhanced through robust training and development programs so that employees can pursue their full potential.
- Leaders will have the training, skills, and competencies required to effectively manage and develop their employees.
- Employees will share personal responsibility for developing and maintaining the skills necessary to perform their duties.
- Employees will receive meaningful feedback on their job performance on a regular basis.

**Effectiveness:** We respond quickly and successfully to risks in insured depository institutions and the financial system.

**Value Commitments:**

- Employees are empowered to exercise flexibility and adapt to changes in the financial system and working conditions.
- Decision-making is delegated to the lowest reasonable level.
- Innovative suggestions will be encouraged and thoughtfully reviewed for implementation.
- Employees are empowered to engage in reasonable risk-taking without fear of unfair criticism.
- On a regular basis (at least annually), the structure, staffing, and operating policies/procedures of the FDIC are assessed to ensure adherence with the Corporation's mission and values.
- Workload is effectively managed to accomplish the mission while maintaining a reasonable work-life balance.
- Rules and procedures that represent barriers to effectiveness are removed.
Integrity: We adhere to the highest ethical and professional standards.

Value Commitments:

- Corporate policies and decision-making will be aligned with the Corporation's mission and values.
- Decision-making will be transparent and clearly explained.
- Communications will be open, honest, and respectful.
- Employee input will be valued and respected, routinely sought, and carefully considered when significant corporate decisions are made.
- Employees will take personal responsibility for their actions and will honor their commitments.

Teamwork: We communicate and collaborate effectively with one another and with other regulatory agencies.

Value Commitments:

- Each employee's contribution to the FDIC will be valued and respected.
- Barriers to team effectiveness will be identified and removed.
- Active cooperation and collaboration among employees will be encouraged.
- Open sharing of relevant information, knowledge, and expertise is expected.
- Effective collaboration among divisions, offices, and work units is the norm.
FEDERAL DEPOSIT INSURANCE CORPORATION

FDIC Strategic Plan
2015 – 2019
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I am pleased to present the FDIC Strategic Plan, 2015 – 2019, which was approved by the Board of Directors on April 21, 2015. The plan has been updated in accordance with the requirements of the Government Performance and Results Act of 1993 (as amended) and the GPRA Modernization Act of 2010, and supersedes the FDIC Strategic Plan, 2008-2013, which was approved in 2008.

The plan sets forth the FDIC’s long-term strategic goals and objectives for carrying out its core mission responsibilities for insuring depositors, supervising insured institutions, and resolving the failure of insured institutions. It describes the means and strategies that will be employed in pursuit of these goals and objectives and identifies factors outside the FDIC’s control that could potentially affect their achievement. The FDIC pursues these goals and objectives through annual performance goals that are established each year and published in the agency’s Annual Performance Plan. The FDIC reports on its performance against the annual performance goals in its Annual Report.

For more than 80 years, the FDIC has carried out its mission of maintaining public confidence and stability in the nation’s financial system. The FDIC is committed to carrying forward that mission as outlined in this Strategic Plan.

Martin J. Gruenberg
Chairman
MISSION, VISION, AND VALUES

MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the 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.
THE FDIC AND THE BANKING INDUSTRY: PERSPECTIVE AND OUTLOOK

- Introduction

Congress created the FDIC in the Banking Act of 1933 to maintain stability and public confidence in the nation’s banking system. The statute provided a federal government guarantee of deposits in U.S. depository institutions so that depositors' funds, within certain limits, would be safe and available to them in the event of a financial institution failure. In addition to its role as insurer, the FDIC is the primary federal regulator of federally insured state-chartered banks that are not members of the Federal Reserve System. The FDIC also acts as receiver for insured depository institutions (IDIs) that fail and has resolution planning responsibilities (jointly with the Federal Reserve Board) for large and complex financial companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

The FDIC carries out its mission through three major programs: insurance, supervision, and receivership management.

- The Insurance Program encompasses the activities undertaken by the FDIC to administer the Deposit Insurance Fund (DIF), which is funded through assessments on IDIs as well as investment income, and to provide depositors with access to their insured funds when an IDI fails.

- The Supervision Program encompasses the activities undertaken by the FDIC to promote safe and sound operations and compliance with fair lending, consumer protection, and other applicable statutes and regulations by IDIs for which the FDIC is the primary federal regulator (in cooperation with state banking agencies). The FDIC also has backup supervisory responsibility for other IDIs for which the Board of Governors of the Federal Reserve System (FRB) and the Office of the Comptroller of the Currency (OCC) are the primary Federal regulators.

<table>
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<tr>
<th>Primary Federal Regulator</th>
<th>Number of Institutions</th>
<th>Total Assets (dollars in millions)</th>
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<tbody>
<tr>
<td>FDIC</td>
<td>4,177</td>
<td>$2,609,737</td>
</tr>
<tr>
<td>OCC</td>
<td>1,554</td>
<td>$10,547,267</td>
</tr>
<tr>
<td>FRB</td>
<td>858</td>
<td>$2,192,167</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,589</td>
<td>$15,349,171</td>
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Source: Third Quarter 2014 Quarterly Banking Profile. Data as of 9/30/2014.
In addition, the Dodd-Frank Act in 2010 gave the FDIC and the FRB joint responsibility for reviewing resolution plans submitted by large bank holding companies and designated nonbank financial companies that demonstrate how they would be resolved in a rapid and orderly manner under the U.S. Bankruptcy Code in the event of financial distress.

- The Receivership Management Program encompasses activities undertaken by the FDIC, in its capacity as receiver, to resolve failed IDIs in the least costly manner to the DIF; maximize net recoveries to the creditors of receiverships; and, under specified circumstances, administer the orderly liquidations of covered financial companies under Title II of the Dodd-Frank Act.

Over the next four years, the FDIC will face numerous issues and challenges in each of these major programs due to changing economic conditions, continuing changes in the nature of the financial services industry, expected changes in financial services regulation, and emerging consumer protection issues that affect the financial services industry. Some of the major issues and challenges are addressed in more detail below.

- The Impact of the Economy

The performance of the economy at national and regional levels directly affects the business strategies of individual financial institutions and may affect the industry’s overall performance. The lending and funding strategies of IDIs are influenced by interest rates, inflation, unemployment, and changes in the business cycle of sectors such as agriculture, housing, commercial real estate, and energy. Adverse economic or financial conditions abroad can spill over and affect national and regional economies.

The U.S. economy continues to recover from the deep recession that ended in 2009. The recovery has been long and slow, as is typical of economic recoveries that follow a severe financial crisis. The housing market downturn that began in 2007 lasted several years and impaired consumer and bank balance sheets, resulting in prolonged weakness across key sectors of the economy. The recovery has also been uneven, as areas that experienced a more dramatic housing market correction or have been disproportionately affected by the recession have seen a much slower recovery.

The economic recovery has recently begun to gain momentum and the outlook has improved, which has helped the banking industry. Banks have generally repaired their balance sheets, asset quality has improved, loan balances have increased, and capital and liquidity ratios have improved. However, while net income has returned to pre-crisis levels, profitability (as measured by return on assets) has not. There are fewer problem institutions and failed institutions, yet neither has fallen to pre-crisis levels.

The extended low interest rate environment also poses significant challenges to the banking industry. Low interest rates have compressed net interest margins and encouraged banks to invest in higher yielding assets that are of longer maturity and/or higher risk.
In some cases, banks may be entering unfamiliar business lines or offering new products to increase profitability. In addition, banking institutions remain vulnerable to interest rate risk when interest rates eventually normalize to their longer-run levels.

- **Other Major Strategic Challenges**

In addition to the challenges posed by the economy, the FDIC expects to face other challenges that will shape its priorities over the next four years.

- **Future of Community Banking**. The FDIC is the primary federal regulator for most community banks, which make up 93 percent of FDIC-insured bank and thrift charters (up from 87 percent in 1984); hold a majority of deposits in rural and “micropolitan” counties (those with populations up to 50,000 people), including more than 600 U.S. counties where community banks hold 100 percent of all bank deposits; and account for 46 percent of the industry’s small loans to farms and businesses. Despite their long-term resilience and continuing importance as a source of credit to the vital small business sector, community bankers remain concerned about their competitive position vis-à-vis larger non-community banks.

- **Large and Complex Financial Institutions**. Although the FDIC is not the primary federal regulator for most large and complex IDs, it has both insurance and back-up supervisory responsibilities for those institutions and acts as receiver for those that fail. The assets within the banking industry are concentrated today in a small number of large, complex banks and other financial institutions that have highly diverse business strategies and complex legal and business structures that make it difficult for the management of these companies to fully understand and manage their risks. These risks are intertwined among both their insured and uninsured subsidiaries, and the largest and most complex of these companies often have global footprints and interdependent counterparty relationships with one another that increase their complexity and risk.

- **Information Technology and Cybersecurity**. Cybersecurity breaches are a growing threat to banks, businesses, and financial market utilities as well as the FDIC. In addition to addressing cybersecurity threats internally, the FDIC works collaboratively with other bank regulatory agencies to help ensure that FDIC-insured institutions also take appropriate steps to address this risk.

- **Economic Inclusion**. Based on a 2013 FDIC survey, more than one-quarter of U.S. households do not have an account at an IDI or obtain financial services and products from alternative, nonbank financial firms.\(^2\)

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2. 2013 National Survey of Unbanked and Underbanked Households, October 2014. The survey reported that 7.7 percent of U.S. households (9.6 million households) had no relationship with a mainstream financial institution and that another 20 percent of U.S. households (24.5 million households) were underbanked (“underbanked” households were defined as those that had a bank account but had also obtained during the 12-month period prior to the survey financial services or products from alternative financial services providers outside of the banking system).
The FDIC recognizes that public confidence in the banking system is strengthened when households can deposit funds securely, conduct basic financial transactions, accumulate savings, and access credit on safe and affordable terms in the mainstream banking system. The Corporation will continue to pursue the challenge of expanding the access of underserved groups to the products and services of FDIC-insured institutions.

- **Workforce Management and Development.** The FDIC depends upon the talents and skills of its employees to accomplish its mission. Much of the FDIC’s current workforce will transition into retirement over the next decade, even as the need for employees with advanced technical skills continues to increase. To address these challenges, the FDIC will develop and implement strategies over the next several years to recruit, train, develop, and maintain a highly skilled and engaged workforce that embodies at all levels the principles of diversity and inclusion and workplace excellence.3

3The FDIC has issued (and updates annually) a *Diversity and Inclusion Strategic Plan* that guides its effort in this area.
The FDIC has three major program areas or lines of business. The Corporation's strategic goals for each of these programs are presented in the diagram below.

**Program Areas**

**Strategic Goals**

**Insurance**
- Insured depositors are protected from loss without recourse to taxpayer funding.

**Supervision**
- FDIC-insured institutions are safe and sound.
- Consumers' rights are protected and FDIC-supervised institutions invest in their communities.
- Large and complex financial institutions are resolvable in an orderly manner under bankruptcy.

**Receivership Management**
- Resolutions are orderly and receiverships are managed effectively.
Insurance Program

- Program Description

Deposit insurance is a fundamental component of the FDIC’s role in maintaining stability and public confidence in the U.S. financial system. By promoting industry and consumer awareness of deposit insurance, the FDIC protects depositors at banks and savings associations of all sizes. When IDIs fail, the FDIC ensures that the financial institution’s customers have timely access to their insured deposits and other services. To keep pace with the evolving banking industry and maintain its readiness to protect insured depositors, the FDIC prepares and maintains contingency plans to promptly address a variety of IDI failures and conducts large scale simulations to test its plans.

The Dodd-Frank Act, enacted in July 2010, permanently raised the basic limit of federal deposit insurance coverage to $250,000 per depositor. It also gave the FDIC much greater discretion to manage the DIF to promote more stable assessment rates and ensure appropriate levels of funding throughout future economic downturns. Among other things, the Dodd-Frank Act raised the minimum Designated Reserve Ratio (DRR) to 1.35 percent (from the former minimum of 1.15 percent) and removed the upper limit on the DRR (which was formerly capped at 1.5 percent).
Insurance Program

STRATEGIC GOAL 1

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

Strategic Objectives

1.1 Customers of failed insured depository institutions have timely access to insured funds and financial services.

1.2 The FDIC promptly identifies and responds to potential risks to the Deposit Insurance Fund.

1.3 The Deposit Insurance Fund and system remain strong and adequately financed.

1.4 The FDIC resolves failed insured depository institutions in the manner least-costly to the Deposit Insurance Fund.

1.5 The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.

The means and strategies used to achieve these strategic objectives and the external factors that could impact their achievement are described below.

1.1 Customers of failed insured depository institutions have timely access to insured funds and financial services.

Means & Strategies: When an institution fails, the FDIC facilitates the transfer of the institution’s insured deposits to an assuming institution or pays insured depositors directly. The FDIC’s goal is to provide customers with access to their insured deposits within one to two business days.

The FDIC continually monitors changes in financial institution operations and products to ensure the FDIC’s ability to handle potential financial institution failures. The FDIC develops, tests, and maintains contingency plans to ensure it is prepared to handle a wide range of potential failure scenarios, including the failure of a large financial institution; simultaneous, multiple failures; the failure of an institution with large international holdings; and the failure of an insured institution that operates primarily through the Internet.
External Factors: The goal of providing customers of failed institutions with access to their insured deposits within one to two business days is well established, but might be difficult to achieve in the case of an extremely large or complex institution or a sudden and unexpected failure. However, even if it took somewhat longer to complete all deposit insurance determinations, no depositor would ultimately lose any portion of an insured deposit.

1.2 The FDIC promptly identifies and responds to potential risks to the Deposit Insurance Fund.

Means & Strategies: The FDIC, in cooperation with the other primary federal regulators, proactively identifies and evaluates the risk and financial condition of individual IDIs. It also identifies broader economic and financial risk factors that affect all insured institutions. It accomplishes these objectives through a wide variety of activities, including the following:

- A risk-based deposit insurance assessment system whereby institutions that pose greater risk to the DIF pay higher premiums.
- A strong examination and enforcement program.
- Collection and publication of detailed banking data and statistics.
- A vigorous research program.
- An off-site monitoring system that analyzes and assesses changes in banking profiles, activities, and risk factors.
- A comprehensive ongoing analysis of the risks in financial institutions with more than $10 billion in assets through the Large Insured Depository Institution Program.
- Thorough review of deposit insurance applications and other applications from IDIs.

External Factors: In spite of the comprehensive efforts undertaken by the FDIC to identify and respond to potential risks to the DIF, natural disasters, public policy changes, and sudden economic or financial market crises could cause broad losses within the financial services industry and the DIF. In addition, a fraud perpetrated on a financial institution could result in a sudden and unforeseen loss to the DIF.

1.3 The Deposit Insurance Fund and system remain strong and adequately financed.

Means & Strategies: The FDIC's continued status as an independent agency is crucial to its ability to objectively assess risks and set appropriate assessment rates. The FDIC maintains the viability of the DIF by investing the fund, monitoring and responding to changes in the reserve ratio, collecting risk-based premiums, and evaluating the deposit insurance system in light of an evolving financial services industry. It regularly analyzes the growth or shrinkage of estimated insured deposits, the current assessment base, loss expectations, interest income earned on the fund, and operating expenses. This information is used to develop a schedule of risk-based assessment rates.
Under the Dodd-Frank Act, the FDIC Board of Directors must establish a DRR for the DIF that is not less than 1.35 percent and set assessment rates to meet that target not later than September 30, 2020. But, it may also establish a higher DRR. Recent trends in banking industry performance have been generally positive. The DIF balance has risen for the past five years and stood at $54.3 billion on September 30, 2014, up from $47.2 billion at the end of 2013. The reserve ratio stood at 0.89 percent at September 30, 2014, up from 0.79 percent at the end of 2013. The FDIC is operating under a DIF Restoration Plan that provides, among other things, that the reserve ratio will reach 1.35 percent by the statutory deadline. The Restoration Plan requires the FDIC to update DIF income and loss projections at least semiannually, which allows the Board of Directors to evaluate whether growth in the DIF under current assessment rates is likely to be sufficient to meet the statutory requirement.

External Factors: Projections for the DIF are subject to considerable uncertainty arising from the economic outlook. Key risks include the impact of rising interest rates as they return to more normal levels; fiscal challenges at the federal, state, and local levels; and global economic risks. A slowdown in the U.S. economic recovery could result in more bank failures than projected and a decline in the value of failed bank assets. In addition, future assessment revenue could diverge from staff projections depending on changes in bank risk profiles and in the projected growth in the industry assessment base.

1.4 The FDIC resolves failed insured depository institutions in the manner least-costly to the Deposit Insurance Fund.

Means & Strategies: When an institution fails, the FDIC facilitates an orderly least-cost resolution. Using an estimated value of the failing institution's assets and liabilities, the FDIC markets the institution to potential bidders. After analyzing the bids received, the FDIC conducts a least-cost test determination and selects the least-cost strategy to pursue.

External Factors: In accordance with law, if a failure threatens serious adverse systemic effects on economic conditions or financial stability, resolution strategies other than the least-cost resolution may be employed.

1.5 The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.

Means & Strategies: To inform consumers and FDIC-insured institutions about federal deposit insurance coverage, the FDIC provides financial institutions with a variety of educational tools and materials designed to help customers understand their deposit insurance coverage.

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*In resolving a failing institution, the FDIC calculates the estimated cost of various resolution options and selects the option resulting in the lowest total estimated cost to the DIF.*
In addition, the FDIC uses several other approaches to disseminate information on deposit insurance coverage, including the following:

- Operation of a toll-free call center\(^5\) staffed by specialists who respond to questions from depositors and bankers.
- Training and other educational opportunities to help bank employees better understand the FDIC’s deposit insurance rules.
- An array of web-based educational resources for consumers and bankers.
- A wide range of publications and videos explaining how FDIC deposit insurance works.

External Factors: A significant rise in the volume of bank failures or publicity that raises public concerns about the possibility of significant bank failures could result in bank runs by misinformed depositors or public avoidance of an insured depository institution. Timely, accurate, and understandable information is essential to alleviating these risks. An increased volume of bank failures and public concern about the possibility of additional failures could also result in substantial increases in the demand for information about FDIC insurance coverage that could temporarily exceed the FDIC’s capacity to provide such information. In such cases, the FDIC would augment staff resources for this function as quickly as possible.

\(^5\)877-ASK-FDIC (877-275-3342); 800-925-4618 (TDD-for hearing impaired)
Supervision Program

- Program Description

Although the FDIC is the insurer for all insured depository institutions in the United States, it is the primary federal supervisor only for state-chartered banks and savings institutions that are not members of the Federal Reserve System. Nonetheless, the FDIC’s roles as an insurer and primary supervisor are complementary, and many activities undertaken by the FDIC support both the insurance and supervision programs. Through review of examination reports, use of off-site monitoring tools, and participation in examinations conducted by other federal regulators (either through agreements with these regulators or, in limited circumstances, under the exercise of the FDIC’s authority to conduct special (backup) examination activities), the FDIC regularly monitors the potential risks at all insured institutions, including those for which it is not the primary federal supervisor. The FDIC also takes into account supervisory considerations in the exercise of its authority to review and approve applications for deposit insurance from new institutions and other applications from IDIs, regardless of the chartering authority.

In 2010, the Dodd-Frank Act expanded the FDIC’s statutory responsibilities beyond IDIs to bank holding companies with more than $50 billion in assets and to nonbank financial companies that are designated as systemically important by the Financial Stability Oversight Council (FSOC). The Act designates the FRB as the primary consolidated supervisor of these companies and assigns to the FDIC and the FRB joint responsibility for reviewing and assessing resolution plans developed by these companies that demonstrate how they would be resolved in a rapid and orderly manner under the U.S. Bankruptcy Code in the event of financial distress. In carrying out this responsibility, the FDIC has established on- and off-site monitoring and risk assessment programs that are integral to the FDIC’s review of the resolution plans submitted by these companies. In reviewing these plans, the FDIC uses multidisciplinary teams that include both supervisory and receivership management expertise to evaluate the resolvability of these companies through bankruptcy and to direct necessary improvements. The FDIC also collaborates closely with the primary federal supervisors for the affected IDIs in the review of these plans.

The FDIC pursues the following three strategic goals in fulfilling its supervisory responsibilities as the primary federal supervisor for state non-member banks and savings institutions, the backup supervisor for other FDIC-insured institutions, and the reviewer of resolution plans submitted by companies covered by Title I of the Dodd-Frank Act:

- FDIC-insured institutions are safe and sound.
- Consumers’ rights are protected and FDIC-supervised institutions invest in their communities.

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6This includes state-licensed insured branches of foreign banks. As of 9/30/14, the FDIC had primary supervisory responsibility for 4,217 FDIC-insured state-chartered commercial banks and savings institutions that are not members of the Federal Reserve System (generally referred to as “state non-member” institutions).
Large and complex financial institutions are resolvable in an orderly manner under bankruptcy.

The FDIC promotes safe and sound financial institution practices through regular risk management examinations, publication of guidance and policy, ongoing communication with industry officials, and the review of applications submitted by FDIC-supervised institutions to expand their activities or locations. When appropriate, the FDIC has a range of informal and formal enforcement options available to resolve safety-and-soundness problems identified at these institutions. The FDIC also has staff dedicated to administering off-site monitoring programs and to enhancing the Corporation’s ability to timely identify emerging safety-and-soundness issues.

The FDIC promotes compliance by FDIC-supervised institutions with consumer protection, fair lending, and community reinvestment laws through a variety of activities, including ongoing communication with industry officials, regular compliance and Community Reinvestment Act (CRA) examinations, dissemination of information to consumers about their rights and required disclosures, and investigation and resolution of consumer complaints regarding FDIC-supervised institutions. The FDIC also has a range of informal and formal enforcement options available to resolve compliance problems identified at these institutions.
Supervision Program – Risk Management

STRATEGIC GOAL 2

FDIC-insured institutions are safe and sound.

Strategic Objective

2.1 The FDIC exercises its statutory authority, in cooperation with other primary federal regulators and state agencies, to ensure that all FDIC-insured institutions appropriately manage risk.

Means & Strategies: As noted above, the FDIC is the primary federal supervisor for all state non-member banks and state-chartered savings institutions. For those institutions, the FDIC performs risk management (safety and soundness), trust, Bank Secrecy Act/Anti-Money Laundering, and Information technology (IT) examinations in cooperation with state banking regulators. Most state banking agencies participate in an examination program under which certain examinations are performed on an alternating basis by the state agency and the FDIC. In addition, the FDIC, the OCC, and the FRB conduct IT examinations of third-party technology service providers that provide a range of services to IDIs. As the threat of cyberattacks has grown in recent years, the FDIC has begun to use simulations and tabletop exercises to prepare for these risks.

Risk management examinations are conducted according to statutorily-established timeframes. These examinations assess an institution’s overall financial condition, management practices and policies, compliance with applicable laws and regulations, and the adequacy of management and internal control systems to identify, measure, and control risks. Examination procedures may also disclose the presence of fraud or insider abuse. In addition, the FDIC reviews the risk management capabilities of those FDIC-supervised institutions that apply for permission to engage in new or expanded business activities.

Communication and corrective action are important components of the FDIC’s strategy for ensuring the safety and soundness of the institutions it supervises. Risks identified during an examination are discussed with the institution’s management and board of directors. If an examination reveals serious weaknesses in the operations of the institution or indicates that the institution is operating in a weakened financial condition, the FDIC may issue formal or informal enforcement actions that remain in effect until corrective actions are taken and the identified weaknesses are addressed. In the case of severe problems, the institution may be instructed to seek additional capital, merge with another institution, or liquidate.
The FDIC's statutory authority also gives it a degree of supervisory responsibility, in its role as insurer, for insured depository institutions for which it is not the primary federal supervisor. The Corporation has staff in each of its regional offices that regularly review examination reports and other available information from the primary federal regulators for those institutions.
The FDIC also performs off-site monitoring of those institutions on an ongoing basis, particularly for institutions with more than $10 billion in assets. In addition, the FDIC has the authority to conduct special (backup) examination activities for institutions for which is not the primary federal regulator with the approval of either the primary federal regulator or the FDIC Chairman. Under a 2010 agreement with the OCC and the FRB, the FDIC has the ongoing consent of the other regulators to participate in examinations of certain IDIs that present heightened risk to the Deposit Insurance Fund and designated large, complex IDIs. Under this agreement, the FDIC has dedicated examiners participating in continuous examination activities at every IDI that has more than $100 billion in total assets.

Ensuring the safety and soundness of FDIC-insured institutions over the next four years will require an effective supervisory program that incorporates the lessons learned from the recent financial crisis, identifies potential new risks that emerge, and responds quickly to such issues. Cybersecurity is one risk area that will receive particular attention during the next several years. During this period, the FDIC will enhance its IT examination program for insured institutions and major technology service providers and substantially increase the staff resources that are dedicated to that program. Where necessary, staff will be hired to address any technical skill gaps that are identified in the IT examination workforce. In addition, in light of the risks posed to the DIF by large and complex banks and the FDIC’s new responsibilities for systemically important financial institutions, the Corporation will continue to enhance its supervisory monitoring program for large and complex banks.

Another area that will receive increased attention over the next several years is interest rate risk. An extended period of historically low interest rates and tightening net interest margins has created incentives for IDIs to reach for yield in their investment portfolios by extending portfolio durations, heightening their vulnerability to interest rate risk. Given the uncertain direction and timing of changes in market interest rates, the FDIC will continue to provide expanded supervisory coverage of interest rate risk over the next several years. It will use off-site monitoring to identify institutions with outsized interest rate risk exposure and follow up with individual institutions to better understand their rate sensitivity position, internal measurement and monitoring efforts, and conformance with supervisory guidelines. Through regular on-site examinations and interim contacts with state non-member institutions, FDIC staff will actively engage in a constructive dialogue with banks to ensure that their interest rate risk policies and oversight are effective, and, where appropriate, FDIC staff will work closely with institutions that have significant exposure to rising interest rates and encourage them to take steps to mitigate the risk.

The FDIC also has an organizational unit that is specifically dedicated to the identification of emerging issues. It regularly reviews supervisory information from the thousands of examinations that are conducted annually as well as information from a variety of external data sources to identify and, where appropriate, initiate supervisory responses to newly identified areas of risk.
The FDIC has established and consults regularly with the Advisory Committee on Community Banking, which advises the FDIC on the impact of FDIC supervisory policies and practices on community banks. Members of the Advisory Committee have a wide range of knowledge and experience related to community banks.

*External Factors:* Several factors outside of the FDIC’s control could affect the successful achievement of this strategic objective. In accordance with statutorily established time frames, most risk management examinations of well-capitalized and well-managed state non-member institutions are point-in-time examinations that occur at 18-month intervals. Between examinations, institutions may enter new lines of business, extend their lending programs into riskier areas, or implement new technologies without the knowledge of the FDIC or state regulatory agencies. Major changes in economic conditions could also affect institutions between examinations. The FDIC will continue to improve offsite tools to monitor potential risks in institutions on a continuing basis between examinations.

Under the alternating examination program, certain examinations are conducted in alternating periods by the state supervisory authority. Resource constraints outside of the FDIC’s control sometimes affect the timely completion of examinations by these state authorities. In such cases, the FDIC will conduct the examination itself within a reasonable timeframe after the originally scheduled examination date if the state agency is unable to do so.
Supervision Program – Compliance and Consumer Protection

STRATEGIC GOAL 3

Consumers' rights are protected, and FDIC-supervised institutions invest in their communities.

Strategic Objectives

3.1 FDIC-supervised institutions comply with consumer protection, CRA, and fair lending laws and do not engage in unfair or deceptive practices.

3.2 Consumers have access to accurate and easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.

3.3 The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.

The means and strategies used to achieve these strategic objectives and the external factors that could impact their achievement are described below.

3.1 FDIC-supervised institutions comply with consumer protection, CRA, and fair lending laws and do not engage in unfair or deceptive practices.

Means & Strategies: The FDIC pursues this strategic objective primarily through compliance and CRA examinations of all FDIC-supervised institutions. CRA examinations are subject to statutory timelines while compliance examinations are conducted according to timeframes established by FDIC policy. These examinations evaluate the compliance of institutions with consumer protection, privacy, CRA, and fair lending laws and regulations. As with risk management examinations, if an examination reveals serious violations, the FDIC may implement either formal or informal enforcement actions to correct the identified violations. In unusual cases, non-compliance with consumer laws may subject the institution to significant legal risk, which may in turn seriously harm the institution's standing in the community and could result in civil monetary penalties and private liability. In addition, when the FDIC has reason to believe that a “pattern or practice” of violations of fair lending laws has occurred at an institution, the FDIC is required by statute to refer the matter to the Department of Justice. An institution's failure to comply with consumer protection, CRA, or fair lending laws and regulations might also affect the application of an FDIC-supervised institution seeking to engage in new or expanded business activities.

For institutions that are Home Mortgage Disclosure Act data reporters, the FDIC reviews the information submitted by the institution to determine whether any approval or pricing disparities exist in one or more product areas on the basis of race or gender, or whether institutions have failed to adequately serve the demand for credit in minority communities compared to their peers.
In instances where such pricing disparities are identified, the FDIC will conduct a full fair lending review of the institution to determine if the identified disparity represents unlawful discrimination or is attributable to non-discriminatory factors.

The FDIC sponsors or participates in numerous outreach and technical assistance activities designed to facilitate better understanding of and compliance with CRA, consumer protection, and fair lending laws and regulations by FDIC-supervised institutions. In addition, it actively participates in interagency policy development efforts to identify and address unfair and deceptive acts and practices through the issuance of policy guidance to examiners and the industry. It focuses its examinations and other supervisory activities on those industry products, services, and practices that have the highest potential risk for violations of law that may result in potential harm to consumers.

**External Factors:** As with risk management examinations, most compliance and CRA examinations are point-in-time examinations that occur at scheduled intervals in accordance with FDIC policy. Between examinations, institutions may implement new products, services, or practices that hold significant potential risk for consumer harm without the knowledge of the FDIC. In addition, major changes in economic conditions could also affect institutions between examinations. During economic downturns, institutions sometimes elect to reduce costs by decreasing their internal resources dedicated to compliance.

3.2 **Consumers have access to accurate and easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.**

**Means & Strategies:** The FDIC provides information about consumer protection and fair lending laws and regulations to help consumers understand their rights. This information is disseminated through brochures and other media, including the FDIC’s website (www.fdic.gov). In addition, the FDIC frequently conducts or participates in educational seminars and conferences on consumer protection and fair lending issues to help both consumers and insured institutions better understand consumer protection, CRA, and fair lending laws and regulations.

The FDIC maintains a toll-free call center for consumer complaints and inquiries about FDIC-supervised institutions and has established target timeframes for investigating and responding to these complaints. It is also a leader in promoting greater financial literacy, primarily through its award-winning Money Smart curriculum. The Corporation will continue to enhance its outreach with this program over the next several years by updating the curriculum to address new consumer products and services and adapting the basic curriculum to additional target audiences.

**External Factors:** Although the FDIC makes information available to a broad array of consumers, individual consumers may not always use it. In addition, increasing complexity and aggressive and targeted marketing increase the challenges consumers face in evaluating alternatives in the marketplace.
3.3 The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.

Means and Strategies: The FDIC has played a national leadership role in recent years in promoting broader economic inclusion within the nation’s banking system. In pursuit of this objective, the FDIC sponsors or conducts research and demonstration projects, develops policy proposals, facilitates partnerships, and participates in targeted outreach and technical assistance activities with both the institutions it supervises and various community-based organizations. In 2009, the Corporation conducted, jointly with the U.S. Census Bureau, the first comprehensive nationwide research survey of unbanked and underbanked households in the United States. That groundbreaking survey, which is repeated biennially, documented for the first time the extent to which U.S. households are underserved by the banking industry.\(^7\)

The FDIC has established an advisory committee and formed numerous local partnerships to promote broader access to mainstream financial services by underserved households.

- The Advisory Committee on Economic Inclusion supports research, demonstrations, and pilot projects and promotes sound supervisory and public policies to help ensure that underserved households have access to mainstream financial products and services that are affordable, easy to understand, and not subject to unfair or unforeseen fees.

- The Alliance for Economic Inclusion is a network of local partnerships in 14 cities across the country through which almost 1,300 banks and community organizations as well as public officials and other stakeholders work collaboratively to identify products and services and marketing strategies to reach the underserved market.

Over the next several years, the Corporation will continue to pursue several multi-year initiatives to promote broader economic inclusion. It will continue to promote adoption of its model transaction account product (SAFE accounts); pursue strategies to improve financial resilience such as affordable small-dollar loan products, building savings, and improving credit records; and evaluate whether mobile financial services and other new technologies can be responsibly used to expand banking services to the unbanked and underbanked population. The FDIC will also continue to work with NeighborWorks America and similar organizations to facilitate neighborhood revitalization through affordable housing, small business development, and related initiatives.

External Factors: The access of underserved households to credit from mainstream financial institutions could be disproportionately affected during economic downturns or periods of economic stress in which the overall supply of credit diminishes.

\(^7\)FDIC National Survey of Unbanked and Underbanked Households (December 2009).
Supervision Program – Resolution Planning

STRATEGIC GOAL 4

Large and complex financial institutions are resolvable in an orderly manner under bankruptcy.

Strategic Objective

4.1 Large and complex financial institutions are resolvable under the Bankruptcy Code.

**Means and Strategies:** The Dodd-Frank Act expanded the FDIC's statutory responsibilities beyond IDIs to bank holding companies with more than $50 billion in assets and nonbank financial companies designated as systemically important by the FSOC. Title I of the Act requires bank holding companies with more than $50 billion in assets and nonbank financial companies designated by the FSOC to prepare and submit annually to the FRB and the FDIC resolution plans, or “living wills,” demonstrating that they could be resolved in a rapid and orderly manner under the Bankruptcy Code (or other applicable insolvency regime) in the event of material financial distress or failure. Among other things, the resolution plans must identify each firm's critical operations, core business lines, and the key obstacles to a rapid and orderly resolution. The FDIC and the FRB share responsibility for reviewing the plans, assessing informational completeness and resolvability under the Bankruptcy Code, identifying and requiring firms to address any shortcomings, and providing firms with guidance on the submission of future plans. The FDIC has a complementary rule that requires IDIs with more than $50 billion in assets to periodically submit resolution plans that would enable the FDIC, as receiver, to resolve their failure in an orderly, least-costly manner.

The FDIC’s review of resolution plans is intended to improve the resolvability of bank holding companies (and other designated financial companies) through the bankruptcy process and their subsidiary IDIs through the FDIC’s traditional resolution processes as deposit insurer. These reviews enhance the FDIC’s ability to prepare for possible large resolutions and its understanding of how the FDIC’s resolution authorities could be best used. The FDIC has established on- and off-site monitoring and risk assessment programs that support the FDIC’s review of the resolution plans submitted by these companies. In addition, the FDIC employs multidisciplinary teams that include both supervisory and receivership management expertise in the review of these plans. The FDIC also collaborates closely with the primary federal supervisors for the affected IDIs in the review of these plans.

**External Factors:** The rapid and orderly resolution of a large and complex financial institution under either bankruptcy or Orderly Liquidation Authority may be complicated by legal and operational concerns that stem from the cross-border operations of many large, complex financial institutions.
The FDIC actively works with foreign authorities to address these issues. In addition, the sheer size and complexity of these firms pose legal and operational challenges to their resolution. Preplanning and structural and operational reforms by these companies are essential to achieving a rapid and orderly resolution under any legal framework.
Receivership Management Program

- Program Description

When an insured depository institution fails, the FDIC is ordinarily appointed receiver. In that capacity, it assumes responsibility for efficiently recovering the maximum amount possible from the disposition of the receivership’s assets and the pursuit of the receivership’s claims. Funds that are collected from the sale of assets and the disposition of valid claims are distributed to the receivership’s creditors according to priorities set by law.

The FDIC seeks to terminate receiverships in an orderly and expeditious manner. Once the FDIC has completed the disposition of the receivership’s assets and has resolved all obligations, claims, and other legal impediments, the receivership is terminated, and a final distribution is made to its creditors. Receivership creditors may include secured creditors, unsecured creditors (including general trade creditors), subordinate debt holders, shareholders, uninsured depositors, and the DIF (as subrogee). The FDIC is often the largest creditor of the receivership.

Under Title II of the Dodd-Frank Act, the FDIC may also be called upon to resolve the failure of a large, systemically important financial company. Although the Act makes clear that bankruptcy is the preferred resolution framework, the Congress also recognized that circumstances could arise in which a large, complex financial institution might not be resolvable under bankruptcy without posing a systemic risk to the U.S. economy. Title II, therefore, provides a backup authority to place a failed or failing financial company into an FDIC receivership process if no viable private-sector alternative is available to prevent the default of the company and if a resolution through the bankruptcy process would have a serious adverse effect on U.S. financial stability. In such circumstances, the FDIC’s Orderly Liquidation Authority under Title II is intended to ensure the rapid and orderly resolution of the failure of a covered financial company in accordance with statutory mandates. The FDIC has been actively engaged in, and will continue over the next several years to pursue, resolution planning and operational readiness initiatives to make sure that it is prepared, if necessary, to fulfill this responsibility.

The FDIC’s assessment of the resolution plans submitted by bank holding companies, other covered companies, and IDIs helps develop and improve its capabilities to administer large resolutions under any of the available authorities. The actions firms take to address the shortcomings identified in their plans and the direction to address those shortcomings will improve the likelihood that the firms will be resolvable under bankruptcy and/or traditional FDIC resolution processes and will enhance the FDIC’s ability to conduct a rapid and orderly resolution under Title II, if that becomes necessary.
Receivership Management Program

STRATEGIC GOAL 5

Resolutions are orderly and receiverships are managed effectively.

Strategic Objectives

5.1 Receiverships are managed to maximize net return and terminated in an orderly and timely manner.

5.2 Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.

5.3 Resolution of the failure of a large, complex financial institution is carried out in an orderly manner in accordance with statutory mandates.

The means and strategies used to achieve these strategic objectives and the external factors that could impact their achievement are described below.

5.1 Receiverships are managed to maximize net return and terminated in an orderly and timely manner.

**Means & Strategies:** Under the FDI Act, the FDIC in its receivership capacity manages the assets of failed IDI receiverships to preserve or enhance their value and disposes of them as quickly as possible, consistent with the objective of maximizing the net return on those assets. The oversight and prompt termination of receiverships preserves value for the uninsured depositors and other receivership claimants by reducing overhead and other holding costs. By quickly returning the assets of a failed institution to the private sector, the FDIC maximizes net recoveries and minimizes disruption to the local community.

In fulfilling its responsibilities to creditors of failed institutions, the FDIC, as receiver, manages and sells the receivership assets using a variety of strategies and identifies and collects monies due to the receivership. Given adequate time, the FDIC prepares in advance an information package and an asset valuation review for each failing insured depository institution to help solicit bidders and sell as many of the institution’s assets as possible at resolution or shortly thereafter. The FDIC manages the remaining assets in a cost-effective manner to preserve value until they can be marketed. Most of the remaining assets are marketed within 120 days after an insured institution fails. The failed institution’s assets are often grouped into pools to be most appealing to acquirers and are marketed through an Internet-based platform. From 2008 through 2012, whole bank loss-share transactions were used extensively to sell most of the assets of a failed bank to an acquiring bank.
**External Factors:** A severe economic downturn could lead to more institution failures and could affect the pace at which the FDIC markets assets and terminates receiverships. Economic and other factors, such as extended litigation and problems resolving environmentally tainted receivership properties, might also delay the termination of a receivership.

**5.2 Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.**

**Means & Strategies:** When an insured depository institution fails, the FDIC, as receiver, acquires a group of legal rights, titles, and privileges generally known as professional liability claims. The FDIC’s attorneys and investigators work together to assure that valid claims arising from the failure of an insured institution are properly pursued. The team conducts a factual investigation of the events that contributed to losses at the institution as well as legal research and analysis of the facts and potential claims. For each potential claim, the team recommends whether the claim should be pursued based on an assessment of the likelihood of a recovery exceeding the estimated cost of pursuing the claim. The prompt investigation and evaluation of potential claims against professionals who may have caused losses to the institution promotes fairness and leads to more cost-effective results.

**External Factors:** Each potential claim has a statute of limitations that establishes a time limit for the claim to be filed. A substantial increase in the number of failures could make it difficult to complete investigations of all potential claims and to decide within the established time limit whether to pursue a claim. The same problem could occur with very complex investigations or claims. In such cases, the FDIC may seek to enter into a tolling agreement with the potential defendant to extend the allowable timeframe for the claim to be filed.

**5.3 Resolution of the failure of a large, complex financial institution is carried out in an orderly manner in accordance with statutory mandates.**

**Means & Strategies:** Large, complex financial institutions in the United States are generally organized under a holding company structure with a top-tier parent and operating subsidiaries that comprise hundreds, or even thousands, of interconnected entities that share funding and support services and span legal and regulatory jurisdictions across international borders. Functions and core business lines are often not aligned with individual legal entity structures. Critical operations can cross legal entities and jurisdictions, and funding is often dispersed among affiliates as needs arise. These integrated legal structures make it very difficult to conduct an orderly resolution of one part of the company without triggering a costly collapse of the entire company and potentially transmitting adverse effects throughout the financial system. In addition, it is the top-tier company that raises the equity capital of the institution and subsequently down-streams equity and some debt funding to its subsidiaries.
To improve the ability of firms to be resolved in bankruptcy under Title I, the FDIC and FRB have directed some firms to rationalize their legal structures as part of the development of their resolution plans. In addition to taking steps to improve resolvability under bankruptcy, the FDIC is preparing contingency plans for firms to be resolved under Title II should a Title II resolution be determined as necessary.

To ensure the Corporation's operational readiness to conduct the resolution of a large, complex financial institution, the FDIC continues to update and refine its firm-specific contingency plans. In addition, the FDIC is developing operational procedures for administration of a Title II receivership, if necessary. The FDIC conducts simulations and tabletop exercises and undertakes joint contingency planning with other U.S. and foreign regulatory authorities to enhance communications and operational readiness, and it is exploring other opportunities to collaborate with U.S. and foreign authorities to ensure effective coordination and cooperation in a resolution. In addition, the FDIC, together with other U.S. financial regulatory agencies, is working to develop relationships with key regulatory authorities in other countries to facilitate closer coordination and cooperation in the event of the failure of a global SIFI. The FDIC also analyzes emerging issues and is improving its understanding of the legal and policy structures in other countries that might affect a rapid and orderly resolution.

The FDIC established and consults regularly with the Systemic Resolution Advisory Committee, which advises the FDIC on the potential effects the failure of a large, complex financial institution would have on financial stability and economic conditions and the ways in which specific resolution strategies would affect stakeholders and their customers. Members of the Advisory Committee bring a wide range of knowledge and experience to resolution-related issues, including expertise in managing complex firms, administering bankruptcies, working within different legal jurisdictions, and understanding the application of accounting rules and practices.

**External Factors:** The specific facts surrounding the failure of a large, complex financial institution may affect the FDIC’s ability to execute the resolution as planned, especially considering the complex and interconnected nature and global reach of these firms. As part of its contingency planning efforts, the FDIC will seek to mitigate this risk by collecting and maintaining comprehensive, up-to-date information on these institutions that will support a rapid and orderly resolution under Title II of the Dodd-Frank Act, if that becomes necessary.
The FDIC's Office of Inspector General (OIG) is an independent organizational unit established under the Inspector General Act of 1978, as amended. OIG’s statutory mission is to promote the economy, efficiency, and effectiveness of FDIC programs and operations, and to protect against fraud, waste, and abuse. OIG carries out this mission by conducting audits, evaluations, and investigations; reviewing existing and proposed legislation and regulations; and keeping the FDIC Chairman and the Congress fully informed about problems and deficiencies relating to the FDIC programs and operations. These activities directly support and augment the Corporation’s efforts to maintain stability and public confidence in the nation’s financial system.

To help accomplish its mission and achieve its vision, the OIG has established external strategic goals that align with the FDIC’s strategic goals, programs, and activities. In addition, OIG has established an internal strategic goal to build and sustain high-quality staff, effective operations, OIG independence, and mutually beneficial working relationships.
Appendix A

The FDIC’s Strategic Planning Process

• Introduction

The FDIC is subject to the requirements of the Government Performance and Results Act (GPRA) as modified by the GPRA Modernization Act of 2010. In accordance with the requirements of these statutes, the FDIC reviews and updates its Strategic Plan every four years, publishes Annual Performance Plans and Performance Reports, and conducts program evaluations to assess whether the Corporation’s programs are achieving their stated purposes.

• Annual Performance Plan and Report

The FDIC’s Strategic Plan is implemented through annual performance plans. The annual plans identify annual performance goals, indicators, and targets for each strategic objective. The Corporation submits an Annual Report to Congress in February of each year that compares actual performance to the annual performance goals for the prior year. This report is also made available to FDIC stakeholders and the public through the FDIC’s website.

The Corporation’s long-term strategic goals and objectives are expressed in outcome terms, and selected outcome measures are included in the Corporation’s annual performance plans. However, many of the performance indicators in these annual plans are process measures (for example, completing required examinations). It is often difficult to establish a direct causal relationship between the Corporation’s activities and the outcomes experienced by insured institutions. The FDIC continues to work with the other regulatory agencies to improve its performance measures.

• Corporate Planning and Performance Management Process

The FDIC establishes performance goals annually through an integrated planning and budgeting process. In formulating these performance goals, the Corporation considers the external economic environment, the condition of the banking and financial services industry (including potential risks), projected workload requirements, and other corporate priorities. FDIC plans may also be influenced by the results of program evaluations and management studies, prior year performance results, and other factors. Based on this information, planning guidance is established by senior management with input from program personnel.
After annual performance goals are established, a proposed annual corporate operating budget is developed, taking into account the financial, human capital, technological, and other resources required to accomplish the FDIC's core mission responsibilities and other annual performance goals. The budget is typically approved by the Board of Directors in December.

Annual performance goals are communicated to employees through established supervisory channels, the internal FDIC website, the FDIC News, and other means. Staff prepares progress reports, and senior management conducts performance reviews quarterly.

- **Stakeholder Consultation**

  The FDIC requested comment from stakeholders and the public on a draft of this strategic plan through a posting on the FDIC website for a 14-day period in February 2015. All comments and suggestions were carefully reviewed and changes made to the plan where appropriate.

- **Program Evaluations**

  The Corporate Management Control Branch in the Division of Finance (DOF) coordinates the evaluation of the FDIC's programs and issues follow-up reports. Program evaluations are interdivisional, collaborative efforts, and they involve management and staff from all affected divisions and offices. Such participation is critical to fully understanding the program being evaluated. It also gives the divisions and offices a stake in the process. Division and office directors use the results of the program evaluations to assure the Chairman that operations are effective and efficient, financial data and reporting are reliable, laws and regulations are followed, and internal controls are adequate. These results are also considered in strategic planning for the FDIC. During the period covered by this Strategic Plan, the FDIC will continue to perform risk-based reviews in each strategic area of the Corporation.
TAB 2
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\text{Tab 3}
FDIC Senior Leadership

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<thead>
<tr>
<th>Name</th>
<th>Title/Component/Appointment Type</th>
<th>Contact Info</th>
<th>Extension</th>
</tr>
</thead>
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</tbody>
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FDIC Senior Leadership

<table>
<thead>
<tr>
<th>Name</th>
<th>Title/Component/Appointment Type</th>
<th>Contact Info</th>
<th>Extension</th>
</tr>
</thead>
<tbody>
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Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation

Martin J. Gruenberg is the 20th Chairman of the FDIC, receiving Senate confirmation on November 15, 2012 for a five-year term. Mr. Gruenberg served as Vice Chairman and Member of the FDIC Board of Directors from August 22, 2005 until his confirmation as Chairman. He served as Acting Chairman from July 9, 2011 to November 15, 2012, and also from November 16, 2005 to June 26, 2006.

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. Mr. Gruenberg advised the Senator on issues of domestic and international financial regulation, monetary policy and trade. He also served as Staff Director of the Banking Committee's Subcommittee on International Finance and Monetary Policy from 1987 to 1992. Major legislation in which Mr. Gruenberg played an active role during his service on the Committee includes the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA); the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA); the Gramm-Leach-Bliley Act; and the Sarbanes-Oxley Act of 2002.

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.

Mr. Gruenberg holds a J.D. from Case Western Reserve Law School and an A.B. from Princeton University, Woodrow Wilson School of Public and International Affairs.
Thomas M. Hoenig
Vice Chairman
Federal Deposit Insurance Corporation

Thomas M. Hoenig was confirmed by the Senate as Vice Chairman of the Federal Deposit Insurance Corporation on Nov. 15, 2012. He joined the FDIC on April 16, 2012, as a member of the FDIC Board of Directors for a six-year term. He is a member of the executive board of the International Association of Deposit Insurers.

Prior to serving on the FDIC board, Mr. Hoenig was the President of the Federal Reserve Bank of Kansas City and a member of the Federal Reserve System's Federal Open Market Committee from 1991 to 2011.

Mr. Hoenig was with the Federal Reserve for 38 years, beginning as an economist and then as a senior officer in banking supervision during the U.S. banking crisis of the 1980s. In 1986, he led the Kansas City Federal Reserve Bank's Division of Bank Supervision and Structure, directing the oversight of more than 1,000 banks and bank holding companies with assets ranging from less than $100 million to $20 billion. He became President of the Kansas City Federal Reserve Bank on October 1, 1991.

Mr. Hoenig is a native of Fort Madison, Iowa. He received a doctorate in economics from Iowa State University.
Fred W. Gibson, Jr.
Acting Inspector General
Federal Deposit Insurance Corporation

Fred Gibson is the FDIC’s Acting Inspector General. As such, he is responsible for all facets of the OIG’s mission, which broadly is to prevent and detect waste, fraud, and abuse affecting the programs and operations of the FDIC and to keep the Chairman of the FDIC and the Congress fully informed. He leads an office of 125 Federal law enforcement officers, auditors and other professionals, with an annual budget of approximately $35 million. The OIG conducts investigations of potential fraud and other crimes in insured financial institutions, closed banks, and the FDIC, and audits of the FDIC, including its supervision, resolution, complex financial institution, and information security programs.

Mr. Gibson is an attorney by profession, specializing in banking, securities, and corporate law. He practiced for 12 years with regional and national law firms in Texas and Washington, DC, before joining the Resolution Trust Corporation (RTC) Office of Inspector General as a Senior Attorney in 1992. He has served with the RTC and FDIC Offices of Inspector General since that time. Prior to becoming Principal Deputy Inspector General, he served as Counsel to the Inspector General. In that capacity, he provided independent legal services to the Inspector General and the managers and staff of the OIG. He concurrently served as a Special Assistant United States Attorney (Criminal Division) for the Southern District of Florida.

Mr. Gibson graduated from the University of Texas at Austin with a BA in History. He holds a Master’s degree in Russian Area Studies from Georgetown University, and his JD from the University of Texas School of Law. He is a member of the State Bar of Texas and the Bar of the Court of Appeals of the District of Columbia and is admitted to practice in numerous Federal courts throughout the country.
Barbara A. Ryan
Deputy to the Chairman and Chief Operating Officer/Chief of Staff
Federal Deposit Insurance Corporation

Ms. Ryan is Deputy to the Chairman and Chief Operating Officer/Chief of Staff at the Federal Deposit Insurance Corporation (FDIC). Prior to assuming her current role, Ms. Ryan served as FDIC Chief of Staff from July 2011 to January 2014, and as Deputy to the Vice Chairman from February 2006 to July 2011. She earlier served as Associate Director of Regional Operation in the FDIC's Division of Insurance and Research where she oversaw the Division's risk analysis activities in all regions of the country.

Ms. Ryan joined the FDIC following a 25 year career with extensive management experience in the public and private sectors, including the financial services industry. She previously served as Economic Advisor to the Chairman of the U.S. International Trade Commission and in a variety of executive positions at Fannie Mae, a government-sponsored entity. She also served for over a decade as Vice President and Senior Economist at Capital Economics, an economic consulting affiliate of the Washington, D.C. law firm Howrey LLP, providing expertise on antitrust and regulatory matters for government and private sector clients. Earlier Ms. Ryan was employed as a Manager of Ernst & Young's economic consulting practice and Research Associate at Evans Economics, Inc. She began her professional career as a management trainee and Assistant Cashier at The National Bank of Washington, a community bank in Washington, D.C.

Ms. Ryan received a B.A. in Economics and English from Georgetown University, an M.A. in Economics from The George Washington University, and a Ph.D. in Economics from George Mason University, where she has taught college level economics.
Steven O. App
Deputy to the Chairman and Chief Financial Officer
Federal Deposit Insurance Corporation

Steven O. App is the Deputy to the Chairman and Chief Financial Officer (CFO) at the Federal Deposit Insurance Corporation (FDIC). As a member of the senior leadership team, he serves as a key advisor to the FDIC Chairman and Board, and brings nearly 40 years of experience in banking, finance, and insurance to this position.

Prior to joining the FDIC in 2002, Mr. App served as the Deputy CFO at both the U.S. Treasury Department and the Department of Housing and Urban Development (HUD), after leaving the private sector as a Partner at Risk Concepts, Ltd., an international bank consulting firm. He started his career at the Federal Reserve Board. Mr. App holds BS and MBA degrees from the University of Maryland, and has completed the coursework for a Ph.D. in economics at George Mason University. He is also a graduate of the American Bankers Association's Stonier Graduate School of Banking, a Certified Government Financial Manager (CGFM), a member of the World Future Society, and a Fellow at the National Academy of Public Administration (NAPA).

Mr. App currently resides in Alexandria, Virginia, with his wife Linda and their two sons.
Kymberly K. Copa  
Deputy to the Chairman  
Federal Deposit Insurance Corporation

Since August 2011, Kym Copa has served as the Deputy to the Chairman for Board matters. Previously, she served as the Senior Counsel for the Assessments and Legislation Section, which provides legal advice on deposit insurance coverage, other deposit-related issues, risk-based assessments for the Deposit Insurance Fund, a myriad of legislative issues affecting the FDIC in its various roles and capacities, and other matters. During 2009 and 2010, Kym served as a primary legal point of contact during Congress’s consideration of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Thereafter, she played a key role in the coordination of the FDIC’s initial efforts to implement the Dodd-Frank Act.

Prior to 1996, Kym provided legal advice on both legislative and corporate governance and authority matters for the Resolution Trust Corporation. She also worked on regulatory and legislative matters for the Office of Thrift Supervision.

Kym received her J.D. from the Marshall-Wythe School of Law and her undergraduate degree from the College of William and Mary.
Lawrence Gross, Jr.
Chief Information and Privacy Officer
Federal Deposit Insurance Corporation

On November 2, 2015, the FDIC Board of Directors approved the appointment of Lawrence Gross, Jr. to the position of FDIC Chief Information Officer (CIO). Mr. Gross in his role as CIO reports directly to the Chairman and provides leadership to the Division of Information Technology and the Information Security and Privacy functions and operations. Further, Mr. Gross serves as the chief advisor to the Chairman, Board members, and senior executive managers on all strategic issues relating to information technology (IT), including governance, investments, program management, strategic planning, privacy and security. Mr. Gross has more than 39 years of combined military and federal sector experience in the information technology, law enforcement, cybersecurity, and critical infrastructure fields.

Prior to his appointment at the FDIC, Mr. Gross served as the CIO for the U.S. Department of Agriculture, Farm Service Agency (FSA). In addition to his leadership role at the Farm Services Agency (FSA), Mr. Gross served for five years as the Deputy CIO at the Department of the Interior where he was responsible for the management and oversight of Interior’s $5 billion dollar IT portfolio and operating budget, as well as providing day-to-day executive leadership and strategic direction to IT federal and contractor staff.

Mr. Gross holds a Bachelor of Science degree in Information Systems Management from the University of Maryland, University College, and he holds a CIO Certification from the National Defense University. Mr. Gross is a member of several professional information technology-related organizations, and is the recipient of several prestigious military and civilian awards including the Presidential Award for Leading the Federal Financial Management Line of Business Initiative, the Department of Energy’s Secretary’s Award for Leadership in Electronic Government, the Department of Justice, Attorney General’s Award, and the Federal 100 Award which recognizes government and industry leaders who have played pivotal roles in the federal government IT community: individuals who have gone above and beyond their daily responsibilities and have made a difference in the way technology has transformed their agency or accelerated their agency’s mission.
Charles Yi is the General Counsel of the FDIC. Before joining the FDIC, Mr. Yi served as staff director and chief counsel on the Committee on Banking, Housing, and Urban Affairs of the U.S. Senate, where he was responsible for all issues under the committee's jurisdiction. He previously served as deputy assistant secretary for banking and finance at the U.S. Treasury Department and as counsel for the Committee on Financial Services of the U.S. House of Representatives. Prior to his public-sector experience, he practiced banking, corporate, and securities law at Wilmer Cutler Pickering Hale and Dorr LLP in Washington, D.C. and at Wachtell, Lipton, Rosen & Katz in New York, New York. He also previously served in the U.S. Army as captain and lieutenant in the Armored Cavalry.

Mr. Yi received a Juris Doctor degree from Columbia University School of Law; a Master of Public Affairs from Princeton University, Woodrow Wilson School; a Master of Arts, Business Administration, from Bowie State University; and a Bachelor of Science, Electrical Engineering and Nuclear Engineering, from the University of California, Berkeley.
Russell G. Pittman
Director, Division of Information Technology
Federal Deposit Insurance Corporation

Russ Pittman is currently the Director, Division of Information Technology (DIT) at the Federal Deposit Insurance Corporation. He started with the FDIC in August of 2003 as the Assistant Director of the Operations Branch in Technical Infrastructure Management. In August of 2004, he was selected as the Deputy Director (Deputy CIO) for the Infrastructure Services Branch within the Division of Information Technology.

He has been responsible for many DIT improvement efforts including the $22M Infrastructure Modernization project, numerous Help Desk Improvement efforts, and the $460M Infrastructure Support Services contract consolidation project. He has also initiated a number of process improvements within DIT's Infrastructure Services area which have enabled DIT to respond more quickly to clients' needs and have fostered an improved working relationship between the various branches of DIT and our customers in the Divisions and Offices we serve.

Before joining the FDIC, Rus was the Chief Technology Officer at the Indian Health Service (IHS), an agency within the Department of Health and Human Services, where he had complete responsibility for all IHS infrastructure and nationwide support.

Rus has a Bachelor of Science in Chemical Engineering from the University of Arizona and a Master of Business Administration degree from the Isenberg School of Management at the University of Massachusetts - Amherst.
Doreen R. Eberley
Director, Division of Risk Management Supervision
Federal Deposit Insurance Corporation

Doreen R. Eberley is the Director of the Division of Risk Management Supervision (RMS) at the Federal Deposit Insurance Corporation (FDIC).

In this role, Ms. Eberley leads the FDIC’s bank supervision, risk monitoring, resolution planning, and policy development activities through a workforce of approximately 2,800 employees. She assumed these duties in February 2013.

Ms. Eberley began her FDIC career in 1987 and previously served in a number of leadership positions within RMS in Washington, New York and Atlanta. She provided leadership and policy guidance in key positions throughout the financial crisis, including Acting Deputy to FDIC Chairman Sheila Bair and Acting Chairman Martin Gruenberg. She additionally served on the professional staff of the U.S. House of Representatives’ Committee on Banking and Financial Services under a fellowship program during the 105th Congress.

A native of Florida, Ms. Eberley holds a BA in Economics from Cornell University, Ithaca, New York and an MBA from Emory University, Atlanta, Georgia.
Mark Pearce
Director, Division of Depositor and Consumer Protection
Federal Deposit Insurance Corporation

Mark is the Director of the FDIC’s Division of Depositor and Consumer Protection (DCP) and leads the FDIC’s efforts to protect depositors and consumers nationwide. The Division has responsibility for the FDIC’s compliance and CRA examination and supervision for approximately 4,000 state non-member institutions, research and policy development related to consumers’ use of financial products and services, depositor and consumer assistance, community affairs, financial education and economic inclusion efforts.

Prior to joining the FDIC, Mark was the Chief Deputy Commissioner of Banks for the State of North Carolina. He has served as President of the American Association of Residential Mortgage Regulators. Previously, Mark was President of the Center for Responsible Lending and has worked for Self-Help, the largest community development financial institution in the nation.

Mark graduated from Harvard Law School (1996) and has a B.A. from the University of North Carolina at Chapel Hill.
Diane Ellis is the Director of the Division of Insurance and Research at the Federal Deposit Insurance Corporation. The Division is responsible for macro risk analysis, banking statistics, deposit insurance pricing and insurance fund management, international outreach, policy development and banking research, both in-house and through the FDIC’s Center for Financial Research.

Ms. Ellis has extensive executive-level experience in deposit insurance pricing and insurance fund management. As Associate Director for Financial Risk Management, she led the FDIC’s efforts in implementing the Federal Deposit Insurance Reform Act of 2005, which resulted in comprehensive changes to the FDIC’s risk-based pricing system and separate systems for large and small banks. During the recent financial crisis, she served as Deputy Director for Financial Risk Management and Research and led the FDIC’s efforts to recapitalize the deposit insurance fund and provide for its liquidity needs. As a result of new authorities granted by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Ms. Ellis led the development and implementation of a comprehensive, long-term deposit insurance fund management strategy to ensure a viable deposit insurance fund and steady risk-based premiums.

Ms. Ellis started her FDIC career as a bank examiner in the Orange County, California field office where she examined numerous troubled banks and thrifts during a severe recession. She then joined the Division of Insurance in Washington, D.C. as a Senior Financial Analyst where she analyzed emerging risks to the banking and thrift industries, with particular emphasis on the consumer sector and credit conditions. Other roles Ms. Ellis has served in at the FDIC include Deputy Director to the Vice Chairman and Special Assistant to the Chief Operating Officer.

Ms. Ellis holds a BBA in Finance from Texas Christian University, Ft. Worth, Texas, and is a Chartered Financial Analyst.
Bret Edwards
Director, Division of Resolutions and Receiverships
Federal Deposit Insurance Corporation

Bret Edwards is currently the Director of the Division of Resolutions and Receiverships (DRR) of the Federal Deposit Insurance Corporation (FDIC). He assumed this position on an acting basis in January 2011, and was permanently appointed to the job in May. DRR has successfully resolved nearly 380 failed financial institutions since 2008 and is responsible for paying insured depositors quickly, effectively managing failed bank receiverships and sales, and for providing superior customer service.

Most recently, Bret was the Director of the FDIC’s Division of Finance, where he oversaw the financial operations of the FDIC, including accounting, payments and receipts, travel, financial reporting, budgeting, corporate planning, treasury management, and insurance premium assessment collections.

Prior to assuming the Finance Director position in mid-2007, Mr. Edwards served as the senior advisor to the Chief Financial Officer, and before that he was the Chief Investment Officer of the FDIC. In this latter capacity, he oversaw management of the $52 billion Deposit Insurance Fund’s investment portfolio, was responsible for day-to-day management of the Corporation’s borrowing and lending functions, and oversaw the investment performance of the FDIC’s $1 billion 401(k) Savings Plan.

Before assuming the Chief Investment Officer position, Mr. Edwards held a number of responsible managerial positions within FDIC’s Division of Liquidation and the former Federal Savings and Loan Insurance Corporation. In this capacity, he assisted in the resolution and disposition of some of most material and complex assets inherited by the government during the savings and loan and banking crises of the late 1980s and early 1990s.

Before joining the federal government, Mr. Edwards worked as a management consultant at the firm of KPMG and as a benefits consultant at the firm of PWC-Kwashia Lipton.

Mr. Edwards holds a BA in Economics (with mathematics minor) from the University of Minnesota and an MBA with distinction from Cornell University. He is also a graduate of the Federal Executives Institute’s Leadership for a Democratic Society Program and the American Bankers Association’s Stonier Graduate School of Banking. Mr. Edwards holds the following professional designations/licenses: Chartered Financial Analyst (CFA), conferred by the Association of Investment Management and Research; Certified Public Accountant (CPA), licensed in the State of Maryland; Certified Treasury Professional (CTP), conferred by the Association of Financial Professionals; and Certified Commercial Investment Member (CCIM), awarded by the Commercial Investment Real Estate Institute. He resides in Fairfax, Virginia with his wife, Audrey, and their three sons, Brandon, Kevin, and Brian.
Art Murton is the Director of the Office of Complex Financial Institutions (OCFI), where he oversees the FDIC's resolution planning efforts associated with implementation of Title I and Title II of the Dodd-Frank Act. In this capacity, Mr. Murton leads a multidisciplinary team responsible for reviewing and providing feedback on the “living wills” prepared by the largest, systemically important financial companies. These plans detail how a firm could be resolved under the Bankruptcy Code without causing financial distress to the U.S. economy. Mr. Murton is also responsible for developing a range of resolution strategies the FDIC could use if the preferred strategy of resolution through bankruptcy is not feasible. Mr. Murton also provides strategic leadership in support of the FDIC’s international outreach and coordination efforts regarding the resolution of global, systemically important financial institutions.

Prior to becoming Director of OCFI in July 2013, Mr. Murton was the Director of the Division of Insurance and Research at the FDIC, a position he held since 1995. In that capacity, Mr. Murton was responsible for directing policy-oriented research, developing and overseeing the FDIC’s risk-based deposit insurance pricing system, as well as managing the collection and publication of bank financial information, including the Quarterly Banking Profile.

During the last banking crisis, Mr. Murton served as the FDIC’s acting Chief Operating Officer, led the design and implementation of the Temporary Liquidity Guaranty Program, and led the FDIC’s efforts to maintain the liquidity and solvency of the Deposit Insurance Fund.

Mr. Murton received a B.A. in Economics from Duke University and a Ph.D. in Economics from the University of Virginia.
Gordon S. Talbot
Acting Ombudsman, Office of the Ombudsman
Federal Deposit Insurance Corporation

Gordon Talbot was named the Acting Director of the FDIC Office of the Ombudsman in June of 2016 having served as the Associate Ombudsman since 2013. He joined the Office of the Ombudsman in 2007 as the subject matter expert for risk management. Previously, he was a long tenured senior examiner in the FDIC’s Salt Lake City Field Office where he examined a wide variety of banks and trust departments in several western states including failing and problem institutions and ranging from large national industrial loan corporations to small community banks. He also served in several acting and special assignments for the FDIC in San Francisco and Washington DC. He taught at the FDIC’s Examination Management and Loan Analysis Schools. He is a graduate of the Pacific Coast Banking School and the University of Utah. Gordon is a former director of the International Ombudsman Association Board of Certification and a Certified Organizational Ombudsman Practitioner.
Arleas Upton Kea
Director, Division of Administration
Federal Deposit Insurance Corporation

Arleas Upton Kea is a member of the senior leadership team and Director of Administration at the Federal Deposit Insurance Corporation. A native Texan, she earned her Juris Doctor degree from the University of Texas Law School and her Bachelor of Arts Degree with honors. She also holds certificates from the program of Instruction for Lawyers at Harvard Law School and the Program for Senior Leaders in Government at Harvard's Kennedy School of Government.

In her role as Director of Administration, Ms. Kea provides nation-wide strategic leadership of critical infrastructure support, including: human resources, procurement, leasing, facilities operations, and special events and programs. She has also led several efforts which resulted in implementation of a variety of innovative Human Resource programs. Arleas worked on the FDIC's original culture change initiative and built the original career development program for clerical (ACE) employees. Arleas also manages a number of formal and informal programs within the FDIC that promote an inclusive environment for all employees and improve cross-cultural awareness. She sponsors and participates in the FDIC's highly successful mentoring program. Employee satisfaction has grown with these initiatives and the FDIC is consistently recognized as a best place to work in the Federal Government.

Arleas began her legal career in Washington, DC, serving first at the US Department of Labor's Legal Division and then joining the Legal Division at the Federal Deposit Insurance Corporation (FDIC) during the banking and savings and loan crises in the 1980's. She specialized in complex professional liability matters and major white collar crimes. She also helped lead the FDIC's labor negotiations and held several senior positions, including Assistant General Counsel and Acting Deputy General Counsel. She also worked as a Law Clerk at Consumer Product Safety Commission.

Ms. Kea expanded her role beyond the legal division when she was appointed by the FDIC's Board of Directors to serve as the agency's Ombudsman. As the Ombudsman, she filled a critical role, serving as the liaison with bankers, industry representatives, community groups, and the public. Her strategy for brokering relationships between the public and regulatory agencies serves as a model today throughout government. Her achievements include selection as Chairman of the Coalition of Federal Ombudsmen and receipt of the prestigious Vice President's Hammer Award for management excellence in government.

Arleas has received numerous awards for her efforts in human resources leadership and related areas, including a 2012 nomination for the prestigious Service to America Medal of Honor. She was recently appointed to serve on a White House Advisory Group for Reform of the Senior Executive Service (SES) to make recommendations to President Obama for reforming the hiring of top level executive branch public servants. Arleas was most recently honored to receive the FDIC Honorary Annie D. Moore EEO, Diversity and Inclusion Award for an Executive.
Avelino Rodriguez
Acting Director, Office of Minority and Women Inclusion
Federal Deposit Insurance Corporation

As Acting Director, OMWI, Mr. Rodriguez is the principal advisor to the Chairman, and the Deputy to the Chairman and Chief Operating Officer, on EEO agency functions and matters pertaining to Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 – which includes the development of standards for (a) equal employment opportunity and the racial, ethnic, and gender diversity of the FDIC workforce and senior management; (b) increased participation of minority-owned and women-owned businesses in FDIC programs and contracts, including standards for coordinating technical assistance to such businesses; and (c) assessing the diversity policies and practices of FDIC regulated entities.

Mr. Rodriguez's permanent position is that of Regional Manager, Division of Administration, in the New York Region where he oversees the human resources and corporate services functions for the Region and Field Offices. Prior to this, he served as Associate Director of Human Resources, at FDIC Headquarters.

Mr. Rodriguez's previous experience includes experience at the Office of Thrift Supervision (OTS) where he served as Managing Director of Human Capital and as Principal Director, Human Resources, leading the human capital office of the agency. Prior to his tenure at OTS, he served as Principal Human Resources Advisor to the FDIC’s Executive Managers and Presidential Appointees. Mr. Rodriguez came to the FDIC from the Executive Office of the President, Office of Administration where he held several positions.
Craig R. Jarvill
Director, Division of Finance
Federal Deposit Insurance Corporation

Craig Jarvill is the Director of the Division of Finance (DOF) of the Federal Deposit Insurance Corporation (FDIC). He has been the Director of DOF since October, 2011. As the Director, he oversees the day-to-day financial operations of the FDIC, including accounting, payments and receipts, travel, financial reporting, budgeting, corporate planning, treasury management, and insurance premium assessment collections. Mr. Jarvill has also held the position of Deputy Director of Financial Operations (FO), DOF. As the Deputy Director of the FO area, he was responsible for the Receipts, Disbursements, and Travel Operations Branch; the Treasury Management Branch; and the Financial Operations Reporting & Control Section. Prior to assuming the Deputy Director position, Mr. Jarvill served as the Senior Advisor to the Chief Financial Officer (CFO) at the FDIC.

Mr. Jarvill has in-depth knowledge of managing accounting operations from his over 30 years of FDIC experience. He has a B.S. in Accountancy from the University of Illinois and began his career in 1983 in Chicago with the FDIC's Division of Liquidation. In 1992, Mr. Jarvill came to DOF in Washington and has held managerial roles in a variety of finance functions, including receivership accounting operations, budget, assessment audit, accounts payable, accounts receivable, and corporate accounting.
Andy Jiminez
Director, Office of Legislative Affairs
Federal Deposit Insurance Corporation

Andy Jiminez is the Director of the FDIC's Office of Legislative Affairs, having served as Acting Deputy Director as well as a Legislative Attorney/Advisor in OLA since July 2012. Prior to joining the FDIC in 2012, Andy served as Senior Counsel for Banking and Trade for the U.S. House of Representatives' Committee on Small Business and as Senior Financial Services Legislative Assistant to U.S. Representative Nydia Velazquez (NY) from 2007 to 2012. Before that, Mr. Jiminez served as an Attorney at the Office of the Comptroller of the Currency, where he advised senior management, bank examiners, and licensing analysts on applying banking statutes, regulations, and enforcement policy. Andy earned his law degree from The Ohio State University Moritz College of Law with honors in 2005 and his Bachelor of Science degree with dual majors in Biology and History from Tulane University.
Ms. Susser currently serves as the Director of Corporate University and Chief Learning Officer. She joined Corporate University as the Deputy Director of the College of Corporate Operations in June 2008. Prior to that, she served in the Division of Risk Management Supervision as the Deputy Regional Director in the Chicago Region. She also has served as Regional Manager in the Division of Insurance and Research in both the Chicago and New York Regions. Ms. Susser began her career at the FDIC in 1988 as an examiner in the Division of Risk Management Supervision, Kansas City Region, St. Louis Field Office.

In 2001, Ms. Susser worked on Capitol Hill as part of The Brookings Institution's LEGIS program, a congressional fellowship program for federal government executives. Ms. Susser received certification as a Chartered Financial Analyst in September 1998 from the Chartered Financial Analyst Institute. She is a graduate of the University of Missouri and the New York University Institute of Women and Management in Public Service. She is a former board member of the Federal Executive Institute Alumni Association and is a member of the Chartered Financial Analyst Institute and Women and Housing and Finance. Ms. Susser is a volunteer with the Junior League of Northern Virginia.
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**1776 F Street, NW**

![Building Image]

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Virginia Square A and B Buildings

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**Virginia Square C Building**
1310 N. Courthouse Road

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TAB 5
FDIC Regional Offices

Atlanta Regional Office
10 Tenth Street, NW
Suite 800
Atlanta, Georgia 30309-3906

Chicago Regional Office
300 South Riverside Plaza
Suite 1700
Chicago, IL 60606

Dallas Regional Office
1601 Bryan Street
Room RNG-36050
Dallas, TX 75201-3430

Memphis Area Office
Dallas Region
6060 Primacy Parkway, Suite 300
Memphis, TN 38119-5770

Kansas City Regional Office
1100 Walnut Street
Suite 2100
Kansas City, MO 64106

New York Regional Office
350 Fifth Avenue
Suite 1200
New York, NY 10118

Boston Area Office
New York Region
15 Braintree Hill Office Park
Braintree, MA 02184

San Francisco Regional Office
25 Jessie Street at Ficker Square
Room SFR 1222
San Francisco, CA 94105-2780
LEGEND

- Regional Offices
- Area Offices
- Risk Management Territories
- Compliance Management Territories
DALLAS REGION

States
Arkansas    New Mexico
Colorado    Oklahoma
Louisiana    Tennessee
Mississippi  Texas

LEGEND
• Regional Offices
• Area Offices
• Risk Management Territories

Compliance Management Territories

As of 04/2021
NEW YORK REGION

States
Connecticut  Pennsylvania
Delaware  Puerto Rico
Maine  Rhode Island
Maryland  Vermont
Massachusetts  Virgin Islands
New Hampshire
New Jersey
New York

LEGEND
- Regional Offices
- Area Offices
- Risk Management Territories
- Compliance Management Territories

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Table 6
THE HISTORY OF DEPOSIT INSURANCE AND THE FDIC
This chart presents both the percentage of commercial bank suspensions and the total number of commercial banks from the end of the Civil War to the Great Depression.

Bank suspensions are banks that, because of financial difficulties, had been closed to the public, either temporarily or permanently, by supervisory authorities or by the banks' own boards of directors. Although when referencing to bank closures before 1934, the word "suspension" is often used as a synonym for "failure", about 15% of suspended banks from 1921 to 1933 reopened.

Overall, there was a tremendous growth in the number of commercial banks during the late 19th and early 20th century, with the peak at about 30,000 institutions.

The periodic spikes in suspensions often correspond to periodic banking panics, but, until the Depression these have little effect on continued bank chartering. Between 1921 and 1933, however, the number of commercial banks falls by half.
Banking Conditions in the 1920s

- ~6,000 bank suspensions from 1920 to 1929
- Failures concentrated among small banks in rural regions that didn’t share in the economic expansion of the period
- Because the banks were small, these failures generated little concern

On average, in 1921–1929, there were 635 bank suspensions per year — then-unprecedented levels that would be surpassed only by the extremely high rate of suspensions during the Great Depression. Research has highlighted several causes for these suspensions: agricultural shocks, overbanking, and lax supervision by state bank authorities.

The following set of animated maps shows where bank suspensions happened during the 1920s.
Bank Suspensions, 1921-1929
Bank Conditions, 1930-1933

- ~9,000 banks were suspended during these 4 years (by 1934, the banks in the US dropped to ~15,000)
- Multiple banking panics: the nation's banking system was threatened with collapse
- Individual states began declaring bank holidays, followed by a nationwide holiday in March 1933

The number of bank suspensions in 1930-33 was staggering—unlike the 1920s, they were spread over the entire nation, and their average size was larger—and, although none of the largest banks failed, a number of fairly large banks did close.

There were at least 4 separately identified panics, but high failure rates were present during most of this period.

State bank holidays began to proliferate during early 1933. The nationwide bank holiday—which was of somewhat dubious legality—and the orderly licensing and reopening of banks that followed, proved very effective in restoring confidence in the banking system. Even though deposit insurance was not in place until January 1934, relatively few failures occurred during the last 9 months of 1933.

The film clip is from a Frank Capra film, *American Madness*, and shows how popular culture interpreted the bank runs that occurred during the Depression. Although this is a fictional representation, it is a scene that would have been familiar to people in the US.
The federal government stepped in to try to fix things in 1933.

In March, just after a bank holiday, the Emergency Banking Act of 1933 passed. The law expanded presidential authority during a banking crisis (and retroactively legalized the bank holidays); gave the OCC the power to restrict impaired banks' operations and appoint conservators to run national banks, allowed the Reconstruction Finance Corporation (RFC) to purchase preferred stock in banks to shore up their capital positions, and gave the federal government the ability to issue emergency currency.

In June, the Banking Act of 1933 passed. Among its most important provisions:

- It created the FDIC, which was the most controversial part of the law: Franklin Delano Roosevelt, Fed, and Treasury were all against deposit insurance, but it was very popular with the American people, which made it politically impossible to prevent its inclusion. Glass was not a supporter either, but believed he could use it to make all banks Fed members, and so did not oppose it.

- It prohibited banks from the securities business: This was done due to the belief that banks had engaged in speculative activities and that these had not only defrauded investors, but led to many bank failures (modern research tends to refute the accuracy of the contemporary perception).

- It capped interest rates that banks could pay out. The prevalent notion was that banks were competing too much with each other and paying too high interest rates, which made them unprofitable, and also that they used high rates to gather deposits.
that could be used for speculative investment.
The 1933 law created a temporary DI scheme, with a plan for a different permanent scheme. The original permanent plan was never enacted. The coverage amount was quickly doubled just six months later in order to cover a greater proportion of deposit accounts.

Assessments were calculated differently than would be the case later: The assessment was based on insured rather than total deposits. In addition, there was no limitation on what the FDIC could charge—banks initially paid half the original assessment, with the remainder on call, but the FDIC could simply continue to assess banks as required to handle failures. Banks did not like the uncertainty this provision created.

With regard to bank supervision, for the first time, state banks that were not Fed members had a federal supervisor.

With regard to failed bank resolution, the FDIC was required to be the receiver in the case of national bank failures, and it could serve as receiver for state bank failures. In practice, it took a fair amount of time before all states routinely had the FDIC act as receiver.
Early Developments

- Only nine insured banks failed in 1934. The bank run problem is solved.
- Banking Act of 1935:
  - FDIC made permanent; coverage level at $5,000
  - FDIC authorized to:
    - pay off depositors directly; and
    - Make loans, purchase assets, and provide guarantees to facilitate mergers or acquisitions
  - Established criteria for granting deposit insurance to state nonmember banks
  - Set assessments at 1/12 of 1% of total deposits
- ~400 insured banks failed in 1934-1941, but most are small.

The introduction of DI was crucial in increasing confidence in the banking system, but the very low number of failures was almost certainly dependent on the large number of small, thinly capitalized banks that had disappeared not only during the Depression but also during the 1920s.

Before the 1935 law, the FDIC had had to pay off depositors by using a Deposit Insurance National Bank (DINB), but payouts could now be done directly. The DINB mechanism, however, remained available to the FDIC, and was used occasionally as a resolution mechanism even during the recent financial crisis.

In 1933, all licensed Fed member banks had been required to become FDIC members; state nonmember banks were admitted as long as they were solvent, but the FDIC wanted to be able to exercise greater control over risk, and so added criteria very similar to those still in place to deposit insurance applications.

The assessment base was changed to total deposits, which benefitted small banks and adversely affected many large ones (e.g., Chase’s assessment bill would go up from $715K to $1.1M)—however, if the bank had more than 20% insured deposits, it likely paid a lower total. The rate was lowered to 8.33 bps, based on an FDIC historical analysis of the costs of failures outside of major banking crises in 1865-1933. The same flat rate would remain in place until the early 1990s (though rebates were instituted in 1950), and the assessment base would remain fundamentally unaltered until Dodd-Frank in 2010.
1940s-1960s

- Period of general prosperity and sustained growth; recessions short and relatively mild
- Banks operated within traditional markets and with modest risk
- Few failures and only small losses to the insurance fund, which continued to grow, assessment rebates instituted in 1950
- In 1950, FDIC began using cost test for resolutions (Purchase and Assumptions (P&As) vs. payoffs)
- Coverage level raised three times: $10K in 1950, $15K in 1966, and $20K in 1969

- Average annual increases in real GDP from 1940 to 1969 were above 4%—unemployment was generally low; although there were a couple somewhat serious recessions during the 1950s, there was not a single recession during the entire decade of the 1960s.

- A joking shorthand for this period is 3-6-3: Pay deposits at 3%; loan money out at 6%, and be on the golf course by 3 in the afternoon.

- The banks had begun seeking some kind of decrease in the FDIC assessment rate almost immediately. The FDIC, unsure of what constituted an adequate fund, resisted successfully through the 1940s. The FDIC also argued that no decrease should be instituted until it had repaid the initial capital (about $289 million). This occurred in the late 1940s. With few failures and the fund over $1 billion, the FDIC agreed to institute rebates of 60% of assessment income after FDIC expenses. Using a rebate rather than a statutory decrease allowed the FDIC to increase assessment income by eliminating the rebate should costs to the fund increase, as finally did occur during the 1980s.

- In the 1940s, the FDIC had chosen to use P&A transactions almost exclusively. Some in Congress were concerned about costs, and so the FDIC began testing which of these resolution methods would be less costly to the insurance fund.

- Congress increased the coverage limit several times during this period—for the most part these were viewed as adjustments for inflation.
## 1940s-1960s: Regulatory Developments

**Bank Holding Company Act of 1956:**

- Designed to regulate expansion of bank holding companies (BHC) and ensure separation of banking and commerce
- Defines a bank and a bank holding company
  - A BHC = any company with 25% stake or more in shares of two or more banks
  - A bank = any institution that takes deposits and makes loans
- Federal Reserve becomes BHC supervisor
- Requires BHCs to divest ownership in firms involved in non-bank activities

Some banks had avoided branching restrictions by forming what were called group banks, a historical term for a bank holding company (BHC). If a BHC operated branches in multiple states, but these branches were considered independent banks, they were in compliance with the law. In addition, BHCs could own non-bank firms, such as manufacturing, transportation, or retail businesses, in addition to banks. This led to concerns that BHCs could use deposits in their bank subsidiaries to make loans to their other businesses or that they could use their influence in making loans to coax borrowers into patronizing their other businesses. This situation had been present for some time, but legislation was slow to materialize, and was not addressed by Congress until 1956.

The first thing the law did was make clear what a BHC was. The 1956 act redefined a BHC as any company that held a stake in 25% or more of the shares of two or more banks. This included outright ownership as well as control of or the ability to vote on shares. For the purposes of the law, a bank was defined as any institution that takes deposits and makes loans.

The act gave the Fed broader regulatory powers over BHCs. They had to register with the Fed and submit to supervision. Most importantly, any BHC wishing to expand had to apply to the Fed to do so. The law did not prohibit the expansion of BHCs, but said the Fed must consider whether the expansion was in the interests of the community and of sound banking.

The law had another major provision: It required all BHCs to divest themselves of ownership in any firms that were involved in non-bank activities, (i.e. commercial and industrial businesses).
The 1970s

- Post-WWII economic stability ended
- Significant volatility in interest rates, prices, and general economic activity
- Increased competition in financial services
- Banks needed to adapt, bringing risk to the industry
- However, bank failures still infrequent in the 1970s
- DI coverage levels raised twice: $40K in 1974 and $100K in 1980

Although GDP continued to rise, there were two significant recessions in the 1970s, and there was significant inflation. The Consumer Price Index (CPI), which had about doubled from 1945-1969, doubled again during the 1970s. Interest rates on one-year treasuries were about 8% in 1970s, dropped almost 50% in the next two years, moved back up to 7% in the middle of the decade, dropped again, and then rose to 10% by 1979.

On both sides of the balance sheet, banks faced new competition: Money market mutual funds competed with banks for deposits (in 1981, banks were allowed to offer individuals Negotiable Order of Withdrawal [NOW] Accounts that helped them compete. The commercial paper market expanded greatly, and so on the asset side of the balance sheet, there was much less traditional lending by banks to businesses.
The Magnitude of the Crisis of the 1980s and Early 1990s

- 1,600 banks and 1,300 savings institutions failed
- Failures were 11% and 33%, respectively, of the number of institutions existing in 1980
- Combined resolution cost for both industries was 3% of GDP, about $200 billion

The resolution cost for the thrift industry failures was about $160 billion; for the banks, about $36 billion (in non-inflation, adjusted dollars).
This chart shows trends in US commercial bank and thrift failures from 1934 to 2014.

The figure, which charts failed bank assets and a percentage of industry assets, permits a somewhat different comparison of the two crises, and shows that the peak of the most recent crisis is comparatively "closer" in magnitude to the peak of the crisis of the 1980s and 1990s. If the systemic risk transactions involving Citigroup and Bank of America were included, given their size, the more recent crisis—in terms of the ratio of failed assets to industry assets—would appear much greater than the previous crisis.
This chart provides an overview of the state of the deposit insurance fund from the FDIC's inception to YE 2014.

We can see that, after a long period until about 1980, the fund gradually increased in size, even with the assessment rebate policy in place after 1950— but the fund experienced a sharp decline during the crisis of the 1980s and early 1990s, with the fund (on an accounting basis) reaching negative territory for the first time. With the removal of rebates and greatly increased insurance premiums, the fund recovered relatively quickly and (despite the implementation of a risk-based premium system that had— as its unintended consequence— many banks paying no premiums) reached a new all-time high just before the recent crisis, when it quickly plunged to an all-time low of negative $20.8 billion. The fund has recovered significantly since then, and continues to grow, and in 2014 reached, in nominal terms, a new all-time high level of almost $63 billion.

The reserve ratio, which is the ratio of the fund to domestic insured deposits and a measure of fund adequacy, had a declining trend from the early years of the FDIC until the crisis of the 1980s and early 1990s, when it plummeted. It recovered and achieved its target following the crisis (for the target see below), but the reserve ratio again decreased with the recent crisis. The FDIC has set up a new long-term fund management policy that will mean that the reserve ratio will rise to higher levels than it has historically.
The thrift industry faced a serious interest rate mismatch problem. Long-term mortgages were made during the 1960s and 1970s, when interest rates were much lower, but now depositors were able to get much higher rates. In addition, because of Regulation Q, even though deposit rates were higher, unregulated competitors (money market mutual funds) could offer market rates, which caused significant disintermediation.

Losses mounted, and essentially the entire S&L industry was bankrupt by 1982, but the thrift regulator (the Federal Home Loan Bank Board) did not close insolvent thrifts, but instead allowed them to remain open. There was a significant political dimension to these decisions, but it was also true that many thought the interest rate problem would be temporary and that, when interest rates declined, the industry’s financial condition would improve.

However, by 1986, the ability to close insolvent thrifts was compromised by the insolvency of the thrifts’ deposit insurer, the FSLIC. The resources to close thrifts were simply not available. There was an injection of over $10 billion into the FSLIC in 1987, but by this time industry losses had become so great that much more was needed.
Initial Response to the S&L Problems: Deregulation

- Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA)
- Garn-St Germain Depository Institutions Act of 1982
  - Gradual removal of Reg. Q (interest on deposits)
  - Expansion of S&L lending powers
    - Commercial real estate
    - Consumer loans, credit cards, commercial loans
  - Raised coverage from $40,000 to $100,000
  - Capital forbearance written into law

One solution to this problem was to deregulate the S&Ls. During this period, other US industries were also being deregulated. There were two significant laws, DIDMCA in 1980 and Garn-St Germain in 1982.

These laws gradually removed Regulation Q interest rate ceilings, and permitted S&Ls to make loans other than mortgages. DIDMCA also raised the deposit insurance limit to $100,000, which encouraged brokered deposit growth; this helped provide new funding, but also encouraged moral hazard.

DIDMCA replaced previous statutory net worth requirement of 5% of insured accounts with a range of 3-6%, with the exact percentage to be determined by the Federal Home Loan Bank Board (FHLBB). Garn-St Germain went even further by stating that S&Ls would provide for adequate reserves in a form satisfactory to the FSLIC, to be established by the FSLIC through regulation.
The Banking Crisis: Four Main Causes

- Structural weaknesses in the industry from legal restrictions
- Boom and bust economic activity in certain regions and economic sectors
- Weak risk-management practices at many institutions
- Inappropriate government policies

This slide summarizes the four main causes of the banking crisis. We will go into more depth on these causes in the next slides.
Structural Weaknesses in Banking

Most banks were confined by branching restrictions to narrow geographic areas. This situation:

- Inhibited loan portfolio diversification;
- Increased banks’ vulnerability to recessions; and in particular regions and economic sectors
- Impeded consolidation of weaker banks

The United States has a long tradition of disliking the concentration of economic—and indeed political—power, and banking was no exception. This meant that there were often significant limits on branching and acquisitions. This occurred both across state lines (interstate) and within states (intrastate). Although we begin to see loosening of some of these restrictions even before the crisis, many are still in place.

These restrictions meant that banks loan portfolios tended to be geographically concentrated, so, if a regional economy suffered, so would the bank's earnings and profitability. It also made it more difficult for mergers to occur that might have limited bank failures during the period, as potential acquirers were fewer than they might have been otherwise.
Boom and Bust Economic Activity

- Speculative bubbles, followed by severe recessions in:
  - agriculture;
  - energy; and
  - commercial real estate
- Failures were concentrated in regions associated with these recessions

There was a tremendous increase in farm real estate prices, but by the early 1980s, prices crashed and agricultural banks—mostly in the Midwest—failed in large numbers.

A boom in energy prices (oil went to $50/barrel) was followed by a crash: Banks that lent into this sector—mostly in the US Southwest—and that lent into all the ancillary markets dependent on energy (including real estate) failed in the mid-1980s.

A commercial real estate boom occurred in the Northeastern US in the late 1980s, but crashed in the early 1990s, leading to large numbers of failures there.

Finally, commercial real estate in California also experienced a boom and bust, and banks failed in that state in the early 1990s.

The cartoon is a parody of the famous musical Oklahoma! The actual lyric was “Where the wind comes sweepin’ down the plain.”
When the FDIC interviewed bankers for the study History of the Eighties—Lessons for the Future, many said that when they were in the midst of the bubble, it was difficult to see that it was a bubble, and this led bankers to continue to lend into areas that in hindsight were characterized by significant risk.

Bankers also noted that both regulatory relaxation and competition pushed them to expand their asset portfolios beyond areas with which they were familiar. For example, bankers in the Northeast sought to participate in the energy boom by participating in natural gas loans in the Southwest.
Inappropriate Government Policies

- Cutbacks in examination forces in early 1980s
- Regulators used forbearance, allowing some institutions to remain open too long
- No risk-based premiums or risk-based capital standards
- Chartering of new banks continued well into the crisis despite high failure rate of new banks
- Balance of market discipline and stability unresolved: uninsured depositors and creditors often suffered no losses

> During the mid-1970s, regulatory agencies began placing more weight on off-site monitoring and less on on-site exams, and this led to decreases in examination staffing. Exam intervals for banks increased significantly, and it meant that problems at banks remained undetected.

> Forbearance was a particular problem with regard to FSLIC, where it was practiced so widely that a large number of insolvent institutions were allowed to operate for lengthy periods. Forbearance was more limited insofar as commercial banks were concerned, but there were a number of forbearance programs for them as well.

> The lack of risk-based deposit insurance had been recognized as a problem for a long time, but the crisis made it clear that this moral hazard problem needed to be addressed. Basle I was being created in the midst of the crisis, but its rules were not implemented until the crisis was almost over.

> Both the OCC and a number of states had very liberal chartering policies and continued to pursue them well into the crisis—many of these new banks failed.

> Failed bank resolutions were undertaken in a way that not only uninsured depositors, but often other creditors such as bondholders suffered no losses, although the FDIC did grow gradually less solicitous of these creditors as the crisis went on.
Cleaning Up: FIRREA (1989) and FDICIA (1991), Deposit Insurance and Supervisory Reforms

The Financial Institutions Reform Recovery and Enforcement Act (FIRREA) and the Federal Deposit Insurance Corporation Improvement Act (FDICIA)

- **Adequate funding**: government funds to resolve thrift failures and “hard target” for deposit insurance funds.

- **Early recognition and better pricing of risks**: required periodic examinations and risk-based premiums.

- **Limits on forbearance**: prompt corrective action, restrictions on funding alternatives for low-capital banks, mandatory closure rule, and least-cost resolutions with systemic-risk exception.

Two laws were passed that significantly reformed the regulation of the bank and thrift industries: the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA) and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

- One of the FSLIC’s most significant problems was lack of funding. In 1989, government funds were appropriated to resolve thrift failures; but, as a means to prevent a reoccurrence of this problem, Congress mandated that the DI funds reach a target reserve ratio of 1.25%.

- Acknowledging that one of the problems had been too-long intervals between onsite exams, Congress mandated annual exams, with the exception of a slightly longer interval for smaller highly rated banks. In addition, the FDIC was required to implement an insurance premium system that accounted for risk.

- The problem of forbearance was also addressed by creating the system of prompt corrective action: Agencies had to develop categories of capitalization, ranging from “well capitalized” to “critically undercapitalized”, and as a bank’s capital rating dropped, regulators had to take increasingly severe action, ranging from restricting certain activities to closing banks that remained critically undercapitalized.

- FDICIA required the FDIC to use the least costly method of resolving a failed bank unless both the FDIC’s Board and Fed’s Board, with the agreement of the Treasury Secretary, believed the failed institution constituted a systemic risk. This was the first attempt to deal statutorily with “too big to fail.”
Cleaning Up: FIRREA and FDICIA, Changes in Regulatory Structure

- S&L deposit insurer (FSLIC) and federal regulator (FHLBB) abolished in 1989
- Resolution Trust Corporation (RTC) established to resolve insolvent S&Ls (RTC closed in 1995)
- FDIC becomes deposit insurer for former FSLIC-insured institutions. Office of Thrift Supervision (OTS) becomes federal regulator

The FSLIC's demonstrable problems led to its abolition as well as the abolition of the federal thrift regulator, the Federal Home Loan Bank Board. A new federal regulator, the Office of Thrift Supervision (OTS) took its place. The OTS would itself be abolished by Dodd-Frank in 2010.

There remained the question of what to do about the backlog of failed and insolvent thrift institutions. Congress created the Resolution Trust Corporation, which was funded with taxpayer dollars, to resolve those institutions. The (RTC) resolved 747 failed thrifts, with about $450 billion in assets. The RTC was created as a limited-life agency, and closed a year early, in 1995.

Since the FSLIC had been abolished, there needed to be a new deposit insurer for thrifts—the FDIC became the deposit insurer, setting up a separate deposit insurance fund, the Savings Association Insurance Fund (SAIF), to insure thrifts.
Bank Conditions from the mid-1990s through 2007

- After 1994, the banking industry recovered quickly and seemed highly profitable
- Continued industry consolidation; deposits in fewer, larger institutions
- Only 58 failures in 1994-2007—none between June 2004 and February 2007, the longest period without a failure in the FDIC’s history
- Failures mostly from fraud or weak management, not economic conditions

In terms of financial condition, industry Return on Assets (ROA), which had been negative in 1990, reached 1% as early as 1993, and stayed near or above that level until 2007.

The number of insured institutions continued to steadily fall from about 12,500 in 1994 to 8,500 in 2007. Big banks got bigger, often through acquisitions, and more and more assets were concentrated in those larger institutions. It should be noted that community banks remained a significant proportion of banks in the US, but their share of assets dwindled.

During this period, there were very few failures, and the FDIC saw the longest interval between bank failures in its history.
Important Legislative Changes, 1994-2005

- Deposit Insurance Reform Act of 2005
  - Merges the two DI funds: BIF and SAIF
  - Replaces hard-target DRR with range
  - One-time assessment credit to banks

The removal of restrictions on interstate banking and branching had been debated in the US during the 1980s and early 1990s. Intrastate branching had become more common over time and was allowed in many states by 1990. Interstate acquisitions had only been allowed if the other state’s laws authorized them; this too had become much more common during the 1980s. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 therefore made federal law consistent with reality.

Gramm-Leach-Bliley, among other provisions, repealed the 1933 prohibitions that had separated banks from the securities business. It was now possible for banks, securities firms, and insurance companies to enter into one another’s businesses.

The Deposit Insurance Reform Act of 2005 was for the most part designed to increase the FDIC’s efficiency and effectiveness. Since being made responsible for insuring thrifts in the wake of the crisis, the FDIC had administered two separate insurance funds. This law combined them. The FDIC was also given some flexibility with regard to the hard target reserve ratio of 1.25%, and instead was permitted to target a range from 1.15% to 1.5%. At the behest of the banking industry, Congress included a one-time assessment credit to banks that had helped to recapitalize the insurance fund during and after the crisis.
As Real Estate (RE) prices and demand for Mortgage-Backed Securities (MBS) rose, lenders turned to riskier borrowers and developed exotic loan products that allowed people who could not afford loans to get them.

Many large financial institutions operated with very high leverage and increasingly loaded up on unsafe investments, magnifying risk.

MBS saw increased use and their repackaging developed into ever-more complex derivatives. Credit-rating agencies failed to properly evaluate their risk (Subprime = AAA), which leads to even more complex derivatives, creating a vicious cycle.

Government regulation did not respond adequately to these trends. When housing bubble bursts, borrower defaults accelerate even for better-quality mortgages.

Financial institutions and securities dependent on rising house prices were threatened.
By fall 2008, the US financial system was near collapse. Credit markets froze; several major institutions failed or were acquired.

- Washington Mutual: largest failure in FDIC history
- IndyMac: most expensive failure in FDIC history
- Countrywide, Wachovia acquired
- Citibank receives assistance under systemic risk exception (Also approved but not implemented for Wachovia and Bank of America)

Most of you are familiar with the most recent banking crisis. Speculative lending contributed to a real estate bubble, and when the bubble burst, it triggered a crisis in financial markets and the worst recession since the Great Depression.

- Some of the biggest failures, such as Washington Mutual, were heavily exposed to residential mortgage loans, but most of the banks that failed had concentrations of exposure to real estate construction and commercial real estate loans.

- The securitization and derivative pipeline magnified the risk and spread it throughout the banking system.

- In September 2008, Washington Mutual, with $307 billion in assets failed. However, the transaction, with JP Morgan Chase purchasing the bank, was a zero-cost one for the FDIC.

- IndyMac, a California thrift, which had failed the previous summer, turned out to be the most costly failure in FDIC history, at about $13 billion (for a $30 billion thrift). Countrywide, another California thrift with large exposure to subprime loans was purchased by Bank of America.

Wachovia, one of the largest banks in the US, was approved to receive assistance under the systemic risk provisions of FDICIA, but it was acquired by Wells Fargo. Citigroup did receive a large assistance package, from the FDIC, the Fed, and the US Treasury in November 2008; and it was announced at Bank of America in January 2009 would
receive similar assistance, but the agreement was never consummated. Bank of
America did end up making payments to the FDIC, Fed, and Treasury in return for the
benefits gained from the package being approved.
The face of the investment banking industry in the US was changed significantly by the crisis. Lehman Brothers failed on September 15, 2008, and became the largest bankruptcy in US history. Bear Stearns had collapsed earlier in the year and had been acquired by J.P. Morgan Chase, with NY Fed assistance.

As the financial crisis’ liquidity problems threatened to engulf the other major investment banks, Merrill Lynch was acquired by Bank of America. The other large investment banks, Goldman Sachs and Morgan Stanley, applied to become BHCs, thus allowing them access to Fed emergency programs and the discount window.

The two GSEs, Fannie Mae and Freddie Mac—both with large exposure to subprime mortgage lending and facing huge losses—were taken into government conservatorship in September 2008.
The federal government responded with efforts to provide liquidity to financial markets and limit the severity of the economic downturn.

DI limit was first increased in October 2008, then extended, and then made permanent in Dodd-Frank.

Temporary Liquidity Guarantee Program (TLGP) initiated in October 2008 under a systemic-risk exception as a way to maintain stability in the financial system. The TLGP consisted of two components: (1) the Transaction Account Guarantee Program (TAGP), an FDIC guarantee-in-full of noninterest-bearing transaction accounts; and (2) the Debt Guarantee Program (DGP), an FDIC guarantee of certain newly issued senior unsecured debt.

The TAGP was extended twice and expired on December 31, 2010.

Under the DGP, the FDIC guaranteed in full, through maturity or June 30, 2012, whichever came first—the senior unsecured debt issued by a participating entity between October 14, 2008, and June 30, 2009. In 2009, the issuance period was extended through

October 31, 2009. The FDIC's guarantee on each debt instrument was also extended in 2009 to the earlier of the stated maturity date of the debt or December 31, 2012. At its peak, the DGP guaranteed $345.8 billion of outstanding debt. The DGP guarantee on all TLGP debt that had not already matured expired on December 31, 2012.
the end of 2012, no debt guaranteed by the DGP remained.

Overall, TLGP fees exceeded the losses from the program.
Other Emergency Government Actions

- Treasury guarantees money market mutual funds
- Troubled Asset Relief Program (TARP) program; initially for bad assets, but then used to inject capital into banks
- Fed funds rate near 0%
- Fed purchases > $1 trillion of mortgage-backed securities

In September 2008, a money market mutual fund "broke the buck", meaning that its net asset value fell below $1—a result of its holdings in Lehman Brothers, which failed. In response, the US Treasury set up a program to temporarily guarantee money market mutual funds to instill confidence in these mutual funds and forestall potential runs.

TARP was established by statute in October 2008: Its original intent was that it purchase troubled assets from financial institutions, but the largest portion of TARP funds (about $250 billion) was used to inject capital into banks. Other funds included about $80 billion to stabilize the US auto industry, $70 billion to stabilize American International Group (AIG), and $46 billion to help prevent foreclosures. The authority to make new financial commitments under TARP ended on October 3, 2010. As of November 30, 2014, cumulative collections under TARP, together with Treasury's additional proceeds from the sale of non-TARP shares of AIG, exceed total disbursements by $14 billion.

The Fed program to purchase mortgage-backed securities was originally set at $500 billion, but was later increased to $1.25 trillion. It was part of a large number of credit and liquidity programs that the Fed put in place in late 2008 and 2009.
Bank Failure and Assistance Transactions, 2008-2014

This map shows bank failures from 2008 to 2014. It is clear that there is again a geographic pattern to failures, but in this period, the boom-bust did not encompass entire regions, but was more likely to be associated with certain states and banking markets within those states.
The legislative response to the crisis took the form of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA). Here we just touch on a few of the more significant provisions.

Insofar as DFA has affected the FDIC, the most obvious impact is that the emergency basic coverage level of $250K was made permanent. In addition, the assessment base for insurance premiums was changed from total domestic deposits to consolidated total average assets minus average tangible equity. Banks that use large amounts of non-deposit funding pay more for deposit insurance.

DFA also created a new federal receivership process by which the FDIC can serve as receiver for large, interconnected financial companies, including broker-dealers, whose failure poses a significant risk to the financial stability of the United States.

In terms of structural change, DFA created the CFPB, which has a significant role in enforcing consumer protection laws in the financial system. Its Director sits on the FDIC’s Board. DFA also created the Financial Stability Oversight Council, which the FDIC is a member. The FSOC is charged with identifying risks to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the stability of the United States' financial system. The Office of Thrift Supervision was abolished.

Other DFA provisions that were a direct result of the crisis included stricter capital requirements to ensure financial institutions had more loss-absorbing resources in the event of difficult economic conditions, better regulations of the derivatives market, a major contributor to the financial crisis; and power to ensure that the credit agencies that rated derivatives and other securities did a better job. Lastly, since it was thought
that the "originate to distribute" model of mortgage origination had injected risk into the financial system, DFA sought to ensure that mortgage originators retained risk exposure rather than moving it off their balance sheets.
TAB 7
BYLAWS

OF THE

FEDERAL DEPOSIT INSURANCE CORPORATION

ARTICLE I

NAME

The name of the Corporation shall be the Federal Deposit Insurance Corporation (hereinafter called the "Corporation").

ARTICLE II

OFFICES

The principal office of the Corporation shall be in the City of Washington, District of Columbia. The Corporation may have additional offices at such other places as the Board of Directors may from time to time determine.

ARTICLE III

CORPORATE SEAL

There is impressed below the official seal of the Corporation, which is hereby adopted for its use.
ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Qualification. The number of Directors of the Corporation shall be five, three of whom shall be citizens of the United States appointed by the President of the United States by and with the advice and consent of the United States Senate (hereinafter individually called "Appointive Director"), one of whom shall be the Comptroller of the Currency (hereinafter called the "Comptroller"), and one of whom shall be the Director of the Consumer Financial Protection Bureau (hereinafter called the "Director, CFPB"). In the event of a vacancy in the office of the Comptroller or the office of the Director, CFPB, and pending the appointment of his or her successor, or during the absence or disability of the Comptroller or the Director, CFPB, the Acting Comptroller or the Acting Director, CFPB, as the case may be, shall be a member of the Board of Directors in the place and stead of the Comptroller or the Director, CFPB. After February 28, 1993, not more than three of the members of the Board of Directors shall be members of the same political party.

Section 2. Terms of Office.--(a) General Provisions for Appointive Directors. The term of office of each Appointive Director shall be six years, commencing with the date of issuance by the President of his or her commission. Each Appointive
Director, however, may continue to serve after the expiration of his or her term until a successor has been appointed and qualified. Any Appointive Director appointed to fill a vacancy occurring before the expiration of the term for which his or her predecessor was appointed shall serve only for the remainder of the predecessor’s term.

(b) Ex Officio Members. The Comptroller or the Acting Comptroller in the place and stead of the Comptroller and the Director, CFPB, or the Acting Director, CFPB, in the place and stead of the Director, CFPB, shall each hold office as a member of the Board of Directors during his or her tenure as Comptroller or Acting Comptroller and Director, CFPB, or Acting Director, CFPB, as the case may be.

Section 3. Chairperson. The Chairperson shall be designated from among the three Appointive Directors by the President, by and with the advice and consent of the Senate, to serve as Chairperson of the Board of Directors of the Corporation for a term of five years. In the event of a vacancy in the position of the Chairperson or during his or her absence or disability, the Vice Chairperson shall act as Chairperson. In the event of vacancies in the positions of Chairperson and Vice Chairperson, or in their absence or disability, the Appointive
Director who is neither the Chairperson nor the Vice Chairperson shall act as Chairperson.

Section 4. Vice Chairperson. The Vice Chairperson shall be designated from among the three Appointive Directors by the President, by and with the advice and consent of the Senate, to serve as Vice Chairperson of the Board of Directors.

Section 5. Powers of the Board of Directors. The management of the Corporation shall be vested in the Board of Directors, which shall have all powers specifically granted by the provisions of the Federal Deposit Insurance Act and other laws of the United States and such incidental powers as shall be necessary to carry out the powers so granted. Within the limitations of the law, the Board of Directors may delegate any of its specific or incidental powers to any standing or special committee of the Corporation or to any officer or agent of the Corporation upon such terms and conditions as it shall prescribe, except the power to amend these Bylaws or to adopt new bylaws. In addition, the Board of Directors may provide for emergency succession and delegation of emergency authority to ensure the Corporation's ability to continue essential functions in the event a sudden and usually unforeseen situation poses an immediate threat to life, causes serious damage to property, or
adversely affects a Corporate mission and renders the Board temporarily unable to perform its normal management function.

Section 6. Meetings of the Board of Directors.--(a) Regular Meetings. Regular meetings of the Board of Directors shall be held at such times as the Chairperson shall direct, after reasonable notice is given to each member of the Board of Directors by the Executive Secretary in such manner as the Chairperson shall direct.

(b) Special Meetings. Special meetings of the Board of Directors may be called by the Chairperson or, upon the written request of any two members of the Board of Directors, by the Executive Secretary. Reasonable notice of any such special meeting shall be given to all members of the Board of Directors who can be contacted after a reasonable effort and in sufficient time to permit their attendance or participation.

(c) Place of Meetings. The Board of Directors shall hold its meetings at the principal office of the Corporation in the city of Washington, District of Columbia, unless otherwise determined by the Chairperson or the Board of Directors.

(d) Quorum. A majority of the members of the Board of Directors in office shall constitute a quorum for the transaction
of business. In the event there are only two members in office, those members shall constitute a quorum. In the event there is only one member in office, that member shall constitute a quorum. Present and nonvoting members of the Board of Directors shall be counted for the purpose of determining whether there is a quorum for the transaction of business. The vote of the majority of the members present and voting at a meeting at which a quorum is present shall be the act of the Board of Directors. If there is a quorum present at a meeting and only one of the members of the Board of Directors present is voting, then the vote of that member shall be the act of the Board of Directors.

(e) Presiding Officer. The Chairperson shall preside at all meetings of the Board of Directors except that, in the absence of the Chairperson or in the event of his or her inability to attend or participate in meetings, the Vice Chairperson shall preside at meetings of the Board of Directors. In the event of vacancies in the positions of Chairperson and Vice Chairperson, or in their absence or in the event of their inability to attend or participate in meetings, the Appointive Director who is neither the Chairperson nor the Vice Chairperson shall preside at meetings of the Board of Directors.

(f) Use of Conference Call Communications Equipment. Any meeting of the Board of Directors may be conducted through the
use of conference-call telephone or similar communications equipment, by means of which all persons participating in any such meeting can simultaneously speak to and hear each other. Any member of the Board of Directors who participates in a meeting conducted through the use of such equipment shall be deemed present for all purposes. Actions taken by the Board of Directors at meetings conducted through the use of such equipment, including the vote of each member with respect to each item of business, shall be recorded in the minutes of the proceedings of the Board of Directors.

(g) Transaction of Business Without a Meeting. The Board of Directors may transact business by the circulation of written items to all members of the Board of Directors who can be contacted after a reasonable effort and in sufficient time to permit action where a majority of the members participate, in writing, in the disposition of each item of business and where such disposition, including the vote of each member with respect to each item of business, is recorded in the minutes of the proceedings of the Board of Directors, unless any one member of the Board of Directors provides written notice to the Executive Secretary of his or her request to transact said business at a meeting of the Board of Directors.
ARTICLE V

COMMITTEES

Section 1. Standing or Special Committees. The Board of Directors may from time to time establish such standing or special committees as it shall see fit. Any such committee so established shall perform such duties and exercise such powers as may be directed or delegated by the Board of Directors from time to time. Any such standing or special committee shall periodically report its actions to the Board of Directors at such times as the Board of Directors shall determine.

Section 2. Meetings. Any committee established by the Board of Directors may meet at stated times or at such times as the chairperson of the committee or the Chairperson shall direct through notice given by the Executive Secretary to all members of the committee who can be contacted after a reasonable effort and in sufficient time to permit their attendance.

Section 3. Quorum. A majority of the members of a committee shall constitute a quorum for the transaction of business and in every case the affirmative vote of a majority of all of the members present at a duly convened meeting of a committee shall be necessary for any action to be taken by the committee.
Section 4. Transaction of Business Without a Meeting. A committee may transact business by the circulation of written items to all members of the committee who can be contacted after a reasonable effort and in sufficient time to permit action where a majority of the members participate either by written vote or by telephone vote in the disposition of each item of business.

ARTICLE VI

OFFICERS

Section 1. Titles. The officers of the Corporation shall be the Chairperson, the Vice Chairperson, the Chief of Staff, the Deputy to the Chairperson and Chief Operating Officer, the Deputy to the Chairperson, the Deputy to the Chairperson and Chief Financial Officer or the Chief Financial Officer, the Deputy to the Chairperson for External Affairs, the Deputy to the Chairperson for Policy, the Deputy to the Chairperson for Communications, the Chief Information Officer, the General Counsel, the Director of the Division of Risk Management Supervision, the Director of the Division of Administration, the Director of the Division of Information Technology, the Director of the Division of Insurance and Research, the Director of the Division of Resolutions and Receiverships, the Director of the Division of Finance, the Director of the Division of Depositor and Consumer Protection, the Ombudsman, the Director of the
Office of Minority and Women Inclusion, the Director of the Office of Legislative Affairs, the Inspector General, the Chief Learning Officer, the Director of the Office of Complex Financial Institutions, the Chief Risk Officer, and such additional officers as the Board of Directors may from time to time determine.

Section 2. Appointment, Tenure, Compensation, and Duties.

The Chairperson and the Vice Chairperson shall be appointed and shall hold office as prescribed by Article IV of these Bylaws. The Inspector General shall be appointed and shall hold office pursuant to the provisions of section 23 of the Resolution Trust Corporation Completion Act. All other officers shall be appointed by the Board of Directors, upon the recommendation of the Chairperson, and shall hold their respective offices for such terms as the Board of Directors shall determine. The compensation of such officers (except the compensation of the Chairperson, the Vice Chairperson, and the Inspector General, each of whose compensation is determined by reference to Federal statutes, and the Chief Risk Officer, whose compensation shall be determined by the Chairperson in consultation with each Appointive Director) shall be determined by the Chairperson. In addition to the powers and duties hereinafter specifically enumerated in this Article VI of these Bylaws, the officers of the Corporation shall have such powers and shall perform such
duties as the Chairperson or the Board of Directors may from time to time prescribe.

Section 3. Holding More than One Office. More than one office may be held by the same person, except that the same person shall not hold any two or more of the following offices: Chairperson, Vice Chairperson, Deputy to the Chairperson and Chief Operating Officer, Inspector General, Chief Risk Officer, and Ombudsman. In no case shall the same person act on the same matter in two official capacities or sign any document in two capacities where the signatures of two officers are required by law or otherwise.

Section 4. Specific Powers and Duties of Officers. (a) Chairperson. Within the limitations of the Federal Deposit Insurance Act and other laws of the United States, the Chairperson shall manage and direct the daily executive and administrative functions and operations of the Corporation and shall otherwise have the general powers and duties usually vested in the office of the chief executive officer of a corporation. He or she shall also be responsible for providing oversight over the direction and operations of each of the Corporation's various divisions and offices but may from time to time, as appropriate and in accordance with applicable law, designate other officers of the Corporation to be responsible for providing such oversight.
with respect to one or more divisions or offices of the Corporation, except that the Chairperson, in consultation with each Appointive Director, shall evaluate the performance of the Chief Risk Officer.

(b) Vice Chairperson. The Vice Chairperson, in addition to acting as Acting Chairperson in the event of a vacancy in the position of Chairperson or during the absence or disability of the Chairperson, shall perform such additional duties as the Board of Directors shall from time to time prescribe.

(c) Chief of Staff. The Chief of Staff will participate with the Chairperson in administratively implementing the Corporation's various programs. Additionally, the Chief of Staff will have responsibility for interfacing with the Deputies to the Chairperson, the Deputies to the other members of the Board, and the Corporation's division and office directors on a broad range of high-level and confidential issues which are typically quite complex, sensitive, and Corporate-wide in scope. The Chief of Staff may oversee one or more division or office directors and will coordinate special projects for the Chairperson, present the views of the Corporation, and steer groups toward plausible alternative solutions to problems and actions plans. Finally, the Chief of Staff shall be responsible for the preparation and final review of all materials to be signed by the Chairperson,
including, but not limited to, congressional testimony, speeches, and significant Corporation actions.

(d) Deputy to the Chairperson and Chief Operating Officer. The Deputy to the Chairperson and Chief Operating Officer shall exercise overall responsibility for planning, directing, coordinating, and evaluating Corporation administrative, program, and resource management activities.

(e) Deputy to the Chairperson. The Deputy to the Chairperson shall serve as a confidential and personal assistant to the Chairperson in discharging the responsibilities, functions, and activities of the Office of the Chairperson and shall advise and represent the Chairperson on key policy issues and operational activities.

(f) Deputy to the Chairperson and Chief Financial Officer. The Deputy to the Chairperson and Chief Financial Officer shall be the chief financial, accounting, and budget officer of the Corporation. The Deputy to the Chairperson and Chief Financial Officer shall implement programs consistent with the Chief Financial Officers Act of 1990, including establishing and maintaining sound financial management systems, accounting systems, corporate budgeting procedures, and cash management systems; and coordinate the Corporation’s Internal Control.
Program being carried out as part of its implementation of the Chief Financial Officers Act of 1990.

(g) **Chief Financial Officer.** In the event of a vacancy in the position of Deputy to the Chairperson and Chief Financial Officer, there shall exist the position of Chief Financial Officer. The Chief Financial Officer shall be the chief financial, accounting, and budget officer of the Corporation. The Chief Financial Officer shall implement programs consistent with the Chief Financial Officers Act of 1990, including establishing and maintaining sound financial management systems, accounting systems, corporate budgeting procedures, and cash management systems; and coordinate the Corporation’s Internal Control Program being carried out as part of its implementation of the Chief Financial Officers Act of 1990.

(h) **Deputy to the Chairperson for External Affairs.** The Deputy to the Chairperson for External Affairs shall be responsible for advising the Board of Directors and the officers of the Corporation, and for developing strategies, regarding all aspects of the Corporation’s legislative and relationship outreach and on matters pertaining to the Corporation’s legislative and consumer problem resolution programs and policies. The Deputy to the Chairperson for External Affairs shall also be responsible for effectively communicating the
mission and goals of the Corporation to the public and to others, including depository institutions, consumer organizations, and senior legislative and government officials.

(i) Deputy to the Chairperson for Policy. The Deputy to the Chairperson for Policy will be responsible for advising the Chairperson, other members of the Board, and senior executive managers on regulatory and policy matters related to the Corporation's activities. The Deputy to the Chairperson for Policy will coordinate advisory services and designated policy initiatives, as appropriate, with the divisions and other corporate offices, Federal regulators, and agencies. The Deputy to the Chairperson for Policy will also serve as the Corporation's representative to the Steering Committee of the President's Working Group on Financial Markets.

(j) Deputy to the Chairperson for Communications. The Deputy to the Chairperson for Communications, in addition to directing the affairs of the Office of Communications, shall serve as the Corporation's chief spokesperson and will be responsible for advising the Chairperson, other members of the Board, and senior executive managers on all public relations, public information, and internal communication matters pertaining to the Corporation. The Deputy to the Chairperson for Communications also shall be responsible for planning,
implementing, and monitoring the Corporation’s comprehensive public information programs; providing oversight and direction to the public affairs and public information functions established in the various divisions and offices of the Corporation; coordinating and aligning the Corporation’s nationwide public outreach efforts, including coordinating and reviewing all regional and local outreach efforts with the Corporation’s regional and field-based staff; providing leadership in designing, implementing, and overseeing the execution of broad, long-term deposit insurance public education campaigns; developing policies, plans, and programs to adopt and leverage social media as a means to communicate online the Corporation’s mission, objectives, and obligations; assisting the Office of Complex Financial Institutions with external communications strategies regarding resolution authority, monitoring, and planning; and coordinating and aligning all internal communications throughout the Corporation, including those associated with ongoing workplace culture initiatives.

(k) Chief Information Officer. The Chief Information Officer shall be the chief adviser to the Chairperson, other members of the Board, and senior executive managers on all strategic issues relating to information technology pertaining to the Corporation, including planning, development, and security, and shall fill the role of Chief Information Officer as required
or considered appropriate under various federal statutes. In this connection, the Chief Information Officer shall, among other things: have broad responsibility for information technology governance, investments, program management, and information security; maintain a broad, strategic orientation focused on enterprise issues and concerns; be responsible for overseeing and reporting on the effectiveness of the Corporation's information technology governance and security programs and complying with appropriate information security standards; and ensure that information technology governance and security management processes are integrated with the Corporation's strategic planning.

(1) General Counsel. The General Counsel shall be the chief legal officer of the Corporation and legal adviser to the Board of Directors and the officers of the Corporation; render all legal services necessary to enable the Board of Directors and the Corporation's various organizational units to discharge their respective duties and responsibilities; and otherwise have the powers and perform the duties usually vested in the general counsel of a corporation.

(m) Director of the Division of Risk Management Supervision. The Director of the Division of Risk Management Supervision shall exercise general supervision and control over
the performance of the depository institution regulation, supervision, and risk management (safety and soundness) examination functions of the Corporation; work with the Director of the Division of Insurance and Research, the Director of the Division of Depositor and Consumer Protection, and the Director of the Office of Complex Financial Institutions to determine trends in the operation of insured depository institutions and to bring adverse trends to the attention of the Board of Directors; decide all questions relating to the supervision and examination of, and, with the advice of the General Counsel, determine compliance with all applicable laws and regulations related to safe and sound operations by, all insured depository institutions which the Corporation has the authority to examine or supervise; conduct oversight and monitoring functions of large bank holding companies (and all insured depository institutions under such a bank holding company) as well as United States nonbank financial companies determined to be systemically important by the Financial Stability Oversight Council, which oversight and monitoring shall focus on the development of improved knowledge and understanding of the institution-specific and systemic risks such institutions pose, in order to enable the Corporation to fulfill its deposit insurance, resolution, and special examination and enforcement authority; review, approve, and monitor and enforce, on an ongoing basis, in accordance with delegations of authority approved by the Board of Directors,
plans for rapid and orderly liquidation prepared by those bank holding companies and insured depository institutions not assigned to the Office of Complex Financial Institutions; review and process applications or requests from depository institutions which require the Corporation's prior consent or nonobjection; and initiate or recommend the initiation of administrative enforcement proceedings relating to risk management (safety and soundness) matters against insured depository institutions and their officers, directors, or other persons participating in the conduct of their affairs in accordance with the provisions of section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818). The Director shall also act as the internal and external liaison for providing advice and recommendations in the preservation of existing and the establishment of new minority- and women-owned depository institutions.

(n) **Director of the Division of Administration.** The Director of the Division of Administration shall provide advice and assistance to the Board of Directors and the officers and employees of the Corporation on personnel management programs and policies and on employee development and employee service/benefit programs designed to contribute to satisfactory employee well-being, productivity, motivation, morale, and discipline; develop and recommend the implementation of new or revised personnel policies and programs to assure maximum use of the Corporation's
human resources; and administer and coordinate the Corporation's
grievance and labor-management relations programs. The Director
of the Division of Administration shall also be responsible for
the planning, development, and overall direction and
implementation of a comprehensive Corporation-wide employee
development and training program and shall be responsible for
maintaining and improving the quality of performance of the
Corporation's work force and for providing state-of-the-art
managerial, professional, and technical training and development.
The Director of the Division of Administration shall also manage,
supervise, and direct the provision of a variety of
administrative services to support the business activities of the
Corporation. The services shall include the design,
construction, operation, management, and furnishing of
Corporation facilities, space acquisition and assignment thereof,
library and reference services, warehousing, publications, mail
and distribution, transportation, records and document
management, and other administrative support functions assigned
by the Board of Directors. The Director shall also direct,
supervise, and perform contracting and supply functions including
the procurement of goods, services, and systems necessary to
support the operations of the Corporation in both its corporate
and receivership capacities.
(o) Director of the Division of Information Technology. The Director of the Division of Information Technology shall be responsible for the development and maintenance of an effective information technology program that is responsive to the Corporation's business needs. He or she shall, in particular, plan and approve major information technology initiatives; foster the sharing and integration of information through centralized planning, procedures, guidelines, and budgeting; coordinate decentralized delivery of information services; balance findings on new technology offerings against business needs and priorities; support work process redesign in areas being considered for information technology investments; develop information technology program performance measures; establish formal mechanisms for feedback among information technology policy-makers, users, technical implementers, and business area managers to monitor the effectiveness of the Corporation's information technology program; and otherwise carry out implementation of the Corporation's strategic direction, as identified by the Chief Information Officer, in information technology development.

(p) Director of the Division of Insurance and Research. The Director of the Division of Insurance and Research shall be responsible, in coordination with the Director of the Division of
Risk Management Supervision and the Director of the Division of Depositor and Consumer Protection, for identifying and assessing existing and emerging risks to the deposit insurance funds; provide advice and assistance to the Board of Directors and the Corporation’s various organizational units on economic and financial matters of importance to the Corporation and to the depository institutions industry; conduct basic research on current and emerging major problems in areas of specific interest to the Corporation; analyze policy alternatives and make recommendations thereon; monitor current economic and financial developments, problems, and issues; maintain communication with other governmental and private agencies, especially in economic and financial matters; respond to inquiries regarding data about depository institutions that are not available in published form; and design the format and content of the Corporation’s statistical publications. In addition, the Director shall coordinate the Corporation’s international activities, with a focus on building strong relationships with foreign regulators and deposit insurers, U.S. government entities, and international organizations; and direct the technical assistance and outreach programs conducted for foreign entities in order to support the development and maintenance of effective deposit insurance systems and stable, sound banking systems worldwide.
(q) Director of the Division of Resolutions and Receiverships. The Director of the Division of Resolutions and Receiverships shall exercise general supervision and control over the performance of the Corporation's functions with respect to the activities of failing depository institutions, which carries with it the responsibility for making recommendations to the Board of Directors for resolving individual failing depository institution cases on either an open or closed institution basis; develop the Corporation's overall resolution policies and financing strategies; oversee the administration and adherence to the terms of resolution agreements; design and negotiate asset servicing agreements; provide interim management of bridge banks; and manage and sell those capital instruments acquired from assisted depository institutions. Further, the Director will exercise general supervision and control over the liquidation and receivership functions of the Corporation; provide prompt payment of a failed depository institution's insured deposits or transfer the failed depository institution's deposits to another insured depository institution in an expeditious manner; establish and liquidate claims of the Corporation as subrogee of the claims of insured depositors; and liquidate assets acquired by the Corporation as receiver, liquidator, or liquidating agent of a failed depository institution or as a result of its having extended financial assistance to an open depository institution. The Director of the Division of Resolutions and Receiverships
shall also, in coordination with the Director of the Office of Complex Financial Institutions, exercise general supervision and control over the performance of certain operational functions with respect to the management of the receivership and orderly liquidation of systemically important financial companies, including the resolution and payment of claims; the management of bridge financial companies; and the sale or transfer of assets, including qualified financial contracts, to bridge financial companies or third parties. In addition, the Director shall, in coordination with the Director of the Office of Complex Financial Institutions and the General Counsel, recommend to the Board the adoption of rules, including those requiring consultation with the Secretary of the Treasury and the Financial Stability Oversight Council, to carry out the orderly liquidation process for systemically important financial companies mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, as may be amended from time to time.

(r) Director of the Division of Finance. The Director of the Division of Finance shall integrate budget execution and accounting functions in order to monitor the financial execution of the Corporation's budget in relation to actual expenditures and submit to the Board of Directors and the Chairperson of the Board of Directors timely performance reports thereon; receive, deposit, disburse, manage, safely keep, and account for all funds
of the Corporation, including those funds payable to it in connection with its functions assigned to the Director of the Division of Resolutions and Receiverships; maintain all accounting records of the Corporation; prepare financial statements and reports therefrom; and administer regulations for the Corporation governing the payment of assessments by insured depository institutions in accordance with the provisions of the Federal Deposit Insurance Act.

(s) Director of the Division of Depositor and Consumer Protection. The Director of the Division of Depositor and Consumer Protection shall exercise general supervision and control over the Corporation's programs for promoting compliance with consumer protection, fair lending, community reinvestment, civil rights, and other related laws and over the Corporation's compliance examination program as a mechanism for detecting and then correcting violations thereof; determine trends within insured depository institutions regarding consumer protection, fair lending, community reinvestment, and civil rights issues and bring adverse trends to the attention of the Board of Directors; conduct and participate in a broad range of educational and other activities relating to the interests of insured depository institutions and insured depository institution customers; identify areas for research to determine the extent of consumer awareness and the potential need for additional protective measures; conduct the Corporation's consumer financial research
program and provide statistical analysis and other analytical support to the Corporation’s compliance examination and enforcement program; take appropriate action upon complaints filed by consumers of the services of insured depository institutions which allege unfair or deceptive acts or practices by insured depository institutions; decide all questions relating to the supervision and examination of, and determine, with the advice of the General Counsel, compliance with all applicable consumer protection, fair lending, community reinvestment, civil rights, and other related laws and regulations by all insured depository institutions which the Corporation has the authority to examine or supervise; in coordination with the Division of Risk Management Supervision, review and process of applications or requests from insured depository institutions which require the Corporation’s prior consent or nonobjection; and initiate or recommend the initiation of administrative enforcement proceedings relating to compliance matters against insured depository institutions and their officers, directors, or other persons participating in the conduct of their affairs in accordance with the provisions of section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818).

(t) Ombudsman. The Ombudsman shall act as a liaison between the Corporation and any affected person with respect to any problem such party may have in dealing with the Corporation resulting from the Corporation’s regulatory, resolution,
receivership, or asset disposition activities; and assure that safeguards exist to encourage complainants to come forward and preserve confidentiality.

(u) Director of the Office of Minority and Women Inclusion. The Director of the Office of Minority and Women Inclusion shall be responsible for all matters of the Corporation relating to diversity in management, employment, and business activities. In particular, the Director shall develop standards for (1) equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the Corporation; (2) increased participation of minority-owned and women-owned businesses in the Corporation's programs and contracts, including standards for coordinating technical assistance to such businesses; and (3) assessing the diversity policies and practices of entities regulated by the Corporation. The Director of the Office of Minority and Women Inclusion shall also advise the Chairperson on the impact of the Corporation's policies and regulations on minority-owned and women-owned businesses. The Director shall develop and implement standards and procedures to ensure, to the maximum extent possible, the fair inclusion and utilization of minorities, women, and minority-owned and women-owned businesses in all business and activities of the Corporation at all levels, including in
procurement, insurance, and all types of contracts. Additionally, the Director of the Office of Minority and Women Inclusion shall coordinate with the Chairperson or designee regarding the design and implementation of any remedies resulting from violations of statutes, regulations, or executive orders pertaining to civil rights.

(v) Director of the Office of Legislative Affairs. The Director of the Office of Legislative Affairs shall coordinate the Corporation's interactions with the Congress of the United States by responding to congressional inquiries from and handling other communications with the Congress; review and evaluate the desirability, feasibility, and impact of legislative proposals which may affect the Corporation's responsibilities for the nationwide system of depository institutions; keep the Congress continuously apprised of the Corporation's operations, of the need for any legislation necessary to facilitate those operations, and of the impact on the Corporation and the system of depository institutions of any legislation proposed by others; and develop or coordinate the development of congressional testimony for the Chairperson and other officers and employees of the Corporation.

(w) Inspector General. The Inspector General shall report to and be under the general supervision of the Chairperson and
shall be responsible for the audit and investigative activities for Corporate and receivership programs and operations. In performing the duties set forth in section 4 of the Inspector General Act of 1978, as amended, the Inspector General, among other things, shall provide policy direction for and conduct, supervise, and coordinate audits and investigations relating to programs and operations of the Corporation; recommend policies for and conduct, supervise, or coordinate activities designed to promote economy and efficiency in the administration of or prevent and detect fraud and abuse in Corporate programs and operations; review and make recommendations with respect to relevant legislation and regulations; recommend policies for, and conduct, supervise, or coordinate relationships between the Corporation and other entities regarding (1) the promotion of economy and efficiency of or the prevention and detection of fraud or abuse in Corporate programs and operations or (2) the identification and prosecution of participants in such fraud or abuse; provide a means for keeping the Chairperson, Board, and Congress fully and currently informed concerning fraud and other serious problems relating to the administration of Corporate programs and operations and recommend corrective action concerning such problems, other than fraud, as well as report on the progress made in implementing such corrective action.

(x) Chief Learning Officer. The Chief Learning Officer shall plan, develop, and implement the overall direction for the
Corporate University. In particular, the Chief Learning Officer shall be responsible for developing and keeping current the vision for the Corporate University and work with the Corporate University Governing Board to develop an integrated strategic learning plan for the Corporation. Further, the Chief Learning Officer shall serve as a member of the Corporate University Governing Board; oversee the operations of the Corporate University's various schools; implement the approved strategic learning plan; develop a funding strategy for corporate-wide learning programs in conjunction with the Corporate University Governing Board and the other officers of the Corporation; plan and implement learning programs that support corporate business strategies and goals; encourage a corporate culture focused on the Corporation's mission, values, and corporate strategies; and serve as the principal spokesperson for the Corporate University.

(y) Director of the Office of Complex Financial Institutions. The Director of the Office of Complex Financial Institutions shall provide strategic direction to the Corporation's efforts to plan for the potential failure of large bank holding companies (and all insured depository institutions under such a bank holding company) as well as United States nonbank financial companies determined to be systemically important by the Financial Stability Oversight Council, the failure of which would have serious adverse effects on the
financial stability of the United States (collectively, "large complex financial companies"), in order to ensure the operational resolution of such a large complex financial company can be executed in a manner that mitigates such risk and minimizes moral hazard. Such efforts shall include developing resolution policy and strategy (including for international coordination), developing operational resolution plans, and reviewing resolution plans of large complex financial companies under applicable standards. The Director of the Office of Complex Financial Institutions shall coordinate with the Director of the Division of Risk Management Supervision on matters related to above-referenced duties and responsibilities insofar as they may affect the Corporation's oversight and monitoring functions related to large complex financial companies. The Director shall also be responsible for the review, approval, and ongoing monitoring, in accordance with delegations of authority approved by the Board of Directors, of plans for rapid and orderly liquidation prepared by large complex financial companies and the development and implementation, in coordination with the Division of Resolutions and Receiverships, of resolution plans and strategies for those companies in the event that the Corporation were appointed receiver of such a company.

(z) Chief Risk Officer. The Chief Risk Officer, in addition to directing the affairs of the Office of Corporate Risk
Management, shall strategically manage a comprehensive risk management program to address the Corporation's emerging and crisis-related risks. The Chief Risk Officer shall also serve as a strategic adviser to the Chairperson, the Board of Directors, and Division and Office leadership in centrally managing risks across the Corporation and ensuring that sound risk management principles are used in executive decision making and strategy development. The Chief Risk Officer shall be responsible for defining processes to identify, measure, mitigate, and monitor all risks; developing and updating risk management policies and guidelines; and providing comprehensive risk reporting throughout the Corporation. The Chief Risk Officer shall work with the Divisions and audit-related Offices in close partnership to promote an effective and efficient risk management program.

ARTICLE VII

DEPOSIT AND DISBURSEMENT OF FUNDS

Section 1. Deposit of Funds. All uninvested funds of the Corporation, except those which the needs of the Corporation require to be deposited in other depositaries, shall be deposited with the Treasurer of the United States in accounts subject to withdrawal only upon the signature of the Chairperson or such persons as he or she may from time to time duly authorize by written designation.
Section 2. Checking Accounts in Banks. Subject to applicable provisions of law, the Chairperson or such other persons as he or she may from time to time duly authorize by written designation shall establish such checking accounts in Federal Reserve banks and in insured banks as may from time to time be necessary. No other bank account shall be established on behalf of the Corporation without the prior approval of the Chairperson. All Corporation accounts with bank depositories shall be subject to check and withdrawal only upon the signature of the Chairperson or such persons as he or she may from time to time duly authorize by written designation.

ARTICLE VIII

AMENDMENT OF BYLAWS

These Bylaws may be amended or a new bylaw adopted at any meeting of the Board of Directors by a majority vote, provided that a copy of any such amendment or new bylaw shall have been delivered to each member of the Board of Directors at least seven days prior to such meeting. If a vote to amend the Bylaws or to adopt a new bylaw is unanimous, no prior notice of such amendment or new bylaw need have been given.
TAB 8
TAB 9
**Deposit Insurance Fund**

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>Jun-16</th>
<th>May-16</th>
<th>Mo-Over-Year Change</th>
<th>Audited Dec-15</th>
<th>2016 YTD</th>
<th>Jun-15</th>
<th>Year-Over-Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,516</td>
<td>$3,028</td>
<td>$1,488</td>
<td>$207</td>
<td>$4,633</td>
<td>$2,244</td>
<td>$2,393</td>
</tr>
<tr>
<td>Investment in U.S. Treasury obligations, net</td>
<td>$84,690</td>
<td>$63,584</td>
<td>$21,106</td>
<td>$62,497</td>
<td>$66,576</td>
<td>$6,580</td>
<td>$6,100</td>
</tr>
<tr>
<td>Interest receivable on investments and other assets, net</td>
<td>399</td>
<td>276</td>
<td>33</td>
<td>418</td>
<td>(109)</td>
<td>590</td>
<td>(281)</td>
</tr>
<tr>
<td>Assessments receivable, net</td>
<td>2,264</td>
<td>2,286</td>
<td>10</td>
<td>2,172</td>
<td>42</td>
<td>2,177</td>
<td>77</td>
</tr>
<tr>
<td>Receivables from resolutions, net</td>
<td>1,477</td>
<td>1,229</td>
<td>248</td>
<td>11,576</td>
<td>(2,191)</td>
<td>14,682</td>
<td>(5,865)</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>391</td>
<td>263</td>
<td>(5)</td>
<td>578</td>
<td>(47)</td>
<td>364</td>
<td>(3)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$82,601</td>
<td>$79,601</td>
<td>$3,000</td>
<td>$77,928</td>
<td>$6,481</td>
<td>$76,297</td>
<td>$6,214</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>246</td>
<td>240</td>
<td>6</td>
<td>273</td>
<td>(27)</td>
<td>276</td>
<td>(32)</td>
</tr>
<tr>
<td>Liabilities due receivable</td>
<td>3,775</td>
<td>3,885</td>
<td>(100)</td>
<td>4,419</td>
<td>(644)</td>
<td>7,165</td>
<td>(3,015)</td>
</tr>
<tr>
<td>Postemployment benefit liability</td>
<td>253</td>
<td>235</td>
<td>18</td>
<td>233</td>
<td>249</td>
<td>243</td>
<td>(10)</td>
</tr>
<tr>
<td>Contingent liability for anticipated failures</td>
<td>427</td>
<td>414</td>
<td>13</td>
<td>396</td>
<td>42</td>
<td>424</td>
<td>(247)</td>
</tr>
<tr>
<td>Contingent liability for litigation losses</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$4,691</td>
<td>$4,752</td>
<td>$61</td>
<td>$5,220</td>
<td>(609)</td>
<td>$8,791</td>
<td>(4,102)</td>
</tr>
<tr>
<td>FYI Unrealized gain (loss) on U.S. Treasury investments, net</td>
<td>113</td>
<td>291</td>
<td>178</td>
<td>723</td>
<td>522</td>
<td>246</td>
<td>285</td>
</tr>
<tr>
<td>FYI Unrealized post-termination benefit gain (loss)</td>
<td>(34)</td>
<td>(25)</td>
<td>9</td>
<td>(54)</td>
<td>(56)</td>
<td>(56)</td>
<td>24</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>$77,910</td>
<td>$74,849</td>
<td>$3,061</td>
<td>$72,630</td>
<td>$6,310</td>
<td>$67,329</td>
<td>$10,321</td>
</tr>
</tbody>
</table>

**Reserve Ratios:**
- 1st Qtr 2016 = 1.13%
- 4th Qtr 2015 = 1.11%
- 3rd Qtr 2016 = 1.03%
- 2nd Qtr 2016 = 1.04%
- 1st Qtr 2015 = 1.03%

### Income Statement (Year-to-Date)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$4,393</td>
<td>$2,127</td>
<td>$2,266</td>
<td>$2,847</td>
<td>$4,317</td>
<td>$139</td>
<td>$139</td>
</tr>
<tr>
<td>Interest on U.S. Treasury obligations</td>
<td>311</td>
<td>-55</td>
<td>55</td>
<td>422</td>
<td>173</td>
<td>173</td>
<td>173</td>
</tr>
<tr>
<td>Other revenue</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>10</td>
<td>(1)</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$4,970</td>
<td>$2,072</td>
<td>$2,898</td>
<td>$2,303</td>
<td>$4,790</td>
<td>$270</td>
<td>$270</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>459</td>
<td>470</td>
<td>11</td>
<td>567</td>
<td>830</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Provision for insurance losses</td>
<td>197</td>
<td>173</td>
<td>24</td>
<td>2,251</td>
<td>(173)</td>
<td>73</td>
<td>73</td>
</tr>
<tr>
<td>Salaries and other expenses</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Expenditure and Losses</td>
<td>198</td>
<td>653</td>
<td>(456)</td>
<td>(509)</td>
<td>-68</td>
<td>140</td>
<td>140</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>$4,792</td>
<td>$1,927</td>
<td>$2,865</td>
<td>$2,840</td>
<td>$4,672</td>
<td>$176</td>
<td>$176</td>
</tr>
<tr>
<td>Unrealized gain (loss) on U.S. Treasury investments, net</td>
<td>522</td>
<td>290</td>
<td>232</td>
<td>(60)</td>
<td>187</td>
<td>126</td>
<td>126</td>
</tr>
<tr>
<td>Unrealized post-termination benefit gain (loss)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Comprehensive Income (Loss)</td>
<td>$5,310</td>
<td>$2,219</td>
<td>$3,091</td>
<td>$2,900</td>
<td>$4,839</td>
<td>$561</td>
<td>$561</td>
</tr>
</tbody>
</table>

### Cash Flows (Year-to-Date)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided (used) by operating activities</td>
<td>$8,748</td>
<td>$4,416</td>
<td>$2,332</td>
<td>$13,196</td>
<td>$2,224</td>
<td>$1486</td>
<td>$1486</td>
</tr>
<tr>
<td>Net cash provided (used) by investing activities</td>
<td>$(2,114)</td>
<td>$(1,272)</td>
<td>$(830)</td>
<td>$(1,232)</td>
<td>$(1,055)</td>
<td>4,491</td>
<td>4,491</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>$6,633</td>
<td>$3,144</td>
<td>$1,202</td>
<td>$1,964</td>
<td>$2,173</td>
<td>$620</td>
<td>$604</td>
</tr>
</tbody>
</table>

---

**Positive Impact on the Fund Balance from the 2nd Qtr 2016 Adjustments to Estimated Losses for Actual and Future Failures (Dollars in Millions)**

- **Receivership shared-loss liability:** $155
- **Asset Recoveries, Valuations, and Other Adjustments:** $330
- **Estimated losses for future failures:** $233

The estimated recoveries from assets held by receiverships and estimated payments related to shared-loss covered assets are used to derive the loss allowance on the receivables from resolutions. The $350 million adjustment to the receiverships' shared loss liability was due to unanticipated recoveries on early terminations and expirations. The $330 million net adjustment primarily consists of $164 million decrease in projected future receivership expenses and $182 million increase from higher recovery rates and better than estimated asset liquidation activity.
**Key Indicator Highlighted:** Receivership Selected Statistics June 2016 vs. June 2015

<table>
<thead>
<tr>
<th>Major Investment Projects</th>
<th>2016 Estimated Spending</th>
<th>YTD Expended</th>
<th>% of 2016 Estimate Expended</th>
<th>Total Project Investment Budget</th>
<th>Total Expended</th>
<th>% of Total Investment Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examination Tools Suite</td>
<td>$ 2,112</td>
<td>$ 934</td>
<td>44%</td>
<td>$ 42,774</td>
<td>$ 40,588</td>
<td>95%</td>
</tr>
<tr>
<td>SOURCE Modernization</td>
<td>$ 0</td>
<td>$ 0</td>
<td>0%</td>
<td>$ 35,007</td>
<td>$ 3,385</td>
<td>10%</td>
</tr>
<tr>
<td>955 HVAC Retrofit</td>
<td>$ 1,946</td>
<td>(122)</td>
<td>(7%)</td>
<td>$ 37,200</td>
<td>$ 33,530</td>
<td>90%</td>
</tr>
<tr>
<td>Deposit Resolution Options</td>
<td>$ 2,904</td>
<td>$ 299</td>
<td>20%</td>
<td>$ 7,504</td>
<td>$ 403</td>
<td>5%</td>
</tr>
<tr>
<td>SMS Redesign</td>
<td>$ 2,832</td>
<td>$ 205</td>
<td>10%</td>
<td>$ 12,200</td>
<td>$ 202</td>
<td>2%</td>
</tr>
<tr>
<td>Total Investment Projects</td>
<td>$ 8,800</td>
<td>$ 1,145</td>
<td>18%</td>
<td>$ 38,677</td>
<td>$ 75,771</td>
<td>57%</td>
</tr>
</tbody>
</table>

**Resource Management**

<table>
<thead>
<tr>
<th>Major Expense Category</th>
<th>Annual Budget</th>
<th>YTD Expended</th>
<th>% of Budget Expended</th>
<th>Difference Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll &amp; Benefits</td>
<td>$ 1,298,965</td>
<td>$ 602,815</td>
<td>48%</td>
<td>$ (406,150)</td>
</tr>
<tr>
<td>Outside Services</td>
<td>$ 260,622</td>
<td>$ 111,785</td>
<td>43%</td>
<td>$ (148,837)</td>
</tr>
<tr>
<td>Travel</td>
<td>$ 98,807</td>
<td>$ 44,866</td>
<td>45%</td>
<td>$ (53,941)</td>
</tr>
<tr>
<td>Buildings</td>
<td>$ 95,799</td>
<td>$ 46,006</td>
<td>48%</td>
<td>$ (49,793)</td>
</tr>
<tr>
<td>Equipment</td>
<td>$ 85,419</td>
<td>$ 33,309</td>
<td>39%</td>
<td>$ (52,110)</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>$ 14,819</td>
<td>$ 6,211</td>
<td>42%</td>
<td>$ (8,608)</td>
</tr>
<tr>
<td>Total Ongoing Operations</td>
<td>$ 1,846,701</td>
<td>$ 844,598</td>
<td>45%</td>
<td>$ (1,002,103)</td>
</tr>
<tr>
<td>Receivership Funding</td>
<td>$ 400,000</td>
<td>$ 141,297</td>
<td>35%</td>
<td>$ (258,703)</td>
</tr>
<tr>
<td>Major investment Projects (see below)</td>
<td>$ 8,800</td>
<td>$ 1,145</td>
<td>18%</td>
<td>$ (7,655)</td>
</tr>
<tr>
<td>TOTAL BUDGET &amp; EXPENDITURES</td>
<td>$ 2,216,701</td>
<td>$ 986,402</td>
<td>46%</td>
<td>$ (1,229,299)</td>
</tr>
</tbody>
</table>

**By Divisions & Offices**

<table>
<thead>
<tr>
<th>Major Investment Projects</th>
<th>Annual Budget</th>
<th>YTD Expended</th>
<th>% of Budget Expended</th>
<th>On Board Staff (Full-Time Equivalent at 01/01/16)</th>
<th>Authorized 2016 Staffing</th>
<th>On Board Staff (Full-Time Equivalent at 5/30/16)</th>
<th>Difference (On Board vs. Authorized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Div of Risk Management &amp; Supervision</td>
<td>$ 594,716</td>
<td>$ 261,651</td>
<td>47%</td>
<td>2,682</td>
<td>2,796</td>
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<tr>
<td>Div of Resolutions &amp; Receiverships</td>
<td>$ 368,311</td>
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<td>212</td>
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<tr>
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<td>$ 270,901</td>
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<td>277</td>
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<td>$ 237,074</td>
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<td>47%</td>
<td>185</td>
<td>160</td>
<td>(25)</td>
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<tr>
<td>Div of Information Technology</td>
<td>$ 220,961</td>
<td>$ 104,169</td>
<td>47%</td>
<td>216</td>
<td>160</td>
<td>(56)</td>
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<tr>
<td>Div of Deposits &amp; Consumer Protection</td>
<td>$ 178,613</td>
<td>$ 65,521</td>
<td>37%</td>
<td>184</td>
<td>150</td>
<td>(34)</td>
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<td>$ 46,281</td>
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<td>$ 11,521</td>
<td>44%</td>
<td>82</td>
<td>65</td>
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<td>Total by Divisions &amp; Offices</td>
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TAB 10
STAFFING
FDIC Staffing 2011 - 2015

Number of Employees

- Permanent
- Non Permanent
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<td>808</td>
<td>814</td>
<td>820</td>
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<td>824</td>
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<td>Division of Resolutions and Receiverships</td>
<td>442</td>
<td>444</td>
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<td>Division of Insurance and Research</td>
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<td>219</td>
<td>230</td>
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<td>227</td>
<td>227</td>
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<tr>
<td>Office of Complex Financial Institutions</td>
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<td>180</td>
<td>81</td>
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- Division of Risk Management Supervision
- Division of Depositor and Consumer Protection
- Division of Resolutions and Receiverships
- Division of Insurance and Research
- Office of Complex Financial Institutions
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<td>202</td>
<td>197</td>
<td>192</td>
<td>190</td>
<td>186</td>
</tr>
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<td>71</td>
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- **Legal Division**
- **Division of Administration**
- **Division of Information Technology**
- Information Security and Privacy Staff
- **Division of Finance**
- **Corporate University - CU**
## Authorized Permanent Staffing at Year End for FDIC
### Other Offices

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<td>40</td>
<td>38</td>
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<td>Office of Ombudsman</td>
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<tr>
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<td>Office of Communications</td>
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**Graph:**
- Black bars represent the staffing levels for each division/office from 2011 to Current 2016.
- The y-axis represents the number of authorized permanent staff members.
- The x-axis represents the years from 2011 to Current 2016.
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<td>262</td>
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<td>Information Security and Privacy Staff</td>
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## FDIC Transition Team Report - End of Fiscal Year Staffing Report

### Number of Non-Student FDIC Employees as of August 31, 2016

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<tr>
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FDIC Transition Team Report - End of Fiscal Year Staffing Report

**Number of Non-Student FDIC Employees as of December 31, 2015**

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FDIC Transition Team Report - End of Fiscal Year Staffing Report

**Number of Non-Student FDIC Employees as of December 31, 2014**

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FDIC Transition Team Report - End of Fiscal Year Staffing Report

Number of Non-Student FDIC Employees as of December 31, 2013

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Number of Non-Staff FDIC Employees as of December 31, 2012

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BUDGET
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TAB 12
### FEDERAL DEPOSIT INSURANCE CORPORATION

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<th>Location</th>
<th>Position Title</th>
<th>Name of Incumbent</th>
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<th>Pay Plan</th>
<th>Level, Grade, or Pay</th>
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<td>EX</td>
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### OFFICE OF THE INSPECTOR GENERAL

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TAB 13
TAB 14
FDIC Oversight Committees

SENATE

Committee on Banking, Housing and Urban Affairs (primary oversight)

Committee on Homeland Security and Government Affairs

HOUSE

Committee on Financial Services (primary oversight)

Committee on Oversight and Government Reform

Committee on Science, Space and Technology
Significant FDIC Hearings - 2016

Wednesday, March 16, 2016

House Financial Services Committee
The House Financial Services Committee Oversight and Investigations Subcommittee will hold a hearing on “The FDIC’s Targeting of Refund Anticipation Loans.” The witness will be Fred Gibson Jr., Acting Inspector General, Federal Deposit Insurance Corporation.
Time: 2:00 PM

Wednesday, April 13, 2016

House Financial Services Committee
The House Financial Services Committee will meet to mark up H.R. 1486, the “Taking Account of Bureaucrats’ Spending Act of 2015” and a draft bill to repeal title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act. H.R. 1485 would eliminate the direct funding for the CFPB from the Federal Reserve, and place the CFPB under a regular appropriations process. The draft bill would repeal the Orderly Liquidation Authority.
Time: 10:00 AM

Thursday, May 12, 2016

House Science, Space, & Technology Committee
The Subcommittee on Oversight will hold a hearing on "FDIC (Federal Deposit Insurance Corporation) Data Breaches: Can Americans Trust that Their Private Banking Information Is Secure." FDIC CIO Larry Gross and Acting FDIC OIG Fred Gibson will testify.
Time: 10:00 AM

Tuesday, June 7, 2016

Senate Banking, Housing and Urban Affairs Committee
The Committee will hold a hearing on “Bank Capital and Liquidity Regulation.” Witnesses include Hal Scott, professor and director of the Program on International Financial Systems, Harvard Law School; Marvin Goodfriend, professor of economics in the Tepper School of Business at Carnegie Mellon University; Heidi Mandanis Schooner, professor of law at Columbus School of Law, the Catholic University of America, and; Paul Kupiec, resident scholar at the American Enterprise Institute.
Time: 10:00 AM
Thursday, June 23, 2016

Senate Banking, Housing and Urban Affairs Committee
The full Committee will be holding a hearing on "Bank Capital and Liquidity Regulation Part II: Industry Perspectives." The witnesses are: Rebeca Romero Rainey, chairman and CEO of the Centinel Bank of Taos, Wayne Abernathy, executive vice president for financial institutions policy and regulatory affairs at the American Bankers Association, Greg Baer, president of the Clearing House Payments Company, and Jennifer Taub, professor of law at Vermont Law School.
Time: 10:00 AM

Wednesday, July 13, 2016

House Oversight and Government Reform Committee
The full committee will hold a hearing on "Oversight of the FDIC Application Process." Witnesses are TBA. (FDIC Chairman Martin Gruenberg set to testify).
Time: 10:00 AM

Thursday, July 14, 2016

House Science, Space and Technology Committee
The full committee will hold a hearing on "Evaluating Federal Deposit Insurance Corporation's (FDIC) Response to Major Data Breaches: Is the FDIC Safeguarding Consumers' Banking Information." Witnesses include FDIC Chairman Martin Gruenberg and acting FDIC Inspector General Fred Gibson.
Time: 10:00 AM

Thursday, September 8, 2016

Senate Homeland Security and Government Affairs Committee
The Regulatory Affairs and Federal Management Subcommittee will hold a hearing entitled, "Reviewing Independent Agency Rulemaking." Witnesses include Robert Gasaway, of counsel, Kirkland & Ellis; Adam White, fellow at the Hoover Institution, and; Cary Coglianese, professor of law and professor of political science and director of the University of Pennsylvania Law School's Penn Program on Regulation.
Time: 10:00 AM

Wednesday, September 14, 2016

House Financial Services Committee
The Committee will hold a markup on H.R. 5983, the "Financial CHOICE Act of 2016."
Time: 10:00 AM
Wednesday, September 21, 2016

House Science, Space and Technology Committee
The full committee will hold a markup on the “Cybersecurity Responsibility and Accountability Act of 2016.”
Time: 1:00 PM

Tuesday, September 27, 2016

House Financial Services Committee
The Financial Institutions and Consumer Credit Subcommittee will hold a hearing on “Examining Legislative Proposals to Address Consumer Access to Mainstream Banking Services.” Bills include H.R. 347 (Rep. Royce), the “Facilitating Access to Credit Act of 2015” H.R. 3035 (Rep. Ellison), the “Credit Access and Inclusion Act of 2015;” H.R. 4116 (Rep. Moore), to amend the Federal Deposit Insurance Act to ensure that the reciprocal deposits of an insured depository institution are not considered to be funds obtained by or through a deposit broker, and for other purposes; H.R. 4211 (Rep. Royce), the “Credit Score Competition Act of 2015;” H.R. 5660, (Rep. Williams), the “Retail Checking Account Protection Act of 2016;” and H.R. ___ (Rep. Tipton), the “Protect Prepaid Accounts Act of 2016.” Witnesses will include Dr. Michael Turner, President and Chief Executive Officer, Policy and Economic Research Council; Ronald D. Paul, Chief Executive Officer, Eagle Bank, on behalf of the Independent Community Bankers of America; and Dr. Norbert J. Michel, Research Fellow in Financial Regulations, Heritage Foundation.
Time: 10:00 AM