U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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

February 22, 2024

The Honorable Sherrod Brown
Chair
The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Patrick T. McHenry
Chair
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Financial Audit: Federal Deposit Insurance Corporation Funds' 2023 and 2022 Financial Statements

This report transmits the GAO auditor's report on the results of our audits of the 2023 and 2022 financial statements of the two funds that the Federal Deposit Insurance Corporation (FDIC) administers—the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). The auditor's report is incorporated in the enclosed *Federal Deposit Insurance Corporation 2023 Annual Report*.

As discussed more fully in the auditor's report that begins on page 155 of the enclosed agency annual report, we found

- the financial statements of the DIF and of the FRF as of and for the years ended December 31, 2023, and 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2023; and
- with respect to the DIF and to the FRF, no reportable instances of noncompliance for 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

FDIC made progress during 2023 in addressing a significant deficiency[1] that we reported in our prior year audits.[2] Specifically, FDIC sufficiently addressed the deficiencies in contract documentation and payment review process controls such that we no longer consider the remaining control deficiencies in this area, individually or collectively, to represent a significant deficiency as of December 31, 2023.

Section 17 of the Federal Deposit Insurance Act, as amended, requires GAO to audit the financial statements of the DIF and of the FRF annually.[3] In addition, the Government Corporation Control Act requires that FDIC annually prepare and submit audited financial statements to Congress and authorizes GAO to audit the statements.[4] This report responds to these requirements.

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We are sending copies of this report to the Chairman of the FDIC Board of Directors, the Chairman of the FDIC Audit Committee, the Chairman of the Board of Governors of the Federal Reserve System, the Acting Comptroller of the Currency, the Secretary of the Treasury, the Director of the Office of Management and Budget, interested congressional committees and members, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staffs have any questions concerning this report, please contact me at (202) 512-5683 or padillah@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

M. Hannah Padilla
Director
Financial Management and Assurance

Enclosure

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

[2]GAO, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2022 and 2021 Financial Statements*, GAO-23-105570 (Washington, D.C.: Feb. 16, 2023).

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

[4]31 U.S.C. §§ 9101-9110.

ANNUAL REPORT 2023

FEDERAL DEPOSIT INSURANCE CORPORATION

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MISSION, VISION, AND VALUES

MISSION

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

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

VISION

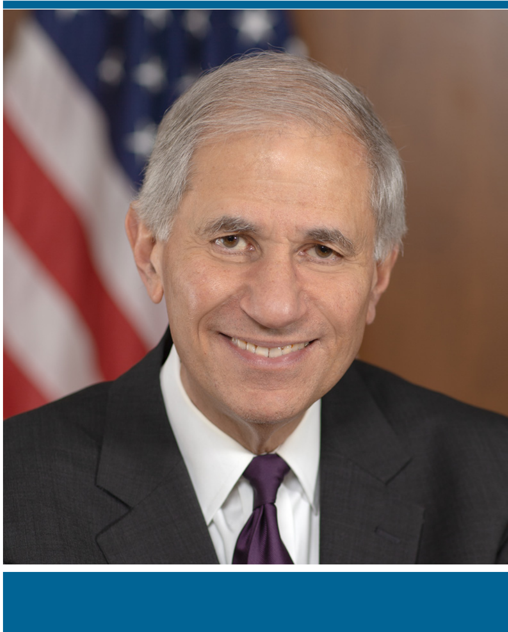
The FDIC is a recognized leader in promoting sound public policies; addressing risks in the nation's financial system; and carrying out its insurance, supervisory, consumer protection, resolution planning, and receivership management responsibilities.

VALUES

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

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

MESSAGE FROM THE CHAIRMAN



February 22, 2024

The FDIC marked its 90th anniversary since President Franklin D. Roosevelt signed the Banking Act of 1933, establishing the FDIC as the first national deposit insurance system. Against the backdrop of the Great Depression and the failure of thousands of banks, the FDIC was created to maintain financial stability and public confidence in our nation's banks. This mission took on heightened importance in 2023, which saw the agency manage three of the largest FDIC-insured bank failures in its history.

Throughout this challenging year, the FDIC workforce carried out its mission-essential functions—insuring deposits; supervising and examining financial institutions for safety, soundness, and consumer protection; making large firms resolvable; and managing failed bank receiverships—with the professionalism, proficiency, integrity, and resilience that has characterized its history.

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

Ensuring a Safe, Fair, and Inclusive Work Environment

FDIC's mission success this year and over the last 90 years is because of our people. Ensuring that the FDIC workplace and culture align with our core values and that our employees feel safe, valued, and respected is my highest priority as Chairman. And, maintaining a strong workplace culture is essential to effectively carrying out our mission.

Since November 2023, following news reports about sexual harassment at the FDIC, we have developed and begun to implement an Action Plan for a Safe, Fair, and Inclusive Work Environment that describes how the FDIC will support victims of sexual harassment and discrimination. The plan, incorporating feedback from our employees, specifies a number of action items related to identifying and correcting existing problems, repercussions for those engaged in sexual harassment or other serious misconduct, leadership accountability, review of policies and procedures, training programs, communication and outreach strategies, and cultural transformation.

In addition, the FDIC Board of Directors established a Special Committee to oversee an independent third-party review of the agency's workplace culture. Directors Jonathan

McKernan and Michael J. Hsu, Acting Comptroller of the Currency, are co-chairs of the special committee. In December, the committee selected the law firm of Cleary Gottlieb Steen & Hamilton LLP to conduct the independent review, which will cover allegations of sexual harassment and interpersonal misconduct at the FDIC, including allegations of hostile, abusive, unprofessional, or inappropriate conduct, and management's response to that harassment and misconduct. The review will also assess the FDIC's workplace culture, including any practices that might discourage or otherwise deter the reporting of, or appropriate response to, harassment and interpersonal misconduct.

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

The Current Outlook for the Banking System

At the end of September 2023, the FDIC insured deposits of $10.6 trillion in approximately 720 million accounts at 4,623 institutions and supervised 2,952 institutions. As of December 31, 2023, the FDIC is managing 74 active receiverships with total assets of nearly $84.6 billion.

The banking industry has proven to be quite resilient despite the period of stress in early 2023. Net income was high by historical measures, asset quality measures were favorable, and the industry remained well capitalized. However, funding pressures continue to challenge the industry, particularly for small and mid-sized banks. Nine new banks opened through December 2023, and five banks failed.

The FDIC will continue to monitor the significant downside risks from the effects of inflation, elevated market interest rates, and geopolitical uncertainty. Moreover, the economic outlook remains uncertain, despite relatively solid growth and low unemployment. These risks could cause credit quality and profitability to weaken, loan growth to slow, provision expenses to rise, and liquidity to become more constrained.

In addition, commercial real estate (CRE) loan portfolios, particularly loans backed by office properties, face challenges when loans mature as demand for office space remains weak and property values continue to soften. Banks have tightened underwriting standards over the past year across a range of household and business loans, and they may continue to tighten further this year.

These will be matters of continued supervisory attention by the FDIC.

The Failures of Silicon Valley Bank, Signature Bank, and First Republic Bank

In the first half of the year, three large regional banks failed. Actions taken by the FDIC, Board of Governors of the Federal Reserve System (Federal Reserve or FRB), and the Secretary of the Treasury in consultation with the President stabilized the banking system, stemmed potential contagion from the failures, and ensured that depositors continued to have access to their

savings, that small businesses and other employers could continue to make payrolls, and that other banks could continue to extend credit to borrowers and serve as a source of support. Throughout this particularly challenging time, the FDIC workforce demonstrated a high degree of proficiency, readiness, and fortitude and effectively carried out its mission for the American public.

On March 10, 2023, the California Department of Financial Protection and Innovation closed Silicon Valley Bank (SVB) of Santa Clara, California. This action followed two days after SVB announced that it had sold securities at a loss to meet deposit withdrawals since the second quarter of 2022 and planned to raise capital. This prompted a run on the bank's uninsured deposits, on which it was 90 percent reliant. In a period of less than 24 hours, depositors withdrew or sought to withdraw nearly all of SVB's deposits.

Contagion effects from SVB's failure began to spread to other banks with perceived similar risk characteristics, including heavy reliance on uninsured deposits. For two of these banks — Signature Bank, New York, New York and First Republic Bank, San Francisco, California — deposit outflows became deposit runs and exposed other weaknesses that could not be overcome, leading to their failures. Signature Bank was closed by the New York State Department of Financial Services on March 12, 2023. Seven weeks later, First Republic Bank was closed by the California Department of Financial Protection and Innovation on May 1. The FDIC was appointed as receiver for all three institutions.

The contagion effect through uninsured deposits threatened additional bank failures and posed genuine financial stability risk. A significant number of the uninsured depositors at SVB and Signature Bank were small and medium-sized businesses. As a result, there were concerns that losses to these depositors would put them at risk of not being able to make payroll and pay suppliers. Moreover, with the liquidity of banking organizations further reduced and their funding costs increased, banking organizations could become even less willing to lend to businesses and households. These effects would contribute to weaker economic performance, further damage financial markets, and have other material negative effects.

Faced with these risks, the FDIC Board voted unanimously on March 12, to recommend that the Secretary of the Treasury, in consultation with the President, make a systemic risk determination under the Federal Deposit Insurance (FDI) Act with regard to the resolutions of SVB and Signature Bank. That same day, the Board of the Federal Reserve unanimously made a similar recommendation. Thereafter, the Secretary of the Treasury, in consultation with the President, determined that complying with the least-cost requirements in the FDI Act would have serious adverse effects on economic conditions or financial stability, and any action or assistance taken under the systemic risk exception would avoid or mitigate such adverse effects.

This determination enabled the FDIC to extend deposit insurance protection to all of the depositors of SVB and Signature Bank, including uninsured depositors, in winding down the two failed banks. The senior management and boards of the failed banks were removed, the shareholders lost their investments, and creditors took losses in accordance with the losses of these banks. The cost to the Deposit Insurance Fund of protecting the uninsured depositors will be paid for through a special assessment on the banking industry, consistent with the statute.

Subsequently, when the failing First Republic Bank was resolved on May 1, 2023, the acquiring bank assumed all of the deposits and substantially all of the assets of First Republic Bank in a transaction that met the least cost requirements of the FDI Act.

At my request, the FDIC's Chief Risk Officer conducted thorough internal reviews of the agency's supervision of Signature Bank and First Republic Bank. The Signature Bank review clearly identified the root cause of Signature Bank's failure as poor management. In the case of First Republic Bank, the primary cause of failure was found to be a loss of market and depositor confidence, resulting in a bank run. Attributes of the bank's business model and management strategies, concentrated in long-term jumbo mortgages, made it more vulnerable to interest rate changes and the contagion that ensued following the failure of SVB.

In both cases, the FDIC reviews identified areas where its supervisory efforts could have been more timely and forward looking, and identified lessons learned affecting a range of safety and soundness and supervisory issues for further consideration, including interest rate risk, unrealized losses on securities and loans, concentrations of uninsured deposits, rapid growth, and escalation of supervisory attention and compelling compliance if necessary.

Managing the Deposit Insurance Fund (DIF)

The DIF balance declined to $121.8 billion as of December 31, 2023, primarily due to loss provisions for the five bank failures during the year. Following the failure of two large banks in March 2023, the banking industry experienced outflows of total deposits, but also experienced strong insured deposit growth. This growth in insured deposits, coupled with the decline in the DIF balance, resulted in a decline in the fund reserve ratio from 1.23 percent at September 30, 2022 to 1.13 percent as of September 30, 2023.   The reserve ratio is the ratio of the DIF balance to total insured deposits in the United States.

A total of five banks failed in 2023, resulting in a combined estimated loss at December 31 of $40.4 billion. As of December 2023, the FDIC estimated the cost for the failures of SVB and Signature Bank to total $23.6 billion. Of that estimated total cost, the FDIC estimates that approximately $20.4 billion was attributable to the cost of covering uninsured deposits as a result of the systemic risk determinations, following the closures of SVB and Signature Bank. These loss estimates will be periodically adjusted as assets are sold, liabilities are satisfied, and receivership expenses are incurred. The final cost will be determined when the FDIC terminates the receivership.

By statute, the FDIC is required to recover the $20.4 billion estimated loss arising from the use of a systemic risk determination through one or more special assessments. Accordingly, in November 2023, the FDIC Board approved a final rule under which the FDIC will collect the special assessment at an annual rate of 13.4 basis points beginning with the first quarterly assessment period of 2024 (i.e., January 1 through March 31, 2024) with an invoice payment date of June 28, 2024, and will continue to collect special assessments for an anticipated total of eight quarterly assessment periods. The special assessment amount and collection period may change as the estimated loss is periodically adjusted or if the amount collected each quarter changes. The base for the special assessment is equal to an insured depository institution's (IDI's) estimated uninsured deposits for the December 31, 2022 reporting period.

The FDIC estimates that a total of 114 banking organizations will be subject to the special assessment. No banking organizations with total assets under $5 billion will pay the special assessment. Banks with assets over $50 billion will pay 95 percent of the special assessment.

The remaining estimated loss from the failures of SVB and Signature Bank of $3.2 billion, as well as, estimated losses of $16.7 billion from the May 2023 closure of First Republic Bank, directly impacted the DIF balance.

As required by the Federal Deposit Insurance Act, the FDIC has been operating under a Restoration Plan since September 15, 2020, which aims to restore the DIF to the statutory minimum reserve ratio of 1.35 percent within eight years. Notwithstanding the recent losses due to bank failures and growth in insured deposits, the DIF remains on track to meet the statutory minimum reserve ratio of 1.35 percent by the eight-year deadline of September 30, 2028.

Exploring Deposit Insurance System Reform

The failures of SVB and Signature Bank, and the approval of the two recommendations for Systemic Risk Exceptions to the Least Cost Test, raised fundamental questions about the role of deposit insurance in the U.S. banking system. The events of March 2023 further suggest that the banking system has evolved in ways that could increase its exposure to deposit runs.

To address the broader questions about the role of deposit insurance to promote financial stability and prevent bank runs, the FDIC initiated a comprehensive review to examine the role of deposit insurance and a range of potential changes, as well as additional policies and tools that may complement changes to deposit insurance coverage.

The resulting report, *Options for Deposit Insurance Reform*,[1] evaluated three options to reform the deposit insurance system: 1) Limited Coverage, which maintains the current structure of deposit insurance in which there is a finite deposit insurance limit (possibly higher than the current $250,000 limit) by ownership rights and capacities; 2) Unlimited Coverage, which extends unlimited deposit insurance to all depositors; and 3) Targeted Coverage, which allows for different levels of deposit insurance coverage across different types of accounts and focuses on higher coverage for business payment accounts.

Although each option has strengths and weaknesses, Targeted Coverage for business payment accounts captures many of the financial stability benefits of expanded coverage while mitigating many of the undesirable consequences. However, there are significant unresolved practical challenges to Targeted Coverage, including defining accounts for additional coverage and preventing depositors and banks from circumventing differences in coverage.

The report also underscores the important role that supervision and regulation play in limiting the risks to the deposit insurance system.

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

Any option to expand deposit insurance coverage would require Congressional action. The FDIC remains committed to engaging with the public, as well as with stakeholders in the industry and with policymakers in the Congress as policies to strengthen the deposit insurance system and meet emerging challenges are considered.

Strengthening the Community Reinvestment Act

In October, the FDIC, Federal Reserve, and Office of the Comptroller of the Currency (OCC) adopted a final rule to strengthen and modernize the Community Reinvestment Act (CRA). The final rule represents an ambitious effort to adapt CRA to the dramatically changed nature of the banking business since the law's enactment in 1977 and the last major rule change in 1995. Most of the rule's requirements will be applicable beginning January 1, 2026. The remaining requirements will be applicable on January 1, 2027.

First, banks today no longer serve their customers exclusively through a branch-based network around which CRA assessment areas are currently drawn. They increasingly interact with customers either online or through mobile phones in areas in which the bank may not have a physical presence, including so-called "banking deserts," which include rural and other underserved areas, Native Land areas, and low- and moderate-income communities. Lending by banks in such areas has not been subject to a CRA evaluation.

The final rule adapts to this new banking reality by requiring large banks to establish Retail Lending Assessment Areas (RLAAs) in those geographies outside of their physical footprint where they originate significant numbers of closed-end mortgage loans or small business loans.

Under the final rule, the loans in these new assessment areas will be subject to CRA review and evaluation for the first time, ensuring that large banks serve all segments of the communities in which they are chartered to do business. This represents a critically important adaptation of CRA to the changing nature of the business of banking.

Second, the final rule establishes a series of metrics and benchmarks against which banks will be measured for CRA performance for lending and community development. This will allow the banking agencies to establish specific standards for bank performance to achieve a particular CRA rating that will provide an incentive for increased lending to underserved communities. It will also provide greater clarity, transparency, and predictability for the banks and the public, as well as consistency among the agencies.

Third, the final rule tailors CRA evaluations and data collection to bank size, complexity, and business type. For instance, small banks would continue to be evaluated under the existing regulatory framework but would have the option to be evaluated under aspects of the new regulation. However, large banks with assets over $2 billion will have to collect and report community development data, and large banks over $10 billion in assets will have additional data collection and reporting requirements relating to deposits and retail banking products.

Fourth, the final rule recognizes the importance of minority depository institutions (MDIs), Treasury Department-certified Community Development Financial Institutions (CDFIs),

Women's Depository Institutions (WDIs), and Low Income Credit Unions (LICUs) in providing financial access to underserved consumers and communities.

For example, the final rule creates a specific community development definition for eligible activities, such as investments, loan participations, and other ventures conducted by all banks with these institutions, including by other MDIs, WDIs, or CDFI banks. All community development activities conducted by banks with these entities will get CRA credit under the final rule.

Fifth, in order to promote transparency, the final rule will require large banks to disclose the distribution of home mortgage loan originations and applications in each of the bank's assessment areas by income, race and ethnicity. This aspect of the final rule is intended to provide transparent information to the public in regard to the bank's lending to communities of color. Although the data disclosed would not have an impact on the CRA ratings of the bank, it would allow the public to compare lending by a bank in those communities to other communities, as well as allow comparisons to other banks.

Sixth, while we know that technology has led to significant changes in the provision of bank services, bank branches continue to play a crucial role for consumers and communities. For example, just over three-quarters of closed-end mortgages originated by large banks in recent years were located in branch-based assessment areas. These branch-based assessment areas remain a foundation of CRA. Under the final rule, each banking agency will be required to evaluate a bank's record of opening and closing branches to inform the degree of accessibility of banking services to low- and moderate-income communities.

Further, the final rule will provide positive CRA consideration to large banks for the offering and demonstrated consumer usage of low-cost transaction accounts—accounts with low or no minimum balance requirements and no overdraft fees—such as Bank On Certified accounts.

Finally, the rule gives credit to community development activities designed to strengthen disaster preparedness and weather resiliency in low- and moderate-income communities. These activities may include supporting the establishment of flood control systems in a flood prone area, and retrofitting affordable housing to better withstand future disasters or climate-related events.

The new rule will significantly expand the scope and rigor of CRA and will assure its continued relevance for the next generation.

Finalizing the Basel III Capital Rules

Finalizing the Basel III reforms is critical for the safety and soundness of the U.S. banking system, financial stability, and the performance of the U.S. economy.

In July, the FDIC, with the FRB and OCC, issued a proposed rulemaking that would modify large bank capital requirements to better reflect underlying risks and increase the transparency and consistency of the regulatory capital framework. Specifically, the proposal would revise the capital framework for banks with total assets of $100 billion or more in four areas: credit risk,

market risk, operational risk, and credit valuation adjustment risk. Community banks would not be impacted by the proposal.

The proposal also takes into account lessons from the banking turmoil in March of this year by seeking to apply a consistent set of capital requirements across large banks. Banks with total assets of $100 billion or more would be required to include unrealized gains and losses from certain securities in their capital ratios; comply with the supplementary leverage ratio requirement; and comply with the counter cyclical capital buffer, if activated.

The comment period on the proposal closed on January 16, 2024. I look forward to carefully considering the comments received and working with the other federal banking agencies to finalize and implement Basel III. These important changes to the regulatory capital framework will enhance the financial resilience and stability of the banking system, better enabling it to serve the U.S. economy.

Addressing Financial Risks Posed by Climate Change

Climate-related trends, including rising sea levels, increases in the frequency and severity of extreme weather events, and other natural disasters, as well as the transition to lower carbon emitting sources of energy, continue to present challenges for the future resiliency of the financial system and banking industry and may pose safety and soundness risks to individual banks. Throughout 2023, the FDIC continued its work to ensure that the financial system remains resilient despite these rising risks.

In October, the FDIC, Federal Reserve, and OCC adopted interagency guidance for large financial institutions that includes a high-level framework for the safe and sound management of exposures to climate-related financial risks. The guidance provides general principles with respect to governance; policies, procedures, and limits; strategic planning; risk management; data, risk measurement, and reporting; and scenario analysis. It also provides guidance on how climate-related financial risks can be addressed in the management of traditional risk areas, i.e., credit, liquidity, operational risk, and legal and compliance risks.

Although all financial institutions, regardless of size, may have material exposures to climate-related financial risks, these principles are intended for the largest financial institutions, those with over $100 billion in total consolidated assets. We understand smaller institutions, including community banks, may have limited resources and may experience the impacts of climate-related financial risks in a manner that differs from large financial institutions.

The FDIC does not make environmental policy, nor does it determine firms or sectors with which financial institutions should do business. Financial institutions should fully consider climate-related financial risks—as they do all other risks—and continue to take a risk-based approach in assessing individual credit and investment decisions. The FDIC expects financial institutions to manage climate-related financial risks in a manner that will allow them to continue to prudently meet the financial services needs of their communities, including low- and moderate-income and other underserved consumers and communities.

Providing Regulatory Relief in Disaster Areas

In 2023, the FDIC provided flexibility to financial institutions in 16 states and territories, where communities were affected by severe storms, flooding, tornadoes, wildfires, mudslides, typhoons, hurricanes, and other disasters. The FDIC supported financial institutions' efforts to meet customers' cash and other financial needs by providing flexibility on lending and credit policies and more. As these areas continue to recover, the FDIC encourages depository institutions to consider all reasonable and prudent steps to assist their customers, consistent with safe and sound banking practices.

Reviewing the Bank Merger Process

The FDIC also continues its efforts to evaluate the effectiveness of the regulatory framework for implementing the Bank Merger Act (BMA) of 1960. That framework generally requires approval by the FDIC, Federal Reserve, or OCC, as appropriate, for bank mergers after consideration of certain specific statutory factors. FDIC approval is also required for a bank merger with a non-insured entity.

Although there has been a significant amount of consolidation in the banking sector over the last 30 years, facilitated in part by mergers and acquisitions—and the prospect for continued consolidation among both large and small IDIs remains significant—there has not been a significant review of the implementation of the BMA in that time.

The FDIC continues to evaluate and consider comments received in response to a Request for Information and Comment on Rules, Regulations, Guidance, and Statements of Policy Regarding Bank Merger Transactions published in March 2022.

In addition, the FDIC is coordinating with the Federal Reserve, OCC, and Department of Justice regarding an interagency review of the existing laws, regulations, guidance, and processes used by the federal banking agencies under the BMA. These discussions, which are ongoing, are consistent with the Presidential Executive Order on Promoting Competition in the American Economy.

Evaluating and Addressing Crypto-Asset Risks to the Banking System

The risks associated with crypto-asset activities by banks are novel and complex, and may involve safety and soundness, consumer protection, anti-money laundering and the Bank Secrecy Act, and potentially financial stability issues. As a result, the FDIC, in coordination with the other federal banking agencies, has taken steps to closely monitor crypto-asset-related activities of banking organizations. For example, the FDIC has issued statements to assist banking organizations in ensuring that they have put in place appropriate measures and controls to identify and manage risks and comply with all relevant laws.

The FDIC requested that all supervised institutions that are considering engaging in, or are already engaged in, crypto-asset-related activities notify the FDIC and provide all necessary information that would allow the FDIC to assess the safety and soundness, consumer protection, anti-money laundering/countering the financing of terrorism, and financial stability risks in order to provide supervisory feedback to the institution.

The FDIC also advised all FDIC-insured institutions of the risks of consumer confusion or harm arising from crypto-assets offered by, through, or in connection with insured depository institutions. These concerns were elevated as a result of certain misrepresentations about FDIC deposit insurance by some crypto companies. Inaccurate representations about deposit insurance by non-banks, including crypto companies, may confuse consumers and cause them to mistakenly believe that these investments are protected by deposit insurance. To counter this confusion, the FDIC released consumer education materials advising the public that crypto-assets are not deposits insured by the FDIC. In addition, over the course of 2023, the FDIC issued several cease and desist letters that resulted in companies removing misrepresentations about the insured status of crypto products.

In early 2023, the FDIC, along with the Federal Reserve and the OCC, issued two joint statements on crypto-assets. The first, issued in January 2023, addressed several risks posed by crypto-assets, including significant volatility in crypto-asset markets; risk management and governance practices in the crypto-asset sector exhibiting a lack of maturity and robustness; and inaccurate or misleading representations or disclosures by crypto-asset companies; among others. Our second joint statement, issued in February 2023, highlighted key liquidity risks associated with certain sources of funding from crypto-asset-related entities.

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

Supporting Diversity, Equity, Inclusion, and Accessibility

Supporting diversity, equity, inclusion, and accessibility (DEIA) enhances the FDIC's ability to carry out its core mission. It is essential that the FDIC's workforce reflect the diversity and experiences of the public it serves.

Throughout 2023, the FDIC made further progress in implementing corporate DEIA initiatives as outlined in our *DEI Strategic Plan*, including launching empathy training for all employees. We also focused on enhancing our recruitment and retention of Hispanic employees and addressing female workforce participation. The FDIC remains committed to recruiting strategically to reach all available talent in the labor market, providing advancement opportunities to current employees, and enhancing employee engagement at all levels.

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

and develop and implement inclusion efforts. In 2023, we continued our outreach to community banks and trade associations to increase awareness and participation in the assessment program, and we launched “office hours,” an initiative to provide more hands-on technical assistance to the financial institutions and to increase voluntary participation.

Supporting Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs)

The preservation and promotion of MDIs and CDFIs remains a long-standing priority for the FDIC, due to the vital role they play in providing mortgage credit, small business lending, and other banking services to minority and low- and moderate-income communities. Similarly, banks designated as CDFIs by the Treasury’s CDFI Fund provide financial services in low-income communities and to individuals and businesses that have traditionally lacked access to credit.

The FDIC supervises approximately two-thirds of the 312 FDIC-insured MDIs and CDFIs. In addition to its supervisory activities, the FDIC’s Office of Minority and Community Development Banking supports the agency’s ongoing strategic and direct engagement with MDIs and CDFIs.

Over the past five years, six *de novo* MDIs opened their doors (two Asian, one Native American, one African American, and two Multi–racial) and 17 existing institutions became newly designated MDIs due to changes in control or in board composition. These additions to the MDI list mostly offset removals from the list due to mergers, changes in control, or other events that caused institutions to lose their MDI eligibility.

As significant new sources of private and public funding have become available to support FDIC–insured MDIs and CDFIs, the FDIC has supported these institutions access to this funding through regulatory changes and technical assistance training.

In addition, in November, the FDIC hosted an interagency conference with the OCC and the Federal Reserve to facilitate potential partnerships among FDIC-insured MDIs and CDFIs and large and regional banks supervised by the FDIC, Federal Reserve, and OCC. The conference featured an overview of the new CRA rule and benefits for partnering with mission-driven banks. More than 100 FDIC-insured MDIs and CDFI banks participated, in addition to more than 65 FDIC-insured large and regional banks.

Expanding Access to Banking Services and Understanding of Deposit Insurance

Helping Americans understand the benefits of deposit insurance and expanding their access to mainstream banking services help strengthen confidence in the nation’s financial system—the FDIC’s core mission.

Last year, our *National Survey of Unbanked and Underbanked Households* found that, despite the economic challenges posed by the COVID-19 global pandemic, nearly 96 percent of U.S. households are banked. Approximately 4.5 percent of households lacked a bank or credit union account, which is the lowest national unbanked rate since the survey began in 2009.

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

These populations can be reached by taking advantage of bankable moments and by ensuring that consumers are aware of, and able to locate and open, bank accounts that can meet their needs. We continue to host events, including webinars, workshops, and roundtables, across the country that aim to highlight opportunities for local organizations to reach unbanked populations.

In addition, in October, we launched a public awareness campaign—"Know Your Risk. Protect Your Money."—that aims to reach consumers who may have lower confidence in the banking system or who are unbanked, as well as those who use mobile payment systems, alternative banking services, and financial products that may appear to be FDIC-insured but are not.

Following the failure of SVB, Signature Bank, and First Republic Bank earlier this year, a Gallup poll found nearly half of Americans surveyed are worried about the safety of their money deposited into banks and other financial institutions. We recognized this opportunity to reach out to the public and ensure that more consumers understand deposit insurance and how it protects their money. Our public awareness campaign addresses that knowledge gap by referring consumers to educational material offered in English and Spanish.

The campaign also responds to an increase in instances of firms or individuals misusing the FDIC's name or logo, or making false or misleading representations about deposit insurance, raising confusion among consumers about the insurability of nonbanks and crypto-assets.

We will continue the campaign into 2024 to coincide with the start of traditional tax filing season, when many consumers receive refund payments—a key opportunity to open an account and realize the benefits of deposit insurance.

Cybersecurity

Threats from malicious cyber actors continue to be a significant and evolving risk for banks and their service providers. Evaluating cybersecurity practices continues to be a high-priority focus of the FDIC's supervision program. During 2023, the FDIC conducted 1,243 IT examinations at state nonmember institutions and issued four formal enforcement actions.

The FDIC also examines the IT services provided to institutions by bank service providers. In addition to routine examination procedures, in 2023, the FDIC, Federal Reserve, and OCC horizontally reviewed the supply chain risk of the most significant service providers.

The FDIC actively engages with both the public and private sectors to assess emerging cybersecurity threats and other operational risk issues. In October, the FDIC hosted on behalf of the Federal Financial Institutions Examination Council (FFIEC) a national banker webinar covering cybersecurity awareness with guest speakers from the Federal Bureau of Investigation. We also released cybersecurity informational videos for bank directors, bank officers, and staff.

Internally, in 2023, the FDIC made significant progress towards adopting the Zero Trust Cybersecurity Principles to safeguard its operations and the critical data it manages. This progress represents continuous improvement in the agency's enterprise security posture and enhancements in our ability to provide secure and accurate data access.

Emerging Technology

The FDIC continues to dedicate significant resources to identifying and understanding emerging technologies and the implications for financial institutions and their customers to ensure the FDIC is prepared to address the changing landscape in financial products and services. Since 2016, these efforts have been led by the FDIC's Emerging Technology Steering Committee, which is supported by two staff-level working groups. The committee is composed of the Directors of the Divisions of Risk Management Supervision (RMS), Depositor and Consumer Protection (DCP), Insurance and Research, Resolutions and Receiverships, and Complex Institution Supervision and Resolution, as well as the General Counsel, Chief Financial Officer, Chief Innovation Officer, Chief Risk Officer, and Chief Information Officer. The Steering Committee met eight times during 2023, and discussed a number of topics, including the Executive Order on Artificial Intelligence, various crypto-asset scams used by fraudsters, Fed Now, various technology offerings and use cases, and various aspects of distributed ledger technology, including oracles and smart contracts. For example, throughout 2023, the Steering Committee helped formulate strategies to respond to opportunities and challenges presented by emerging technology and to ensure developments align with regulatory and supervisory goals.

Throughout 2023, the Emerging Technology Steering Committee continued work on its established objectives through its staff-level working groups to:

- Comprehend, assess, and monitor the current emerging technology activities, risks, and trends;
- Evaluate the projected impact of emerging technology on the banking system, the deposit insurance system, effective regulatory oversight, economic inclusion, and consumer protection;
- Oversee internal working groups monitoring particular aspects of emerging technology;

- Recommend follow-up actions, as appropriate, and monitor implementation; and
- Help formulate strategies to respond to opportunities and challenges presented by emerging technology and to ensure developments align with regulatory goals.

Building on the Steering Committee's efforts, since 2020, the Emerging Technology & AML/Cyber Fraud Policy Group within the Legal Division has focused on legal issues facing both the FDIC and the banking industry arising from emerging forms of technology, such as blockchain and artificial intelligence. In addition, in 2023, the FDIC established the Emerging Technology Section in RMS to provide examination support and lead policy development related to emerging technologies. Similarly, in 2023, the FDIC established the Technology Enterprise and Consumer Harm Risk and Innovation Section in DCP to expand technical knowledge and supervision capabilities. Separately, throughout the year, staff in RMS and DCP met with financial technology companies interested in doing business with financial institutions.

In addition, the FDITECH group in the CIO organization serves a critical function supporting the identification, testing, and adoption of innovative technologies within the FDIC to improve the delivery of its core mission responsibilities. FDITECH engages with stakeholders throughout the FDIC to identify problems and challenges in programs and operations, and conducts proofs of concept aimed at removing barriers and building IT capabilities. This includes the evaluation and adoption of technologies that enable the FDIC to keep pace with developments within the banking industry. For example, FDITECH is providing Divisions and Offices access to unbiased expertise and assistance to collaboratively identify, refine and prioritize potential uses of distributed ledger technology (DLT). This effort enables the FDIC to identify and analyze risks that DLT can pose to regulated institutions, their customers, and the Deposit Insurance Fund, as well as the effects on resolution and receivership activities.

Furthermore, as data becomes more valuable over time, FDITECH is also focused on how to best utilize data and technology to meet the demands of the agency.

In 2024, the FDIC will continue to explore the potential application of new and emerging technologies, automations, and process improvements by:

- Exploring the utility and application of robotic process automation and AI to reduce the time required to complete manual work; and
- Developing potential use cases that allow employees to learn about distributed ledger technologies through hands-on experience.

Managing FDIC Resources and Operations

As of March 2023, the FDIC has largely returned to pre-pandemic business operations, operating in a hybrid work posture that includes an in-person component for each safety and soundness and consumer compliance examination. We have announced that we will transition to an even greater on-site presence at our office facilities starting in July 2024.

In December, the FDIC Board adopted a 2024 Operating Budget of $3.0 billion, which represents a 6.3 percent decrease from last year's budget. The budget reflects a 57.5 percent decrease in the Receivership Funding component of the budget and an increase of 12 percent in the Ongoing Operations component. The budget also authorizes 189 new positions, many of which are being added to increase the monitoring and supervision of large banks to support early detection of emerging risks and quicker action to ensure that banks are taking the necessary steps to mitigate such risks. This increase will bring the 2024 authorized staffing total to 6,817.

The budget provides additional resources to address potential risks to depositors and consumers of emerging technologies that are beginning to be used by banks, such as the use of artificial intelligence in credit underwriting models. It also includes funding to support planned efforts to educate the public about deposit insurance and to continue our multi–year IT Modernization Program and our multi–year Facilities Modernization effort. Both of these initiatives are critical to ensuring that the FDIC's future workforce will have the tools and resources needed to continue fulfilling our important mission.

Conclusion

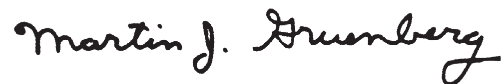
This has been a challenging year for the FDIC. However, despite the period of uncertainty earlier in 2023, the banking system has remained a source of strength for consumers, households, and businesses.

In 2024, the FDIC will carry out its mission to maintain public confidence and stability in the U.S. financial system and address risks faced by the banking system by maintaining a strong deposit insurance system, examining and supervising financial institutions for safety and soundness and consumer protection, making large and complex financial institutions resolvable, and managing receiverships.

We will also be looking inward in 2024 to address the issues in our workplace culture that have come to light in recent months. None of the accomplishments outlined in this report would be possible without the hard work and commitment of the FDIC workforce. Our employees deserve a workplace where they feel safe and valued.

I am committed to achieving this for our employees, and I remain grateful for their dedication to the mission of the FDIC.

Sincerely,



Martin J. Gruenberg

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MESSAGE FROM THE CHIEF FINANCIAL OFFICER

February 22, 2024

I am pleased to present the FDIC's 2023 Annual Report, which covers financial and program performance information and summarizes our successes for the year.

For 32 consecutive years, the U.S. Government Accountability Office has issued unmodified audit opinions for the two funds administered by the FDIC: the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). We take pride in our accomplishments and continue to consistently demonstrate discipline and accountability as stewards of these funds. We remain proactive in the execution of sound financial management by providing reliable and timely financial data to enhance decision-making and employing tools and strategies to improve the effectiveness and efficiency of our financial management operations and reporting.

2023 Financial and Program Results

During the first half of 2023, the FDIC resolved three of the largest bank failures in U.S. history. In total, five institutions failed over the course of the year. Total estimated losses affecting the DIF from the 2023 failures were $20.0 billion. Despite this significant failure activity, and continued economic and geopolitical uncertainties, the banking industry continues to demonstrate resilience.

The DIF balance declined from a record high of $128.2 billion as of December 31, 2022 to $121.8 billion at December 31, 2023. The $6.4 billion decrease was primarily a result of the losses associated with the 2023 failures and losses on the sale of the DIF investment portfolio, offset by increased assessment and interest revenue. The contingent liability for anticipated failures increased to $726 million as of December 31, 2023 compared to $31 million as of December 31, 2022.

The impact of these three large failures on the DIF's liquidity was significant due to advancing funds to repay receivership liabilities. The DIF's cash, cash equivalents, and U.S. Treasury investment portfolio balances decreased by $101.2 billion during 2023 to $23.8 billion at year-end 2023, from $125.0 billion at year-end 2022. Absent significant bank failure activity in 2024, we anticipate the DIF's liquidity to increase substantially with the collection of both regular and special assessments, as well as dividend payments from ongoing receivership asset liquidation efforts. Interest revenue totaled $2.7 billion for 2023, compared to $1.2 billion for 2022 – a $1.5 billion increase resulting from rising interest rates. Additionally, the DIF

balance reflects realized losses of $2.3 billion for 2023, and an unrealized gain on U.S. Treasury securities of nearly $3.0 billion in 2023, compared to an unrealized loss of $2.8 billion in 2022.

In 2023, FDIC operating expenditures totaled $2.8 billion, an increase of $877 million, or 45.6 percent, over 2022 expenditures. The year-over-year increase in spending was primarily driven by expenditures incurred in connection with the resolution of three large regional bank failures in early 2023 and rising compensation for FDIC employees. The FDIC Board of Directors approved in May 2023 a mid-year budget increase of $750 million in the Receivership Funding component of the annual operating budget to address the anticipated expenses associated with those bank failures, increasing the total 2023 FDIC Operating Budget to $3.2 billion. Actual 2023 expenditures were $359 million, or 11.4 percent, below the adjusted budget, in part because expenditures for the three large bank failures were lower-than-projected. Underspending in 2023 was also driven by vacancies in budgeted positions, lower-than-anticipated travel costs, and delays in some IT and facilities modernization projects. The FDIC Board of Directors recently approved a 2024 FDIC Operating Budget totaling $3.0 billion, down $198 million (or 6.3 percent) from the 2023 Budget, largely due to lower projected costs in the Receivership Funding budget component, partially offset by higher compensation costs and increased staffing in the Ongoing Operations budget component. Actual FDIC staffing rose from 5,612 full time equivalents (FTEs) in 2022 to 5,952 in 2023, a 6.1 percent increase. Authorized staffing for 2024 is 6,817 FTEs. This is an increase of 189 positions (or 2.9 percent) from the number of authorized positions in 2023 and 865 positions from the number of employees on board at the end of 2023.

During 2023, the FDIC continued to mature the Enterprise Risk Management (ERM) and Model Risk Management programs. The FDIC also made enhancements to the Assurance Statement process and implemented an agency-wide supply chain risk management program. The FDIC continued to make improvements in our contract invoice processes, including independent testing and ensuring compliance with FDIC acquisition policies, which contributed to removing the prior years' significant deficiency finding in internal controls in this area. In 2024, the FDIC will continue to mature the fraud risk awareness program and project risk management program and implement an agency-wide enterprise change management program.

I have been honored to serve the FDIC in various capacities to help carry out our essential mission for the last 35-plus years. As I conclude my tenure here, I wish to share how much I appreciate the dedication of the talented FDIC professionals who plan, execute, and account for the agency's resources. Their commitment to ensuring sound financial management provides the foundation for our strong stewardship and ensures that reliable and timely financial information is available to our stakeholders.

Sincerely,

Bret D. Edwards

FDIC SENIOR LEADERS

Seated (left to right): Bret D. Edwards, Kymberly K. Copa, Director Jonathan McKernan, Chairman Martin J. Gruenberg, Director Travis Hill, Dan Bendler, and Nikita Pearson. Standing 1st Row (left to right): Mark E. Pearce, Doreen R. Eberley, Donna M. Saulnier, Sylvia Burns, and M. Anthony Lowe. 2nd Row (left to right): Robert D. Harris, Andy Jiminez, Amy C. Thompson, Steve Cooper, John Conneely, and Harrel Pettway. 3rd Row (left to right): Maureen E. Sweeney, Zachary Brown, E. Marshall Gentry, and Patrick Mitchell.

FDIC 90 YEARS

June 16, 2023, marked the 90th year since the signing of the Banking Act of 1933. This Act established the Federal Deposit Insurance Corporation as the world's first national deposit insurance system. Since the creation of the FDIC, depositors have never lost a penny of insured deposits.

President Franklin D. Roosevelt signing the Banking Act of 1933.

I.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Overview

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

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

Action Plan for a Safe, Fair and Inclusive Work Environment

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

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

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

In addition, the FDIC Board of Directors established a Special Committee to oversee an independent third-party review of the agency's workplace culture and appointed Directors Jonathan McKernan and Michael J. Hsu to co-chair the Special Committee. In December, the committee selected the law firm of Cleary Gottlieb Steen & Hamilton LLP to conduct the

independent review, which will cover allegations of sexual harassment and interpersonal misconduct at the FDIC, including allegations of hostile, abusive, unprofessional, or inappropriate conduct, and management's response to that harassment and misconduct. The review will also assess the FDIC's workplace culture, including any practices that might discourage or otherwise deter the reporting of, or appropriate response to, harassment and interpersonal misconduct.

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

Deposit Insurance

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

Long-Term Comprehensive Fund Management Plan

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

Under this plan, to increase the probability that the fund reserve ratio (the ratio of the fund balance to estimated insured deposits) would reach a level sufficient to withstand a future crisis, the FDIC Board set the Designated Reserve Ratio of the DIF at 2.0 percent. The FDIC views the 2.0 percent Designated Reserve Ratio as a long-term goal and the minimum level needed to reduce the likelihood that the FDIC would need to consider a potentially pro-cyclical assessment rate increase and to sufficiently withstand future crises. The Federal Deposit Insurance (FDI) Act requires the Board to set the Designated Reserve Ratio before the beginning of each calendar year. In November 2023, the Board voted to maintain the 2.0 percent ratio for 2024.

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

State of the Deposit Insurance Fund

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

Special Assessment Pursuant to the Systemic Risk Determination

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

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

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

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

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

Restoration Plan

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

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

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

Deposit Insurance System Options

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

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

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

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

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

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

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

Supervision

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

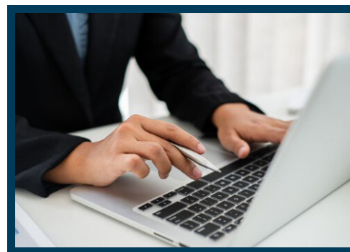
RISK MANAGEMENT EXAMINATION PROGRAM

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

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

FDIC Examinations

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



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

Problem Institutions and Enforcement Actions

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

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

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

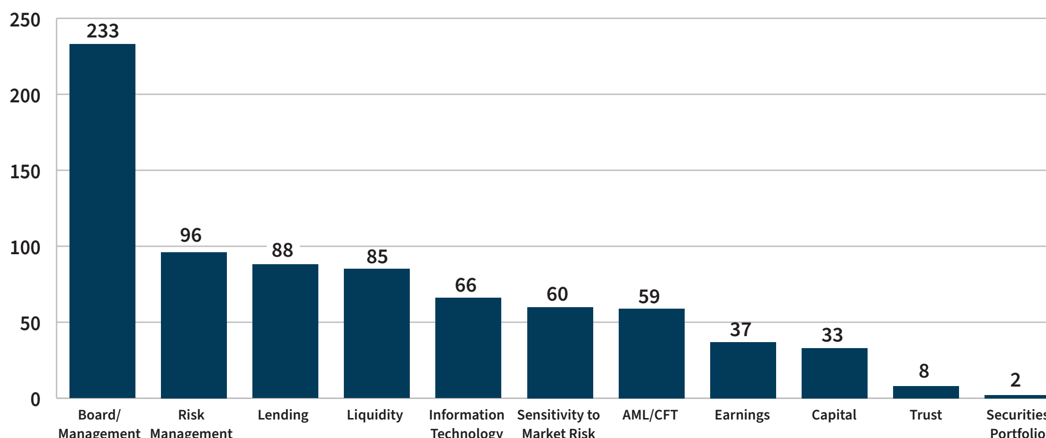
[3] *The Anti-Money Laundering (AML) Act of 2020* amended subchapter II of chapter 53 of title 31 United States Code (the legislative framework commonly referred to as the "Bank Secrecy Act" or "BSA"). For purposes of consistency with the AML Act, the FDIC will now use the term "AML/CFT program" rather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

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

EXAMINATION PROCESSES

The FDIC engages in risk-focused, forward-looking supervision by assessing risk management practices during the examination process to address risks before they lead to financial deterioration. Examiners make supervisory recommendations, including Matters Requiring Board Attention (MRBA), in Reports of Examination (ROE) and other examination-related communications to address these risks. RMS met its goal of following up on at least 90 percent of MRBA within six months of the transmittal of the ROE. Through December 31, 2023, 767 MRBA items were recorded, with the most common MRBA addressing Board and management concerns, risk management, lending-related matters, liquidity and IT weaknesses.

VOLUME OF MRBA ISSUED IN 2023 BY CATEGORY



Source: FDIC. Data through 12/31/2023.
Note: Count reflects MRBA recorded at examination-related events in 2023.

Point-in-Time Examinations

Approximately 98 percent of all FDIC-supervised institutions are examined through point-in-time examinations. By law, risk management point-in-time examinations are conducted every 12 months, which can be extended to 18 months under certain circumstances, generally on an alternating basis with the appropriate state banking department.

Continuous Examinations

The remaining FDIC-supervised institutions (53 for 2023) are examined under a continuous examination process. The continuous examination process includes on-site targeted reviews of areas the examiner determines are necessary to complete a full-scope examination; ongoing monitoring and assessment of an institution's risks, policies, procedures, and financial condition; and frequent communication with institution management. Supervisory letters are issued to the institution's board and management after each targeted review to convey examiner findings. Additionally, at the end of the continuous examination cycle, an ROE that aggregates examination and other supervisory activities performed throughout the cycle is issued to the institution.

Off-Site Monitoring

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

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

Off-site monitoring for banks with total assets greater than $10 billion includes the quarterly Large Insured Depository Institution (LIDI) Program, which remains the primary instrument for off-site monitoring of the largest institutions supervised by the FDIC. The LIDI Program provides a comprehensive process to standardize data capture and reporting for large and complex institutions nationwide, allowing for quantitative and qualitative risk analysis.

The LIDI Program focuses on institutions' potential vulnerabilities to asset, funding, and operational stresses. It supports effective large bank supervision by using individual institution information to focus resources on higher-risk areas, determine the need for supervisory action, and support insurance assessments and resolution planning. In 2023, the LIDI Program covered 118 institutions with total assets of $4.4 trillion.

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

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

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

Shared National Credit Program

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

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

SPECIALTY EXAMINATIONS

The FDIC conducts applicable specialty examinations as part of the risk management examination of each institution. Specialty examination findings and the ratings assigned to those areas are taken into consideration, as appropriate, when assigning component and composite examination ratings under the UFIRS.[5]

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

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

Information Technology and Cybersecurity Examinations

The FDIC examines IT risk management practices, including cybersecurity, at each risk management examination. Examiners assign an IT rating using the Federal Financial Institutions Examination Council (FFIEC) Uniform Rating System for Information Technology. Throughout 2023, the FDIC conducted 1,243 IT examinations at state nonmember institutions and issued four formal IT-related enforcement actions.

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

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

[5] See footnote 2.

chain risk in 2023. The FDIC, FRB, and OCC use the Cybersecurity Examination Procedures, developed by the agencies, to ensure consistent evaluation of this risk.

The FDIC actively engages with both the public and private sectors to assess emerging cybersecurity threats and other operational risk issues. FDIC staff meet regularly with the Financial and Banking Information Infrastructure Committee (FBIIC), the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security, the Department of Homeland Security, the Financial Services Information Sharing and Analysis Center (FS-ISAC), other regulatory agencies, and law enforcement to share information regarding emerging issues and to coordinate responses. In 2023, the FDIC sent financial institutions alerts relating to fraudulent emails appearing to be from the FDIC, the MOVEit File Transfer Zero Day Vulnerability, and other vulnerabilities.

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

Anti-Money Laundering /Countering the Financing of Terrorism

The FDIC examines institutions' compliance with AML/CFT requirements as part of each risk management examination. The FDIC also examines for AML/CFT compliance during examinations conducted by state banking authorities if the state lacks the authority or resources to conduct the examination. In total, during 2023, the FDIC conducted 1,255 AML/CFT examinations.

Throughout 2023, the FDIC, FRB, OCC, National Credit Union Administration (NCUA), and U.S. Department of the Treasury (Treasury), including the Financial Crimes Enforcement Network (FinCEN), continued to focus on improving the efficiency and effectiveness of the AML/CFT regime by working on initiatives related to the Anti-Money Laundering Act of 2020.

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

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

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

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

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

The revisions reinforce instructions to examiners on how to evaluate depository institutions' policies, procedures, and processes in determining whether they meet AML/CFT requirements and safeguard institutions from money laundering, terrorist financing, and other illicit financial activity. The manual emphasizes that examiners should tailor the AML/CFT examination scope and planned procedures consistent with the depository institution's money laundering and terrorist financing risk profile.

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

In addition, the FDIC has undertaken a number of initiatives in 2023 to protect the banking industry from criminal financial activities. These include planning a financial crimes-focused conference with the Department of Justice that will be held in 2024 for examiners, lawyers, and others from federal banking and law enforcement agencies; hosting an industry outreach webinar on ransomware trends and mitigation recommendations featuring the Federal Bureau of Investigation; and helping financial institutions identify and shut down "phishing" websites that attempt to fraudulently obtain an individual's confidential personal or financial information.

CONSUMER COMPLIANCE EXAMINATION PROGRAM

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

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

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

As of December 31, 2023, FDIC initiated 16 formal enforcement actions and 16 informal enforcement actions, such as Board Resolutions and MOUs, to address consumer compliance examination findings. These formal actions included five consent orders to strengthen consumer compliance management systems, one Notice of Charges for violating Small Business Act regulations and engaging in deceptive acts and practices in violation of Section 5 of the Federal Trade Commission Act, and 10 civil money penalties (CMPs). The CMPs were issued against institutions to address violations of the Flood Disaster Protection Act, Section 5 of the Federal Trade Commission Act for Unfair or Deceptive Acts or Practices, and Home Mortgage Disclosure Act. CMPs totaled approximately $474,000.

In addition to consumer refunds resulting from the assistance provided by the FDIC's Consumer Response Unit (see discussion under the Consumer Complaints and Inquiries section), consumer compliance examination findings prompted banks to make voluntary restitution of approximately $10.6 million to 130,310 consumers including Truth In Lending Act (TILA) reimbursements of approximately $1.7 million to 12,342 consumers.

FOCUS and the Banker Engagement Site

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

Property Appraisal and Valuation Equity

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

EXAMINER TRAINING AND DEVELOPMENT

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

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

EMERGING TECHNOLOGY

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

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

Emerging Technology Steering Committee

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

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

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

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

FDITECH

FDITECH has worked within the agency to:

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

RISK MONITORING

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

Digital/Crypto-Related Activities Risk

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

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

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

[7] https://home.treasury.gov/system/files/261/FSOC-Digital-Assets-Report-2022.pdf
[8] In April, the FDIC issued FIL-16-2022, Notification of Engaging in Crypto-Related Activities, which asked supervised institutions to notify the FDIC if they are engaging in, or planning to engage in, crypto-asset-related activities.

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

Section 18(a)(4) of the FDI Act and its implementing regulations (12 C.F.R. Part 328, Subpart B) prohibit any person or entity from making false or misleading representations about deposit insurance, using the FDIC's name or logo in a manner that would imply that an uninsured financial product is insured or guaranteed by the FDIC, or knowingly misrepresenting the extent or manner of deposit insurance. Section 18(a)(4) gives the FDIC authority to investigate such violations and to enforce the prohibition against any person or entity.

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

SUPERVISION POLICY

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

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

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

Credit Risk, Liquidity Risk and Interest Rate Risk

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

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

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

Industry liquid assets declined through a combination of lower cash and securities balances and greater pledging of investments. However, most of the increase in pledging activity was for prudent liquidity contingency planning. Total deposits declined 4.2 percent over the year, but deposit outflows moderated substantially from the large outflows that resulted from first quarter stress associated with deposit runs on several large institutions. The decline in deposits has been offset by increases in wholesale funding, which contributed to increasing interest expenses. The upward trajectory of interest rates led to further net unrealized holding losses for institutions with long-duration bond portfolios. The decline in the market value of these securities, coupled with deposit declines, could negatively impact liquidity and access to funding if market interest rates continue to rise.

Inflation and rising interest rates have also affected the industry's sensitivity to market risk. Besides a significant volume of unrealized holding losses on debt securities at certain institutions, increasing interest rates, an inverted yield curve, and deposit outflows, have pushed deposit costs higher as financial institutions strive to remain competitive. While institutions' net interest income generally expanded in 2023, deposit and borrowing costs have increased at a faster pace than asset yields, constraining bank margins. Other negative effects of inflation and higher interest rates include elevated overhead, a reduction in mortgage banking activity, and potentially increased credit costs from reduced obligor cash flows. The industry will continue to be challenged to maintain earnings performance, capital adequacy, asset quality, and liquidity under these conditions.

Through examinations, interim contacts, and off-site monitoring, FDIC staff regularly talk with the management teams of state nonmember institutions about the need for effective credit, liquidity, and interest rate risk management. When appropriate, FDIC staff work with institutions that have significant exposure to these risks and encourage management teams to consider risk-mitigating steps. Throughout 2023, the FDIC conducted outreach and offered constructive feedback to help financial institutions navigate this challenging environment.

The FDIC also coordinated with other agencies on liquidity and interest rate risk management supervision and policy matters. As a result of the bank failures and industry stress experienced in the spring of 2023, the FDIC took initial steps to coordinate with the FRB and OCC to review existing rules and supervisory guidance in these areas. For instance, in July, the agencies issued a joint statement on the importance of contingency funding planning and liquidity risk management. Based on this initial review, the FDIC expects to consider in 2024 revisions

to existing regulation to address the unique risks and risk management principles that were highlighted during the 2023 stress period. The recommendations will also incorporate the above-referenced statements from the Federal Housing Finance Agency (FHFA) that the Federal Home Loan Banks (FHLBanks) are not well positioned to serve as a lender of last resort to depository institutions.

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

Climate-Related Financial Risks

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

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

Physical risks generally refer to the harm to people and property arising from acute, climate-related events, such as hurricanes, wildfires, floods, and heatwaves, as well as chronic shifts in the climate, including higher than average temperatures, changes in precipitation patterns, rising sea levels, and ocean acidification. Transition risks generally refer to stresses to certain financial institutions or sectors arising from the shifts in public investment, consumer and business preferences, or technologies associated with a transition toward reduced carbon reliance. While physical and transition risks are separate and distinct risks faced by the financial system, both may materially increase the risks posed to a financial institution's financial condition.

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

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

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

The FDIC is working to develop a fuller, more formal, and dedicated corporate-wide understanding of climate-related financial risks. Initial steps in its efforts to understand and address climate-related financial risk include:

- Continuing the work of its internal, cross-disciplinary working group to assess the safety and soundness and financial stability considerations associated with climate-related financial risks;
- Continuing its existing work with the Basel Committee on Banking Supervision's Task Force on Climate-Related Financial Risks, Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and other appropriate international organizations, consistent with the mandate of the FDIC;
- Participating on the FSOC's Climate-Related Financial Risk Committee (CFRC), which was created by the FSOC to identify priority areas for assessing and mitigating climate-related risks to the financial system and serve as a coordinating body, where appropriate, to share information, facilitate the development of common approaches and standards, and facilitate communication across FSOC members and interested parties;
- Together with the FRB and OCC, jointly issuing principles that provide a high-level framework for the safe and sound management of exposures to climate-related financial risks for large financial institutions;[10] and
- Building capabilities, through pursuing and developing internal educational offerings and training, to foster a corporate-wide understanding of climate-related financial risks.

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

RULEMAKING AND GUIDANCE

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

Community Reinvestment Act Rules

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

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

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

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

FDIC Sign and Advertising Rules and Misrepresentation Rule

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

Suspicious Activity Reporting Requirements

The FDIC is planning to issue a final rule in 2024 that would amend its Suspicious Activity Report (SAR) regulation and permit the FDIC to issue case-by-case exemptions from SAR filing requirements to supervised institutions. The existing regulation allows exemptions from SAR filing requirements for physical crimes (e.g., robberies and burglaries) and lost, missing, counterfeit, or stolen securities, and the proposed rule would allow the FDIC, in conjunction with FinCEN, to grant exemptions to supervised institutions that develop innovative solutions to otherwise meet AML requirements more efficiently and effectively. The FDIC proposed this rule in January 2021 as a proactive measure to address the likelihood that FDIC-supervised institutions will leverage existing or future technologies to report, share, or disclose suspicious activity in a different manner.

The FRB, NCUA, and OCC issued similar but independent proposed rulemakings to amend their respective SAR regulations. The FDIC is working with these agencies to harmonize the language of the final rules for consistency and, if possible, synchronize the rules' publication timing.

Automated Valuation Models

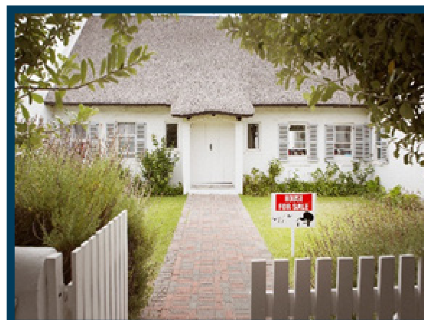
In June 2023, the FDIC, OCC, FRB, NCUA, FHFA, and Consumer Financial Protection Bureau (CFPB) published a request for comment on an NPR to implement quality control standards for the use of automated valuation models (AVMs) used by mortgage originators and secondary market issuers in valuing real estate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

Under the proposal, the agencies would require institutions that engage in certain credit decisions or securitization determinations to adopt policies, practices, procedures, and control systems to ensure that AVMs used in these transactions to determine the value of mortgage collateral adhere to quality control standards designed to ensure a high level of confidence in the estimates produced by AVMs; protect against the manipulation of data; seek

to avoid conflicts of interest; require random sample testing and reviews; and comply with applicable nondiscrimination laws. The comment period closed on August 21, 2023, and the FDIC received 13 comments. The agencies are considering comments while working to finalize the rule.

Residential Real Estate Valuations

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



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

Basel III Capital Standards

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

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

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

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

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

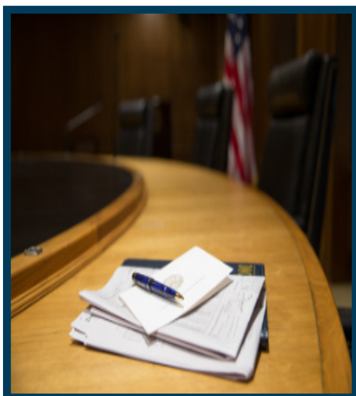
Standards for Governance and Risk Management for Institutions with Total Consolidated Assets of $10 Billion or More

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

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

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

Section 19 of the Federal Deposit Insurance Act



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

The proposed rule would incorporate changes made by the Fair Hiring in Banking Act (FHBA) to Section 19 and align the FDIC's Section 19 regulations with the FHBA's provisions. These proposed revisions address, among other topics, the types of offenses covered by Section 19; the effect upon

covered offenses of expungement, sealing, and dismissal of a criminal record; and the FDIC's procedures for reviewing applications filed under Section 19. The comment period closed on January 16, 2024.

Areas Affected by Natural Disasters

During 2023, the FDIC issued 21 advisories through Financial Institution Letters (FILs) to provide guidance to financial institutions in areas affected by hurricanes, tornadoes, straight-line winds, flooding, wildfires, landslides, and other severe storms to facilitate recovery. In these advisories, the FDIC encouraged financial institutions to work constructively with borrowers experiencing financial difficulties as a result of natural disasters and clarified that prudent extensions or modifications of loan terms in such circumstances can contribute to the health of communities and serve the long-term interests of lending institutions. In addition, the FDIC joined with the FRB, NCUA, OCC, and state regulatory agencies to issue press releases on supervisory practices regarding financial institutions impacted by the Hawaii wildfires and Hurricane Idalia. These press releases encouraged financial institutions to work constructively with borrowers and offered to expedite requests for temporary facilities to provide more convenient availability of services to those affected by these disasters.

Proposed Merger Transactions

One of the FDIC's key priorities for 2023 was to review the framework for evaluating proposed merger transactions. The Bank Merger Act establishes the standards used by the federal banking agencies to consider bank merger transactions; however, the process for considering bank mergers has not been comprehensively reviewed in 25 years. In light of the significant implications of bank mergers for competition, safety and soundness, financial stability, and meeting the financial services needs of communities, a careful interagency review of the bank merger process was warranted.

In March 2022, the FDIC issued FIL-11-2022, *Request for Information on Bank Merger Act*, seeking information and comments regarding the application of laws, practices, rules, regulations, guidance, and statements of policy (collectively, the framework) that apply to merger transactions involving one or more IDIs, including the merger between an IDI and a noninsured institution. Thirty-three comments were received. The themes and issues raised continue to guide revisions to the framework, including the FDIC Statement of Policy on Bank Merger Transactions.

To realize the FDIC's bank merger-related priorities, one of the agency's performance goals for 2022 was to initiate an interagency review of the processes used by the federal banking agencies under the Bank Merger Act. Accordingly, the FDIC in 2023 continued to participate in discussions with other federal banking agencies, namely the FRB and OCC, as well as with the Department of Justice, as appropriate.

Climate-Related Financial Risk

In October 2023, the FDIC, FRB, and OCC jointly issued principles that provide a high-level framework for the safe and sound management of exposures to climate-related financial risks, consistent with the risk management frameworks described in the agencies' existing rules

and guidance.[11] The principles are intended to support efforts by large financial institutions to focus on key aspects of climate-related financial risk management in a manner consistent with safe and sound practices.

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

Contingency Funding Plans

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

Commercial Real Estate Accommodations and Workouts

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

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

[11] See FIL-56-2023. On March 30, 2022, the FDIC issued FIL-13-2022, Request for Comment on Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions.
[12] See FFIEC Press Release, October 30, 2009, available at: https://www.ffiec.gov/press/pr103009.htm

Third-Party Relationships

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

London Inter-Bank Offered Rate (LIBOR) Transition

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

Crypto-Asset Risks

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

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

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

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

Research

CENTER FOR FINANCIAL RESEARCH

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

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

In April 2023, the CFR hosted the FDIC Academic Challenge. The FDIC Academic Challenge is a team competition for undergraduate students, designed to bring real-world policy questions into the classroom and address questions concerning the banking industry. The topic for the

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

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

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

In 2023, the CFR hosted two PhD students as part of the Summer Research Fellows Program. The program targets PhD students who have completed their qualifying examinations and have well-developed research towards finishing their PhDs. Summer Research Fellows are encouraged to continue their dissertation work and build research relationships with FDIC colleagues. They participate in seminars and informal lunchtime presentations of research, engage with FDIC staff, and present their own research at the end of the summer.

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

In partnership with the American Economic Association Summer Program and Howard University, CFR hosted two undergraduate students in the summer of 2023. The summer experiential learning program offered the students an opportunity to apply their research skills to FDIC-relevant questions under the guidance of CFR economists, and to develop career-long mentoring relationships. The program aims to increase diversity in the field of economics and to attract a diverse workforce to related positions. The FDIC also hosted the entire American Economic Association Summer Program for an informational lunch, featuring a panel of FDIC managers who discussed their divisions' missions and a networking lunch for students and junior FDIC staff.

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

Speakers at the AEA Summer Program Luncheon.

National and Regional Risk Analysis

The FDIC's National and Regional Risk Analysis (NRRA) Branch identifies, analyzes, monitors, and communicates developments and key risks in the economy, financial markets, and banking industry that may impact FDIC-insured institutions and the DIF. As part of this work, NRRA publishes the Quarterly Banking Profile—a comprehensive summary of financial results for all FDIC-insured institutions. This report card on industry status and performance includes written analyses, graphs, and statistical tables. NRRA also published the 2023 Risk Review, summarizing key credit, market, operational, crypto-asset, and climate-related financial risks facing banks.

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

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

CONSUMER RESEARCH

2023 FDIC National Survey of Unbanked and Underbanked Households

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

FDIC Survey of Volunteer Income Tax Assistance Providers

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

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

Community Banking

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

Community banks (as defined for FDIC research purposes) made up 90 percent of all FDIC-insured institutions on September 30, 2023. While these banks hold just 11.5 percent of banking industry assets, community banks are of critical importance to the U.S. economy and local communities across the nation.

As of June 2023, community banks held 38.3 percent of the industry's small loans to farmers and businesses, making them the lifeline to entrepreneurs and small enterprises of all types. They hold the majority of bank deposits in U.S. rural counties and micropolitan counties with populations up to 50,000. In fact, as of June 2023, community banks held more than 57 percent of total deposits in 1,956 U.S. rural and micropolitan counties. In more than half of these counties (58.5 percent), the only banking offices available to consumers were those operated by community banks.

COMMUNITY BANKING RESEARCH

The FDIC pursues an ambitious, ongoing agenda of research and outreach focused on community banking issues. In conjunction with the 2012 and 2020 community banking studies, FDIC researchers have published more than a dozen additional analyses on various banking topics.

The *FDIC Quarterly Banking Profile* includes a section explicitly focused on community bank performance, providing a detailed statistical picture of the community banking sector that can be accessed by analysts, other regulators, and bankers themselves. The most recent report shows that quarterly net income at community banks decreased 15 percent on a merger-

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

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

Advisory Committee on Community Banking

The FDIC's Advisory Committee on Community Banking (CBAC) is an ongoing forum for discussing issues faced by community banks and receiving valuable feedback from the industry. It is a valuable resource for information on a wide range of topics, including examination policies and procedures, capital and other supervisory issues, credit and lending practices, deposit insurance assessments and coverage, and regulatory compliance issues. The Committee is composed of community bank executives from around the country. Members of the CBAC represent community banks of various sizes from different areas of the country, both rural and urban, that are engaged in a variety of business lines. Members serve for two-year terms, which may be extended or renewed. Eight new members joined the Committee in 2023.

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

The October 2023 meeting included a discussion of banking conditions, liquidity risk management, third-party risk management guidance, commercial real estate workouts, and anti-money laundering issues. In addition, financial institution diversity self-assessments were discussed, and the Minority Depository Institutions Subcommittee provided an update on its meeting that was held the day prior.

Advisory Committee of State Regulators

The FDIC's Advisory Committee of State Regulators is another mechanism for state regulators and the FDIC to discuss current and emerging issues that have potential implications for the regulation and supervision of state-chartered financial institutions. The Advisory Committee members include regulators of state-chartered financial institutions from across the United States as well as other individuals with expertise in the regulation of state-chartered financial institutions. The Advisory Committee met once in October 2023. During the meeting, the Committee discussed the impact of economic conditions on financial institutions they supervised, financial institution diversity self-assessments, newly issued guidance, and examination practices.

De Novo Banks

In 2023, the FDIC continued processing deposit insurance applications, meeting with applicants to discuss the application process and specific proposals, and making application data available on the FDIC's website. The FDIC has provided several resources to aid organizers in developing deposit insurance application proposals, including conducting reviews of draft proposals. Interested parties may access application-related information and data on applications at www.fdic.gov.

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

Technical Assistance Program

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

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

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

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

Deposit Insurance Coverage Webinars

The FDIC held five live seminars on FDIC deposit insurance coverage for bank staff and bank officers between May 2023 and October 2023, via Microsoft (MS) Teams. Each seminar lasted approximately 90 minutes and included a Question and Answer session. Three sessions titled *Comprehensive Deposit Insurance Seminar for Bankers* offered a broad overview of FDIC deposit insurance rules. Two sessions titled *New Rules for Revocable and Irrevocable Trust Accounts*

provided an in-depth discussion of the newly issued rules for trust accounts, effective April 1, 2024. The sessions provided bank employees with a broad understanding of FDIC deposit insurance coverage rules.

Through the Technical Assistance Video Program, the FDIC provides a series of educational videos designed to provide useful information to bank directors, officers, and employees on various risk management and consumer protection-related matters. The videos help FDIC-supervised institutions understand various risk management and consumer protection-related matters. In 2023, the FDIC released one video for bank directors and one video for bank officers and staff, each covering cybersecurity.

Activities Related to Large and Complex Financial Institutions, Including Systemically Important Financial Institutions

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

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

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

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

SUPERVISION AND RISK ASSESSMENT

Monitoring and Measuring Systemic Risks

The FDIC monitors risks related to G-SIBs as well as other large domestic banks and FBOs at both the firm-level and industry-wide to inform supervisory planning and response, policy and guidance considerations, and resolution planning efforts. As part of this monitoring, the FDIC analyzes each company's risk profile, governance and risk management strategies, structure and interdependencies, business operations and activities, management information system capabilities, and recovery and resolution capabilities. Evaluating capital and liquidity adequacy and resiliency under stressed conditions is also a key part of monitoring. Further, in response to market and deposit volatility experienced during the banking industry stress in March 2023, the FDIC performed heightened risk monitoring.

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

In addition, the FDIC continues to expand its monitoring systems, including the CISR Risk Monitor (CRM), the SIFI Risk Report (SRR), and the CAMELS Verification document. The CRM is an off-site monitoring system that combines bank holding company quantitative financial information with qualitative information to support CISR's identification and assessment of firm and broader market stress. The SRR identifies key vulnerabilities of systemically important firms, and the CAMELS Verification document includes an independent assessment of the appropriateness of supervisory CAMELS ratings for the IDIs held by these firms. Information from these and other FDIC-prepared reports is used to prioritize activities relating to oversight of LCFIs and to coordinate supervisory and resolution-related activities with the other banking agencies.

Back-Up Supervision Activities for IDIs of SIFIs

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

At institutions where the FDIC is not the primary federal regulator, FDIC staff work closely with other regulatory authorities to identify emerging risks and assess the overall risk profile of large and complex institutions. The FDIC has assigned dedicated staff to IDIs that are LCFIs

to enhance risk-identification capabilities and facilitate the communication of supervisory information.

FDIC's Backup Supervision Activities

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

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

RESOLUTION PLANNING

Title I Resolution Plans

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

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

IDI Resolution Planning

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

In June 2021, the FDIC outlined a modified approach to implementing the IDI rule in a manner which focused on certain requirements for IDIs with $100 billion or more in total assets. Resolution plans for 21 IDIs were submitted on or before December 1, 2022. Two of these IDIs failed and were resolved by the FDIC during the course of the plan review. A third IDI was acquired by another filer. The remaining plans have been reviewed and feedback has been provided to the institutions. New resolution plans for an additional 12 IDIs were submitted in 2023 and are under review. For IDIs with less than $100 billion in total assets, the April 2019 moratorium on submission of IDI resolution plans remains in effect. However, on August 29, 2023, the FDIC proposed amending the section 360.10 resolution planning rule which would modify the scope and requirements for these submissions as described further below under "Resolution Policy".

The FDIC also undertakes institution-specific resolution planning under the FDI Act for IDIs that are LCFIs, drawing on both IDI plans submitted by the firms and follow-on engagement with the firms. The development of a large regional bank resolution framework and process builds on lessons learned from historical bank resolutions and practices developed in connection with Title II resolution readiness planning for LCFIs. The FDIC is incorporating lessons learned from the three large bank failures that occurred in the spring of 2023 into its development of these plans.

Title II Orderly Liquidation Authority

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

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

II resolution. In addition, work continues in the development of resolution strategies for financial market utilities that have been designated as systemically important by the FSOC, particularly the five that are central counterparties (CCPs).

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

Resolution Policy

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

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

Long-Term Debt Requirements

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

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

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

Resolution Plans and Informational Filings

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

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

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

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

Guidance for Title I Resolution Plan Submissions

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

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

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

Recordkeeping Requirements

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

Timely Deposit Insurance Determination

The FDIC's Recordkeeping for Timely Deposit Insurance Determination regulation (12 CFR Part 370) became effective on October 1, 2019. Under this rule, an IDI that has two million or more deposit accounts for two consecutive quarters must implement the IT system and

recordkeeping capabilities needed to calculate the amount of deposit insurance coverage available for each deposit account in the event of its failure. Doing so will improve the FDIC's ability to fulfill its statutory mandates to pay deposit insurance as soon as possible after an institution's failure and to resolve an institution at the least cost to the DIF. The FDIC conducts periodic compliance tests to assess the adherence of covered institutions to the rule.

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

Qualified Financial Contracts

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

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

Cross-Border Cooperation

Cross-border cooperation and advance planning are critical components of resolution and crisis management planning due to the international nature of services and overseas operations of many LCFIs. In 2023, the FDIC continued its robust bilateral and multilateral engagement with foreign authorities to deepen mutual understanding of the complex legal and operational issues related to cross-border resolution and preparedness. This work is underpinned by an understanding that transparency and confidence in resolution planning will serve as a stabilizing force during times of stress.

In 2023, the FDIC led significant principal- and staff-level engagements with foreign jurisdictions to discuss cross-border issues and potential impediments that could affect resolvability as part of ongoing efforts to continue to deepen coordination on cross-border

resolution. For example, the FDIC engaged in ongoing trilateral work on cooperation in the cross-border resolution of G-SIBs with U.S., UK, and European Union (EU) financial regulatory authorities. Contributors to this work include senior staff and senior officials of participating financial regulatory agencies from these jurisdictions. The FDIC maintains a close working relationship on cross-border resolution planning topics with EU and UK authorities, among other jurisdictions, including through joint meetings and technical experts calls.

Financial Stability Board Resolution Steering Group

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

Cross-Border Crisis Management Groups

With regard to the FDIC's institution-specific engagement, the FDIC co-chairs cross-border Crisis Management Groups (CMGs) of supervisors and resolution authorities for U.S. G-SIBs and CCPs, and participates as a host authority in the work of CMGs for several foreign G-SIBs and CCPs. Work through these CMGs allows the FDIC to improve resolution preparedness by strengthening our working relationships with key authorities, providing a forum to address institution-specific resolution planning considerations, and supporting information-sharing arrangements. The FDIC, in collaboration with the FRB, held meetings for all eight U.S. G-SIB CMGs in 2023. In collaboration with the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC), the FDIC held meetings for three U.S. CCP CMGs in 2023. Due to continued international travel challenges, these meetings were held using a mix of hybrid and fully virtual formats.

Joint U.S.–EU Financial Regulatory Forum

FDIC staff participated in three Joint U.S.-EU Financial Regulatory Forum meetings held in 2023, as a member of the U.S. delegation led by Treasury staff, along with FRB, CFTC, SEC, and OCC staff. Staff from the European Commission, European Banking Authority, European Securities and Markets Authority, European Insurance and Occupational Pensions Authority, European Central Bank, Single Supervisory Mechanism, and Single Resolution Board represented the EU. The forum meetings underscored EU and U.S. cooperation and focused on a number of themes, such as market developments; current assessments of financial stability risks; multilateral and bilateral engagement in banking, regulatory, and supervisory cooperation in capital markets; operational resilience and digital finance; and AML/CFT, among other topics. Authorities also shared experiences related to the spring 2023 bank failures.

U.S.–UK Financial Regulatory Working Group

The FDIC also maintains a close working relationship on cross-border resolution planning topics with UK authorities, including through dialogue as a participating agency in the U.S.-UK Financial Regulatory Working Group (FRWG), which the U.S. Treasury and UK Treasury established in 2018 to serve as a forum for bilateral regulatory cooperation between the U.S. and the UK. The FDIC participates along with the FRB, OCC, SEC, and CFTC; participating UK regulators include the Bank of England and the Financial Conduct Authority. In 2023, the FRWG meeting discussion focused on a number of themes, such as international and bilateral cooperation, sustainable finance, non-bank financial intermediation, operational resilience, cross-border regimes, and resolution-related updates, among other topics. Authorities also shared experiences from the spring 2023 bank failures.

Principals Tabletop Exercise Meeting

In October 2023, senior officials from the FDIC, CFTC, SEC, FRB, and the Bank of England convened a hybrid exercise to identify, consider, and discuss key information that would need to be shared between authorities, as well as strategic direction and decisions that respective authorities would need to make, in a potential scenario where the resolution of a systemically important CCP may become necessary. This exercise was conducted as part of a regular series of senior-level meetings held since 2017 to share views on CCP resolutions and review the progress of an ongoing program of joint work among the agencies.

Senior Staff Exercise

In June 2023, senior officials from the FDIC, U.S. Treasury, FRB, Federal Reserve Bank of New York, OCC, CFPB, SEC, CFTC, the Bank of England, UK Treasury, European Central Bank, European Commission, and Single Resolution Board convened a meeting in the continuation of a series of exercises and exchanges to enhance the understanding of each jurisdiction's resolution regime for G-SIBs and to strengthen coordination on cross-border resolutions. This exercise built on six prior cross-border principal level events going back to 2014, with European Banking Union authorities joining in 2016, and addressed lessons learned from recent bank failures in each jurisdiction.

Systemic Resolution Advisory Committee

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

Members of the SRAC have a wide range of experience, including managing complex firms, serving as bankruptcy judges, and working in the legal system, accounting, and academia. The FDIC held an SRAC meeting in December 2023 that focused on the March bank failures and lessons learned, large bank strategy and resolution options, and large bank policy considerations.

Depositor and Consumer Protection

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

Public Awareness of Deposit Insurance Coverage

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

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

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

DEPOSITOR AND CONSUMER PROTECTION RULEMAKING AND GUIDANCE

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

Small-Dollar Lending

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

Fair Debt Collection Practices Act

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

Fees Arising from Re-Presented Items

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

Overdraft Fees

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

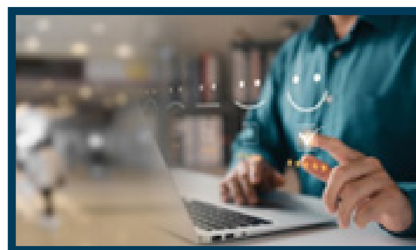
HMDA's Closed-End Mortgage Loan Volume Reporting Threshold

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

Consumer Compliance Supervisory Highlights

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

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



PROMOTING ECONOMIC INCLUSION

The FDIC is committed to expanding economic inclusion in the financial mainstream by ensuring that all Americans have access to affordable and sustainable products and services from IDIs. The agency's economic inclusion initiatives are integral to our mission of maintaining stability and public confidence in the nation's financial system. The FDIC promotes economic inclusion and community development through collaborations with financial institutions and other stakeholders committed to strategic initiatives that positively impact LMI communities.

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

Advisory Committee on Economic Inclusion

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

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

Leveraging "Bankable Moments"

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

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

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

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

COMMUNITY AND ECONOMIC DEVELOPMENT

Alliances for Economic Inclusion

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

In 2023, the Los Angeles AEI coordinated efforts in which 17 banks provided 204 volunteers that supported 17 VITA sites, which prepared over 10,000 tax returns, resulting in more than $10 million in tax refunds. Many of these VITA sites promoted bank account access and savings. One organization's VITA site, for example, helped over 300 individuals locate and open bank

accounts. The Los Angeles AEI was also recognized by America Saves with a Community Impact Award because of their successful efforts during America Saves Week 2023, during which nearly 500 people made savings pledges totaling nearly $1 million; the median pledge was $600.

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

Outreach Highlights

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

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

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

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

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

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

As part of the FDIC's engagement with Historically Black Colleges and Universities (HBCUs) during 2023, the FDIC continued participation in the Economic Development Cluster, a Federal Interagency Working Group of the White House Initiative on HBCUs, to host a series of forums to leverage HBCU economic assets to expand capital projects, infrastructure, and

programming for their growth and advancement. For example, the Chicago Region hosted an event at Central State University in Ohio encouraging financial institutions to support community development and service opportunities at HBCUs. Also, a webinar in the Kansas City Region focused on workforce development opportunities at HBCUs in Missouri. As a result of this engagement, the FDIC fostered several new partnerships with banks and federal agencies resulting in career opportunities for HBCU students, including a collaboration between a bank and Harris-Stowe State University to help HBCU students to obtain professional attire as they enter the workforce.

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

FINANCIAL EDUCATION AND OUTREACH

Financial education is central to the FDIC's efforts to expand economic inclusion and promote confidence in the banking system. Effective financial education helps people gain the skills and confidence necessary to sustain a banking relationship, achieve financial goals, and improve financial well-being. For more than 22 years, the FDIC *Money Smart* financial education curricula and supporting resources have offered non-copyrighted, high-quality, free financial education training resources for banks, schools, colleges, nonprofits, community-based organizations, and other stakeholders to meet the financial education needs of people of all ages and small businesses.

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

Money Smart Program

Money Smart instructor-led curricula and self-paced resources are designed to help communities and people of all ages by providing practical guidance on how to make informed financial decisions, develop a positive banking relationship, and protect against

financial scams. Curricula materials are available in multiple languages, Braille, and large print. Self-paced products, which can be accessed by consumers directly, complement instructor-led materials delivered in-person or online. Regular updates ensure that *Money Smart* benefits from user feedback and current instructional best practices. The FDIC helps consumers and organizations effectively use *Money Smart*, including through over 1,000 *Money Smart* Alliance members, as well as national webinars to the general public.

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

Outreach and Engagement Highlights

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

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

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

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

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

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

Advancing Financial Education and Capability

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

Juntos FDIC (Together FDIC) Pilot

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

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

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

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

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

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

Additional accomplishments from the Juntos FDIC pilot include:

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

Collaborations with Federal Agencies

In 2023, the FDIC continued its active membership on the federal Financial Literacy and Education Commission (FLEC). This includes participating on various working groups, notably the FLEC Digital Assets, Basic Financial Capability, and Post-Secondary Education working

groups. Alongside other FLEC member agencies, the FDIC provided technical assistance and contributed resources to the drafting of the U.S. Department of the Treasury report entitled *The Impact of Climate Change on American Household Finances*.

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

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

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

Consumer News

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

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

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

Money Smart News

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

CONSUMER COMPLAINTS AND INQUIRIES

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

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

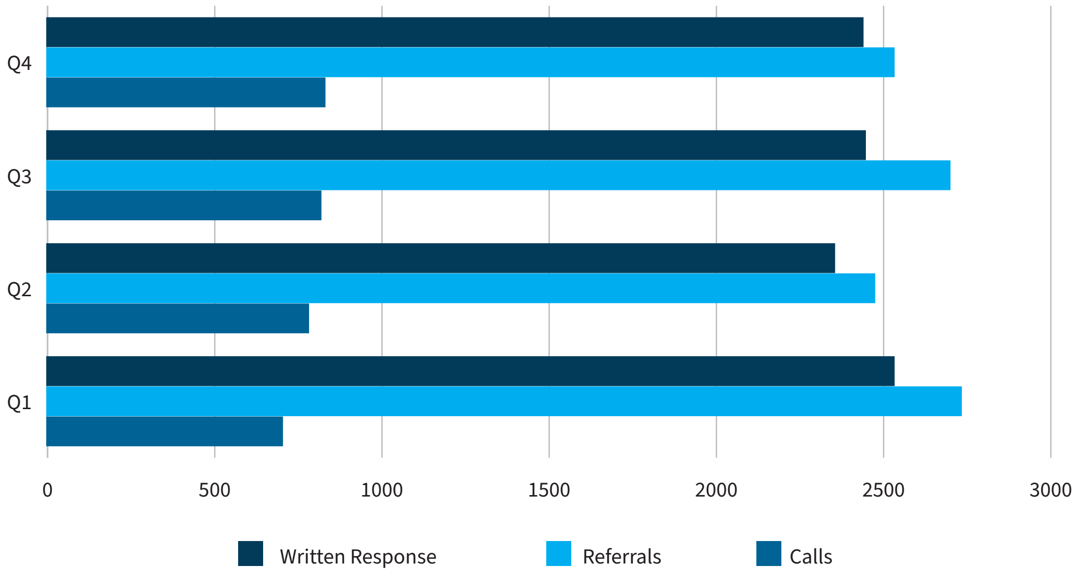
The FDIC regularly updates metrics on requests from the public for FDIC assistance. The webpage is located at https://www.fdic.gov/transparency/consumers.html.

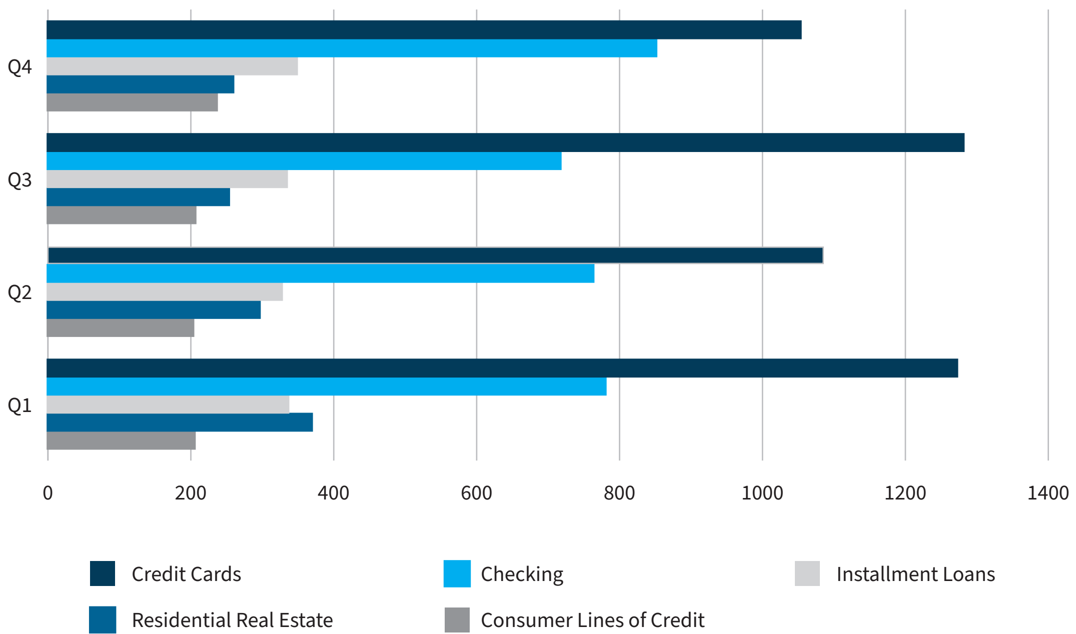
CONSUMER COMPLAINTS BY TOPIC AND ISSUE

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

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

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


CASES CLOSED 2023 YTD
Q4
Q3
Q2
Q1
0
500
1000
1500
2000
2500
3000
Written Response
Referrals
Calls


TOP PRODUCTS 2023 YTD
Q4
Q3
Q2
Q1
0
200
400
600
800
1000
1200
1400
Credit Cards
Checking
Installment Loans
Residential Real Estate
Consumer Lines of Credit

Deposit Insurance Coverage Information Assistance and Outreach

In order to fulfill its mission to promote public confidence in the banking system, the FDIC works to ensure that bankers and consumers have access to accurate information about FDIC rules for deposit insurance coverage. Through December 31, 2023, the FDIC's Contact Center handled 88,381 telephone cases pertaining to a variety of issues, including 37,779 that were identified as deposit insurance-related inquiries. The majority of deposit insurance inquiries are forwarded to the Deposit Insurance (DI) Unit for handling. In addition to the telephone inquiries, the FDIC received over 3,900 written deposit insurance inquiries from consumers and bankers. Of these inquiries, 100 percent received responses within two weeks, as required by corporate policy. FDIC deposit insurance specialists assist depositors in identifying potentially fraudulent websites posing as legitimate FDIC-insured institutions. Additionally, the FDIC received over 750 inquiries or complaints regarding potentially false or misleading statements about FDIC deposit insurance through a complaint portal that was established in mid-2022; 100 percent of the complaints received were reviewed by staff in the Legal division.

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

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

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

Failed Bank Resolution and Receivership Management

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

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

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

INSURED DEPOSITORY INSTITUTION FAILURES

During 2023, there were five IDI failures. Prior to this year, the last IDI failure occurred in 2020.

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

Failure Activity Dollars in Billions

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

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

The five IDI failures in 2023 are discussed below.

Silicon Valley Bank

Silicon Valley Bank (SVB), Santa Clara, California was closed by the California Department of Financial Protection & Innovation on March 10, 2023. The FDIC was appointed receiver. At the time of closure, SVB had approximately $167 billion in total assets and about $119 billion in total deposits. Following the closure, the FDIC created Silicon Valley Bridge Bank, National Association. The deposits and substantially all assets and all Qualified Financial Contracts were transferred to the bridge bank. The transfer of deposits was completed under the systemic risk exception. Generally, such a transaction is subject to the statutory "least cost test" requiring that the transaction be less costly to the Deposit Insurance Fund than any other

possible transactions, including liquidation of the failed bank. There is an exception to that requirement in the event that it is determined that the least costly transaction would have serious adverse effects on economic conditions or financial stability. Such a determination must be made by the Secretary of the Treasury in consultation with the President, based on recommendations by both the FDIC and the Board of Governors of the Federal Reserve System. This exception, commonly referred to as the systemic risk exception, was undertaken in this case, enabling the FDIC receiver of SVB to transfer all of the deposits, as defined in the FDIA, to the bridge bank.

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

Signature Bank

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

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

special assessment for a net estimated loss to the DIF of $600 million. The exact cost will be determined when the FDIC terminates the receivership.

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

First Republic Bank

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

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

Heartland Tri-State Bank

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

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

Citizens Bank

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

RECEIVERSHIP MANAGEMENT ACTIVITIES

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

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

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

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

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

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

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

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

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

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

Professional Liability and Financial Crimes Recoveries

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

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

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

As part of the sentencing process, for those convicted of criminal wrongdoing against an insured institution that later failed, a court may order a defendant to pay restitution or to forfeit funds or property to the receivership. The FDIC, working with the Department of Justice in connection with criminal restitution and forfeiture orders issued by federal courts and independently in connection with restitution orders issued by the state courts, collected $5.1 million in 2023. As of December 31, 2023, there were 1,601 active restitution and forfeiture orders (down 34 from 1,635 at year-end 2022). This includes 11 orders held by the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (i.e., orders arising out of failed financial institutions in receivership or conservatorship by the FSLIC or the Resolution Trust Corporation).

Minority Depository Institutions and Community Development Financial Institutions

MINORITY DEPOSITORY INSTITUTION ACTIVITIES

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

Since 2020, significant new sources of private and public funding have become available to support FDIC-insured MDIs and Community Development Financial Institutions (CDFIs), collectively known as "mission-driven banks." During 2023, the FDIC pursued several strategies to support MDIs. These included: increasing engagement and representation; facilitating partnerships to provide new capital and other tools and resources; promoting the MDI sector through advocacy; providing outreach, technical assistance, and education and training for MDIs; and building internal capacity.

ENGAGEMENT AND REPRESENTATION

The FDIC's MDI Subcommittee of CBAC is composed of nine diverse MDI executives representing all types of MDIs across the country with varying asset sizes and lines of business. The FDIC provides a venue for minority bankers to discuss key issues, share feedback on program initiatives, and showcase MDI best practices. Representatives from four MDIs

also serve on the 18-member CBAC and one serves on the ComE-IN to further bring MDI perspectives and issues to the table.

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

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

PARTNERSHIPS

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

ADVOCACY

It is important to promote the visibility of MDIs, to tell their stories, and showcase the important role they play in their communities. In 2023, the FDIC recorded four videos of MDI executives sharing their institutions' "Origin Stories," highlighting the reasons their institutions were formed, and describing how they have served their communities over time. In addition, senior agency leaders emphasized the significance of mission-driven banks in numerous external speaking engagements and through posts on FDIC social media channels and its website.

OUTREACH, TECHNICAL ASSISTANCE, AND EDUCATION

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

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

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

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

- Applications for branch openings and closures,
- Anti-Money Laundering/Countering the Financing of Terrorism,
- Community Reinvestment Act,
- Compliance Management,
- Capital Planning and Management,
- Current Expected Credit Losses (CECL) accounting methodology,
- Corporate Governance and Strategic Planning,
- Fair Lending,
- Funding and liquidity,
- Home Mortgage Disclosure Act (HMDA),
- Information technology risk management and cybersecurity,
- Internal audit, and
- Unfair or Deceptive Acts or Practices (UDAP).

In response to questions raised by MDIs, the FDIC hosted two interagency technical assistance webinars along with the FRB and OCC to discuss supervisory expectations for MDIs and CDFI banks awarded funds from the U.S. Treasury Emergency Capital Investment Program and other new investments. The webinars addressed bank management's questions regarding the FDIC's examination approach for FDIC-supervised MDIs and CDFI banks deploying the funds. FDIC staff discussed several risk management practices institutions must consider when anticipating significant asset growth, expanding into new markets, and developing new product offerings. Staff also addressed questions regarding strategic and capital planning associated with new investments and awards.

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

BUILDING INTERNAL CAPACITY

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

Diversity, Equity, Inclusion, and Accessibility

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

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

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

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

In 2023, the FDIC made further progress in implementing agency DEIA initiatives under its *DEI Strategic Plan*. Specifically, OMWI provided training support, launched empathy training for all employees, and continued to work with the FDIC's Divisions and Offices to help them

execute their own DEIA operational plans tailored to their mission and needs. The agency also maintained its focus on three strategic areas: 1) implementing workforce DEIA initiatives; 2) enhancing Hispanic recruitment and retention; and 3) promoting financial institution diversity.

WORKPLACE DEIA INITIATIVES

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

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

FINANCIAL INSTITUTION DIVERSITY

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

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

MINORITY- AND WOMEN-OWNED BUSINESSES

The FDIC has focused on identifying barriers that underserved communities and individuals may face in taking advantage of FDIC procurement and contracting opportunities. In 2023, to promote economic inclusion, the FDIC conducted outreach to MWOBs on contracting opportunities and provided technical assistance to educate prospective vendors on FDIC programs, policies, and procedures. The FDIC continued to support increased participation of MWOBs by conducting market research and outreach to identify MWOBs eligible to compete for FDIC contracts. Further, the FDIC held Pitch Days to give MWOBs the opportunity to highlight their business capabilities, which helped connect MWOBs to OMWI.

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

DIVERSE LEGAL SERVICE PROVIDER OUTREACH

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

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

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

As a result of these initiatives, the FDIC made 21 referrals to MWOLFs, which accounted for almost 7 percent of all legal referrals. The FDIC paid more than $960,000 in legal fees to MWOLFs and paid more than $4.9 million to diverse attorneys. Although the Legal Division does not pay diverse attorneys directly, they are credited with the amount they bill on behalf

of their firms. Taken together, the FDIC paid more than $5.9 million to MWOLFs and diverse attorneys out of more than $24.3 million spent on outside counsel services. This represents an aggregate 24 percent diversity participation rate in outside legal contracting.

HISTORICALLY BLACK COLLEGES AND UNIVERSITIES ENGAGEMENT

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

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

Aerial view of Howard University

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

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

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

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

Information Technology Modernization

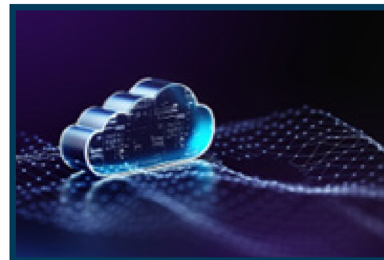
Information Technology is an essential component in virtually all FDIC business processes. The integration of IT and business processes provides opportunities for efficiencies and requires both an awareness and mitigation of potential risks.

MIGRATION TO THE CLOUD

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

Cloud Set-up

The Cloud Platform project is comprised of the foundational components that will deliver both infrastructure and application services, and will support the migration of the BDC applications to the cloud. The Platform team is responsible for creating the cloud platform, while the BDC Phase Out teams are responsible for onboarding critical applications onto the cloud platform. In tandem with the DOIA and CDMA teams, the cloud Platform/BDC Phase Out projects will deliver the foundational components to better support the computing, services, and business needs of the FDIC.



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

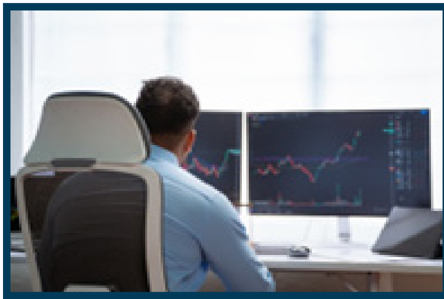
Back-Up Data Center Phase Out

The BDC provides failover/back-up capabilities for the IT assets required to support the FDIC Primary Mission Essential Function (PMEF) responsibilities. The primary goal of the phase-out program is to remove the dependency of on-premises infrastructure that host the PMEF applications.

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

Cloud Data Management and Analytics

The CDMA Program will establish a strategic, enterprise data management and data analytic capability for the FDIC with secure, modern, data technologies in the cloud. CDMA is a comprehensive, multi-year program led by the FDIC's Chief Data Officer Staff, and includes services that span Data Strategy, Cloud Technology, Modern Data Architecture, Innovation to Production, Data Governance, Education Coordination, and FDIC Business Division Partnership.



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

Data Orchestration and Integration for Application

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

MODERNIZING OBSOLETE SYSTEMS

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

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

RMS Business Process Modernization (BPM)

RMS BPM is a program whose goal is to provide RMS users and external stakeholders with a streamlined solution that will focus on delivering automated, end-to-end supervision business processes using a cloud-based, business process management platform. The planned solution will improve the efficiency and effectiveness of RMS supervision programs by delivering a single cloud-based solution that captures end-to-end business processes, improves data quality and security, improves internal and external information sharing, and facilitates greater use of AI/ML. In 2023, the FDIC completed its effort to define the business, technical, and compliance requirements for this project, and to procure funding. CIOO and RMS will continue to work together to begin development in 2024.

Enhancing Data Governance

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

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

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

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

Adoption of Agile Software Development

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

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

DEVSECOPS: Integration of Security Throughout Development Lifecycle

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

INFORMATION TECHNOLOGY SECURITY

Zero Trust

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

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

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

Identity, Credential, and Access Management (ICAM)

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

International Outreach

The FDIC takes a leadership role in supporting the global development of deposit insurance, bank supervision, and bank resolution systems. In 2023, this included working closely with regulatory and supervisory authorities from around the world, as well as international standard-setting bodies and multilateral organizations, such as the International Association of Deposit Insurers (IADI), the Association of Supervisors of Banks of the Americas (ASBA), the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), the International Monetary Fund (IMF), and the World Bank. The FDIC engaged with foreign regulatory counterparts by hosting foreign officials, conducting training seminars, delivering technical assistance, and fulfilling the commitments of FDIC membership in international organizations. The FDIC also advanced policy objectives with key jurisdictions by participating in high-level interagency dialogues.

International Association of Deposit Insurers

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

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

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

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

Association of Supervisors of Banks of the Americas

The FDIC continues to support ASBA's mission to promote sound banking supervision and financial stability by actively supporting ASBA's leadership and contributing to its training and research programs. Committed to strengthening ASBA's leadership, in 2023 the FDIC was represented on ASBA's board of directors with the FDIC Director of International Affairs beginning a two-year term as the North America Director. The FDIC also serves on the Training Committee and Working Groups on Financial Technology and climate-related financial risk.

Basel Committee on Banking Supervision

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

International Deposit Insurance and Resolution Capacity Building

The FDIC's direct assistance programs to enhance global understanding of best practices in deposit insurance, bank supervision, and bank resolution were provided both virtually and in person during the year. In 2023, FDIC officials and staff were able to share their expertise with more than 325 individuals, representing more than 60 jurisdictions. The FDIC provided technical assistance to multiple ASBA members through virtual courses on Operational Risk and Model Risk and an in-person course on Banking Crisis and Resolution.

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

Effective Management of Strategic Resources

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

HUMAN CAPITAL MANAGEMENT

The FDIC's human capital management programs are designed to attract, develop, reward, and retain a highly skilled, diverse workforce. In 2023, the FDIC's workforce planning initiatives emphasized the need for enhanced succession management strategies to reduce the risk of vacancies in key positions and ensure the Corporation has a talent pipeline with the capability to successfully deliver the FDIC's mission today and into the future.

STRATEGIC WORKFORCE AND SUCCESSION MANAGEMENT

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

In 2023, the FDIC formally established a Human Capital Strategic Planning and Analysis unit within the Division of Administration with dedicated resources to identify a Corporate-wide, sustainable approach to address its talent pipeline challenges. The FDIC has re-confirmed its leadership competencies and has begun to develop content for leadership role profiles that will provide the basis for selection, assessment, and development of the talent pipeline, aligned with the Corporation's strategic direction. This initiative will produce robust career paths that illustrate options for job movement within the FDIC and developmental options to be competitive for different positions, which will create more transparency and empower employees to effectively plan their career development. Over time, the enhancements to assessments, development, and selection processes will result in more qualified candidates in our talent pools and more objective hiring practices for leadership positions. This effort will help the Corporation develop and maintain a talent pipeline with the skills, experience, and motivation to lead.

The FDIC also implemented a corporate-wide Career Aspirations Survey to understand employees' aspiration levels and the factors that influence their pursuit of leadership roles. The results are being used to inform additional succession strategies. To gain insights into retention issues, the FDIC implemented a new Corporate Exit Survey and also developed a

retention management dashboard that provides enhanced analyses of workforce data. The FDIC's data-driven, research-based approach to succession management will give leaders a more accurate understanding of strengths and weaknesses in the talent pool.

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

EMPLOYEE LEARNING AND DEVELOPMENT

The FDIC has a robust program to train and develop its employees throughout their careers to enhance technical proficiency and leadership capacity, supporting career progression and succession management. In 2023, the FDIC leveraged its modernized training center and learning management system to fully support the return to in-person classroom training and an increase in examiner hiring.

The FDIC develops and implements comprehensive curricula for its business lines to prepare employees to meet new challenges. Employees working to become commissioned examiners or resolutions and receiverships specialists attend a prescribed set of specialized, internally developed and instructed courses. Post-commission, employees continue to further their knowledge in specialty areas with more advanced courses. The FDIC is revising examiner classroom training to better support an on-the-job application and has developed a wide-ranging resolution and receivership training curriculum to support readiness.

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

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

EMPLOYEE ENGAGEMENT

Employee engagement plays an important role in empowering employees and helps maintain, enhance, and institutionalize a positive workplace environment. The FDIC strives to be an employer of choice, and continually evaluates its human capital programs and strategies to ensure that all of its employees are fully engaged and aligned with the mission. The FDIC uses

the Federal Employee Viewpoint Survey mandated by Congress to solicit feedback from employees, and takes an agency-wide approach to address key issues identified in the survey.

The FDIC engages employees through the Workplace Excellence (WE) Program and other formal channels such as the Chairman's Diversity Advisory Councils and Employee Resource Groups; and informally through working groups, team discussions, listening sessions, and daily employee-supervisor interactions. In addition, the FDIC-National Treasury Employees Union (NTEU) Labor Management Forum (LMF) serves as a mechanism for the union and employees to have pre-decisional input on workplace matters. WE and LMF enhance communication, provide additional opportunities for employee input, and improve employee engagement.

II.

PERFORMANCE RESULTS SUMMARY

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Summary of 2023 Performance Results by Program

The FDIC successfully achieved 50 of the 54 annual performance targets established in its 2023 Annual Performance Plan. Two targets were substantially achieved, one target was not achieved, and one target was not applicable for 2023. There were no instances in which 2023 performance had a material adverse effect on the successful achievement of the FDIC's mission or its strategic goals and objectives regarding its major program responsibilities.

Performance Results by Program and Strategic Goal

The Annual Performance Goals and Targets shown in the table below reflect the 2023 version. The language in prior years' reports might be slightly different for the same goals and targets. Refer to the respective full *Annual Report* of prior years, located on the FDIC's website for more information on performance results for those years. **Shaded areas indicate no such performance target existed for that respective year.**

Insurance Program Results

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
1. Respond promptly to all IDI failures and related emerging issues.						
Depositors have access to insured funds within one business day if the failure occurs on a Friday.	ACHIEVED. SEE PG. 80.	N/A – NO FAILURES.	N/A – NO FAILURES.	ACHIEVED.	ACHIEVED.	N/A – NO FAILURES.
Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	ACHIEVED. SEE PG. 80.	N/A – NO FAILURES.	N/A – NO FAILURES.	N/A – ALL FAILURES ON FRIDAYS.	ACHIEVED.	N/A – NO FAILURES.
Depositors do not incur any losses on insured deposits.	ACHIEVED. SEE PG. 80.	N/A – NO FAILURES.	N/A – NO FAILURES.	ACHIEVED.	ACHIEVED.	N/A – NO FAILURES.
No appropriated funds are required to pay insured depositors.	ACHIEVED. SEE PG. 80.	N/A – NO FAILURES.	N/A – NO FAILURES.	ACHIEVED	ACHIEVED.	N/A – NO FAILURES.

Insurance Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
2. Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders on an ongoing basis.						
Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports, and other means.	**ACHIEVED.** SEE PGS. 51-53.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
Undertake industry outreach activities, as needed, to inform bankers and other stakeholders about current trends, concerns, available resources, and FDIC performance metrics.	**ACHIEVED.** SEE PGS. 51-54.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
3. Monitor the status of the DIF reserve ratio and analyze the factors that affect fund growth. Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2028.						
Provide updated fund balance projections to the FDIC Board of Directors semiannually.	**ACHIEVED.** SEE PGS. 28-30.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	
Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors, as necessary.	**ACHIEVED.** SEE PGS. 28-30.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	
Issue for comment by May 2023 a Notice of Proposed Rulemaking to implement a special assessment on insured institutions to recover the costs incurred by the DIF due to the systemic risk exception to protect uninsured deposits in banks that failed in early 2023.	**ACHIEVED.** SEE PG. 29.					
Provide progress reports to the FDIC Board of Directors semiannually, in accordance with the Restoration Plan.	**ACHIEVED.** SEE PGS. 29-30.	**ACHIEVED.**	**ACHIEVED.**			

Insurance Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
Complete a comprehensive review of the deposit insurance system and release by May 1, 2023, a report that identifies policy options for consideration related to deposit insurance coverage levels, excess deposit insurance, and the implications for risk based pricing and deposit insurance fund adequacy.	**ACHIEVED.** SEE PG. 30.					
4. Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2020.						
Provide updated fund balance projections to the FDIC Board of Directors by June 30, 2018, and December 31, 2018.						**ACHIEVED.**
Provide progress reports to the FDIC Board of Directors by June 30, 2018, and December 31, 2018.						**ACHIEVED.**
Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors as necessary.						**ACHIEVED.**
5. Expand and strengthen the FDIC's participation and leadership role in supporting robust and effective deposit insurance programs, resolution strategies, and banking systems worldwide.						
Foster strong relationships with international banking regulators, deposit insurers, and other relevant authorities by engaging with strategically important jurisdictions and organizations on international financial safety net issues.	**ACHIEVED.** SEE PGS. 96-97.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

Insurance Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
Provide leadership and expertise to key international organizations and associations that promote sound deposit insurance and effective bank supervision and resolution practices.	**ACHIEVED.** SEE PGS. 96-97.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
Promote international standards and expertise in financial regulatory practices and stability through the provision of technical assistance and training to global financial system authorities.	**ACHIEVED.** SEE PGS. 96-97.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
6. Ensure timely consideration and efficient processing of *de novo* deposit insurance applications.						
Provide feedback on 75 percent of draft community bank deposit insurance applications no later than 60 days after receipt to facilitate the ultimate submission of a formal application.	**ACHIEVED.** SEE PG. 56.	**NOT ACHIEVED.**	**NOT ACHIEVED.**	**NOT ACHIEVED.**		
Conduct six regional roundtable discussions to explain and solicit feedback on the *de novo* application process, and implement additional changes, as appropriate, based on that feedback.					**ACHIEVED.**	
Ensure the *de novo* deposit insurance application process is streamlined and transparent.					**ACHIEVED.**	
7. Market failing IDIs to a targeted pool of qualified and interested potential bidders.						
Contact a targeted pool of qualified and interested bidders.	**ACHIEVED.** SEE PG. 80.	**N/A – NO FAILURES.**	**N/A – NO FAILURES.**	**ACHIEVED.**	**ACHIEVED.**	**N/A – NO FAILURES.**

Insurance Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
8. Provide educational information to IDIs and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.						
Respond within two weeks to 95 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage.	**ACHIEVED.** SEE PG. 79.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
Conduct at least four virtual or in-person seminars for bankers on deposit insurance coverage.	**ACHIEVED.** SEE PGS. 56-57.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

Supervision Program Results

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
1. Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. When problems are identified, promptly implement appropriate corrective programs, and follow up to determine whether identified problems are corrected and take other actions as appropriate.						
Conduct all required risk management examinations within the timeframes prescribed by statute and FDIC policy.	**ACHIEVED.** SEE PG. 32.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
For at least 90 percent of IDIs that are assigned a composite CAMELS rating of 2 and for which the examination report identifies Matters Requiring Board Attention (MRBAs), review progress reports and follow up with the institution within six months of the issuance of the examination report to determine whether all MRBAs are being addressed.	**ACHIEVED.** SEE PG. 33.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
Complete by May 1, 2023, a comprehensive review of the FDIC's supervision of Signature Bank prior to its failure. Evaluate and take appropriate actions in response to the matters identified for further study.	**ACHIEVED.** SEE PGS. 81-82.					
2. Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering, and other financial crimes.						
Conduct all AML/CFT examinations within the timeframes prescribed by statute and FDIC policy.	**ACHIEVED.** SEE PGS. 31-32.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

Supervision Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
3. Establish regulatory capital standards that require institutions to have sufficient loss-absorbing capacity to remain resilient under stress while reducing complexity and maximizing efficiency.						
Issue a Notice of Proposed Rulemaking (NPR) to implement the final Basel III standards to strengthen capital requirements applicable to large banks into the U.S. regulatory capital framework.	**ACHIEVED.** SEE PG. 46.	**NOT ACHIEVED.**	**NOT ACHIEVED.**	**NOT ACHIEVED.**		
Issue an interagency final rule on holdings of total loss- absorbing capacity.				**ACHIEVED.**		
Issue a final rule to implement the Net Stable Funding Ratio (NSFR).				**ACHIEVED.**	**NOT ACHIEVED.**	
Complete, by September 30, 2019, rulemaking for a community bank leverage ratio and conforming changes to the deposit insurance assessment process.					**ACHIEVED.**	
Finalize aspects of the interagency capital simplification proposal issued in September 2017, including changes to the regulatory capital treatment of mortgage servicing assets, deferred tax assets, investment in the capital instruments of other financial institutions, and minority interest.					**ACHIEVED.**	
Issue interagency final rules to adopt the statutory definition of high volatility commercial real estate for risk-based capital.					**ACHIEVED.**	
Reevaluate and take appropriate actions on Basel III requirements for small banks that do not meet or are not eligible for the community bank leverage ratio.					**ACHIEVED.**	

Supervision Program Results (continued)

Strategic Goal: FDIC-insured institutions are safe and sound.						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Issue interagency final rules to tailor capital requirements for large financial institutions.					ACHIEVED.	
Issue interagency rulemaking to remove certain central bank deposits from the denominator of the supplementary leverage ratio for custodial banks.					ACHIEVED.	
4. Ensure that regulatory capital standards promote banks' resilience under stress and the confidence of their counterparties.						
Finalize a Notice of Proposed Rulemaking (NPR) for a simplified risk-based capital framework for community banks.						NOT ACHIEVED.
Finalize the Basel III Net Stable Funding Ratio (NSFR).						NOT ACHIEVED.
5. Implement strategies to promote enhanced cybersecurity and business continuity within the banking industry.						
Continue to conduct horizontal reviews that focus on the IT risks in large, complex institutions and service providers.	ACHIEVED. SEE PGS. 35-36 & 58-59.	ACHIEVED.	ACHIEVED.	ACHIEVED.	ACHIEVED.	ACHIEVED.
Continue to conduct service provider examinations using the Cybersecurity Examination Program.	ACHIEVED. SEE PGS. 35-36.	ACHIEVED.				
Conduct IT examinations as part of every FDIC safety and soundness examination of FDIC-insured institutions.	ACHIEVED. SEE PGS. 35-36.					
Amplify cybersecurity threat information as needed.	ACHIEVED. SEE PGS. 35-36.					
Strengthen administration of the IT examination program.	ACHIEVED. SEE PGS. 35-36.					
Implement a computer security incident notification final rule.			ACHIEVED.			

Supervision Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
Continue to use the Cybersecurity Examination Program for service provider examinations, including the most significant service provider examinations.			ACHIEVED.	ACHIEVED.	ACHIEVED.	ACHIEVED.
Improve the analysis and sharing of cybersecurity-related threat information with financial institutions.				ACHIEVED.	ACHIEVED.	
6. Update rules, regulations, and other guidance to promote the safety and soundness of the financial system.						
Review and, as appropriate, amend the FDIC's regulations, Statement of Policy, and internal procedures related to financial institution mergers.	NOT ACHIEVED. SEE PG. 48.	SUBSTANTIALLY ACHIEVED.				
Finalize principles for large institutions and continue to engage with industry and other stakeholders on consideration of appropriate guidance to help banks prudently manage the financial risks posed by climate change.	ACHIEVED. SEE PGS. 48-49.	ACHIEVED.				
Issue statements and take other actions, as appropriate, regarding crypto asset-related activities.	ACHIEVED. SEE PGS. 50-51.	ACHIEVED.				
Continue efforts related to rulemaking on Suspicious Activity Report (SAR) requirements.	ACHIEVED. SEE PG. 45.	ACHIEVED.				

Supervision Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
Based on lessons learned from the bank failures in early 2023, and in coordination with the OCC and FRB, review the prudential regulation of regional banks with respect to capital, liquidity, and interest rate risk (including the capital treatment of unrealized losses) and consider whether changes or updated guidance are appropriate.	**ACHIEVED.** SEE PGS. 41-43.					
Solicit public comment on the development of guidance to help banks prudently manage the financial risks posed by climate change.		**ACHIEVED.**				
Issue a final rule related to the exemption for Suspicious Activity Reports (SARs).			**NOT ACHIEVED.**			
Issue a final interagency rule on the use of supervisory guidance.			**ACHIEVED.**			
Clarify the use of Model Risk Management Guidance related to systems or models used by banks to assist in complying with the BSA/AML requirements.			**ACHIEVED.**			
Issue a final rule on brokered deposits.				**ACHIEVED.**		
Issue a final rule on stress testing guidance.				**NOT ACHIEVED.**		
Issue a final rule to codify and amend the FDIC's Statement of Policy on Section 19 of the Federal Deposit Insurance Act (FDI Act).				**ACHIEVED.**		
Issue a final rule clarifying the applicability of the "valid when made" rule.				**ACHIEVED.**		

Supervision Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
Issue an interagency final rule to modify the treatment of covered funds under the Volcker Rule.				**ACHIEVED.**		
Issue a final rule amending the swap margin requirements.				**ACHIEVED.**		
7. Increase engagement and collaboration to preserve and promote FDIC-insured minority depository institutions (MDIs) and mission-driven institutions.						
Convene meetings of the MDI Subcommittee of the Advisory Committee on Community Banking (CBAC) to gain insight into industry needs, seek input on program operations, and share best practices.	**ACHIEVED.** SEE PGS. 85-86.	**ACHIEVED.**	**ACHIEVED.**			
Host an interagency conference for FDIC-insured MDIs and Community Development Financial Institutions.	**ACHIEVED.** SEE PG. 86.					
Promote creation of new MDIs.	**ACHIEVED.** SEE PGS. 85-88.	**ACHIEVED.**	**ACHIEVED.**			
Establish the Mission-Driven Bank Fund as an independent funding source for FDIC-insured MDIs and Community Development Financial Institutions (CDFIs).			**ACHIEVED.**			
Conduct a media campaign to promote the visibility and benefit of FDIC-insured MDIs and other mission-driven institutions.			**ACHIEVED.**			

Supervision Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
1. Conduct on-site CRA and consumer compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised institutions. When violations are identified, promptly implement appropriate corrective programs/actions and follow up until the violations are fully corrected.						
Conduct all required examinations within the timeframes established.	**ACHIEVED.** SEE PGS. 37-38.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**SUBSTANTIALLY ACHIEVED.**
Conduct visits and/or follow-up examinations in accordance with established FDIC processes and timeframes to determine whether institutions have implemented the requirements of any corrective program and have fully addressed identified violations.	**SUBSTANTIALLY ACHIEVED.** SEE PGS. 37-38.	**SUBSTANTIALLY ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**SUBSTANTIALLY ACHIEVED.**
Publish an interagency final rule to modernize and strengthen CRA regulations.	**ACHIEVED.** SEE PGS. 44-45.	**ACHIEVED.**				
2. Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.						
Respond to 95 percent of written consumer complaints and inquiries within timeframes established by policy, with all complaints and inquiries receiving at least an initial acknowledgment within two weeks.	**ACHIEVED.** SEE PG. 77.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
Publish on the FDIC's public website (https://www.fdic.gov) and regularly update metrics on requests from the public for FDIC assistance.	**ACHIEVED.** SEE PG. 77.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	
Publish, through the Consumer Response Center (CRC), an annual report regarding the nature of the FDIC's interactions with consumers and depositors.			**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	

Supervision Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
3. Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives.						
Conduct the 2023 National Survey of Unbanked and Underbanked Households.	**ACHIEVED.** SEE PG. 53.					
Develop and publish an updated, multi-year *Economic Inclusion Strategic Plan*.	**ACHIEVED.** SEE PG. 68.					
Complete identification and evaluation of outcome-based measures that could potentially demonstrate the effectiveness of economic inclusion strategies and initiatives.	**SUBSTANTIALLY ACHIEVED.** SEE PG. 68.	**SUBSTANTIALLY ACHIEVED.**				
Publish the results of the *2021 National Survey of the Unbanked and Underbanked Households.*		**ACHIEVED.**				
Complete the second phase of #GetBanked, a public awareness campaign to encourage unbanked and underbanked individuals to establish sustainable banking relationships in three additional markets.		**ACHIEVED.**				
Identify and begin tracking and reporting outcome-based measures that demonstrate the success of economic inclusion strategies to inform future programmatic decisions.		**SUBSTANTIALLY ACHIEVED.**				
Field the *2021 Survey of Household Use of Banking and Financial Services* and begin analysis to support publication of the report in 2022.			**ACHIEVED.**			
Complete a public awareness campaign to encourage unbanked individuals to establish sustainable banking relationships in two markets.			**ACHIEVED.**			

Supervision Program Results (continued)

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
Issue rules and guidance to ensure that FDIC-supervised institutions meet the credit needs of their communities.			NOT ACHIEVED.	NOT ACHIEVED.		
Launch *How Money Smart Are You?* an online, interactive learning game.			ACHIEVED.	NOT ACHIEVED.		
Publish the results of the *2019 Survey of the Unbanked and Underbanked Households.*			ACHIEVED.	ACHIEVED.	ACHIEVED.	
Strengthen connections between small businesses and FDIC-insured institutions.			ACHIEVED.	ACHIEVED.	ACHIEVED.	
Increase engagement and collaboration to preserve and promote Minority Depository Institutions (MDIs).			ACHIEVED.	ACHIEVED.	ACHIEVED.	
Conduct outreach to institutions and the public to expand the availability and usage of low-cost transaction accounts tailored to the needs of unbanked and underbanked households.					ACHIEVED.	
Expand the reach of the new *Money Smart for Adults* through online resources, translating the curriculum into other languages, and outreach.					ACHIEVED.	
Publish the results of the *2017 FDIC National Survey of Unbanked and Underbanked Households.*						ACHIEVED.
Complete planning for the *2019 FDIC National Survey of Unbanked and Underbanked Households.*						ACHIEVED.

Supervision Program Results (continued)

Strategic Goal: FDIC-supervised institutions are compliant with federal consumer protection laws, including fair lending laws, and the Community Reinvestment Act (CRA).						
ANNUAL PERFORMANCE GOALS AND TARGETS	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Continue to promote broader access to and use of low-cost transaction and savings accounts to build banking relationships that will meet the needs of unbanked and underbanked households by increasing the current level of engagement from 10 communities to 15 communities.						**ACHIEVED.**
Launch the revised *Money Smart for Adults* curriculum.						**ACHIEVED.**

Supervision Program Results (continued)

Strategic Goal: Large, complex financial institutions are resolvable in an orderly manner.

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
1. Identify and address risks in LCFIs, including those designated as systemically important.						
In collaboration with the FRB, begin the review of resolution plans submitted in July 2023 pursuant to Section 165(d) of the Dodd-Frank Act for conformance to statutory and other regulatory requirements, including testing certain capabilities the firms need in order to successfully implement their strategies.	**ACHIEVED.** SEE PGS. 59-60.	**ACHIEVED.**	**SUBSTANTIALLY ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
Following up on the joint Advance Notice of Proposed Rulemaking (ANPR) on resolution resource requirements for large banks, issue an NPR to solicit public comment on a requirement for LCFIs to issue long-term debt to enhance options for their resolution in the event of financial distress.	**ACHIEVED.** SEE PG. 61.					
Continue a review of resolution plans submitted pursuant to the IDI Rule for conformance to regulatory requirements.	**ACHIEVED.** SEE PG. 60.	**ACHIEVED.**	**NOT APPLICABLE.**	**NOT APPLICABLE.**	**ACHIEVED.**	**ACHIEVED.**
Continue to improve the utility of IDI resolution plan requirements to the FDIC by building on the lessons learned, from prior reviews and the three large regional bank failures in early 2023.	**ACHIEVED.** SEE PGS. 59-62.					
Conduct ongoing risk analysis and monitoring of LCFIs to better understand and assess their structure, business activities, risk profiles, and recovery and resolution plans.	**ACHIEVED.** SEE PGS. 57-58.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

Supervision Program Results (continued)

Strategic Goal: Large, complex financial institutions are resolvable in an orderly manner.

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
Publish further information on the approach to IDI resolution planning.			**ACHIEVED.**			
Issue an NPR and, following a review of comments, a final rule to tailor and make adjustments to the FDIC's resolution planning requirements for IDIs.			**NOT ACHIEVED.**	**NOT ACHIEVED.**		
Complete interagency rulemaking with the FRB to tailor application of resolution planning requirements under Section 165(d) of the Dodd-Frank Act.					**ACHIEVED.**	
Issue an ANPR to tailor and make adjustments to the FDIC's resolution planning requirements for IDIs.					**ACHIEVED.**	
2. Continue to build the FDIC's operational readiness to administer the resolution of LCFIs, including those designated as systemically important.						
Continue to refine plans and strategic options to ensure the FDIC's operational readiness to administer a resolution of LCFIs.	**ACHIEVED.** SEE PGS. 59-61.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**
Continue to deepen and strengthen working relationships with key foreign jurisdictions, both on a bilateral basis and through multilateral fora.	**ACHIEVED.** SEE PGS. 63-64.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

Receivership Management Program Results

Strategic Goal: Resolutions are orderly and receiverships are managed effectively.

ANNUAL PERFORMANCE GOALS AND TARGETS	2023	2022	2021	2020	2019	2018
1. Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.						
Market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date for cash sales, 120 days of the date for pools of similar assets of appropriate size to bring to market for joint venture, or 180 days for assets identified for securitization.	**ACHIEVED.** SEE PG. 83.	**N/A – NO FAILURES.**	**N/A – NO FAILURES.**	**ACHIEVED.**	**ACHIEVED.**	**N/A – NO FAILURES.**
2. Manage the receivership estate and its subsidiaries toward an orderly termination.						
Terminate at least 75 percent of receiverships that were at least two years old and were not subject to unresolved loss-share, structured transaction, environmental, legal, or tax impediments at the start of the year.	**ACHIEVED.** SEE PGS. 83-84.	**ACHIEVED.**	**N/A – NO FAILURES.***	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.***
3. Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.						
For 80 percent of all claim areas, make a decision to close or pursue professional liability claims within 18 months of the failure of an IDI.	**NOT APPLICA-BLE.** SEE PGS. 84-85.	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**	**ACHIEVED.**

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

III.

FINANCIAL HIGHLIGHTS

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

Deposit Insurance Fund Performance

The DIF balance was $121.8 billion at December 31, 2023, a decrease of $6.4 billion from the year-end 2022 balance. In 2023, DIF's comprehensive loss totaled $6.4 billion compared to comprehensive income of $5.1 billion in 2022. The year-over-year change of $11.5 billion was primarily due to a $41.0 billion increase in provision for insurance losses and a $2.3 billion realized loss on sale of U.S. Treasury (UST) securities, partially offset by $24.9 billion increase in assessment revenue, a $5.8 billion increase in UST securities market valuation adjustments and $1.5 billion increase in interest revenue from UST securities.

The provision for insurance losses was $41.0 billion for 2023, primarily resulting from approximately $40.4 billion in estimated losses for the five failures that occurred in 2023. Of the $40.4 billion, $20.4 billion represents estimated losses resulting from the coverage of uninsured deposits pursuant to two separate systemic risk determinations for SVB and Signature Bank, which by law must be recovered through a special assessment (and not charged to the DIF). Hence, the net estimated loss impacting the DIF is $20.0 billion.

Assessment revenue was $33.2 billion for 2023, compared to $8.3 billion for 2022. As noted above, the $24.9 billion year-over-year increase was primarily related to the $20.4 billion of special assessments associated with the protection of uninsured depositors along with a 2 basis point increase in assessment rates beginning with the first quarter 2023 insurance coverage as mandated by the amended Restoration Plan.

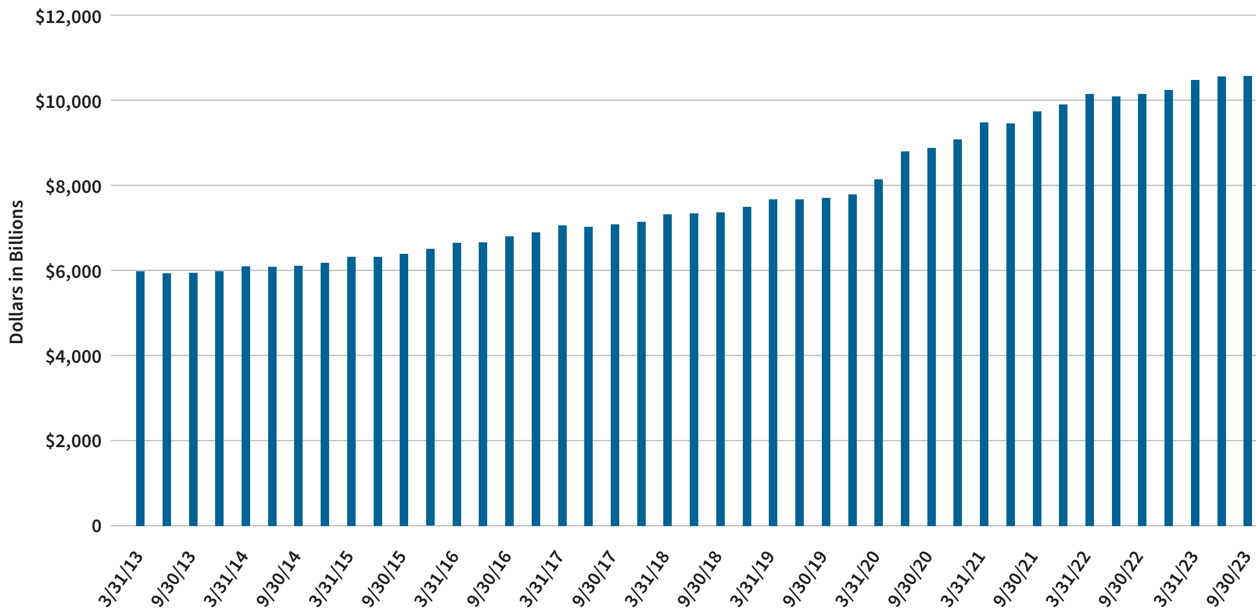
In 2023, the FDIC sold UST securities for total proceeds of $79.8 billion resulting in a total net realized loss of $2.3 billion.

The DIF's interest revenue on UST securities for 2023 was $2.7 billion, compared to $1.2 billion in 2022. The $1.5 billion year-over-year increase resulted from maturities being reinvested in higher yielding securities and overnight investment vehicles.

The DIF's cash, cash equivalents, and UST investment portfolio balances decreased by $101.2 billion during 2023 to $23.8 billion at year-end 2023[20], from $125.0 billion at year-end 2022. This decrease was primarily due to disbursements for resolutions of $158.0 billion, partially offset by recoveries from resolutions of $43.1 billion and assessment collections of $11.7 billion.

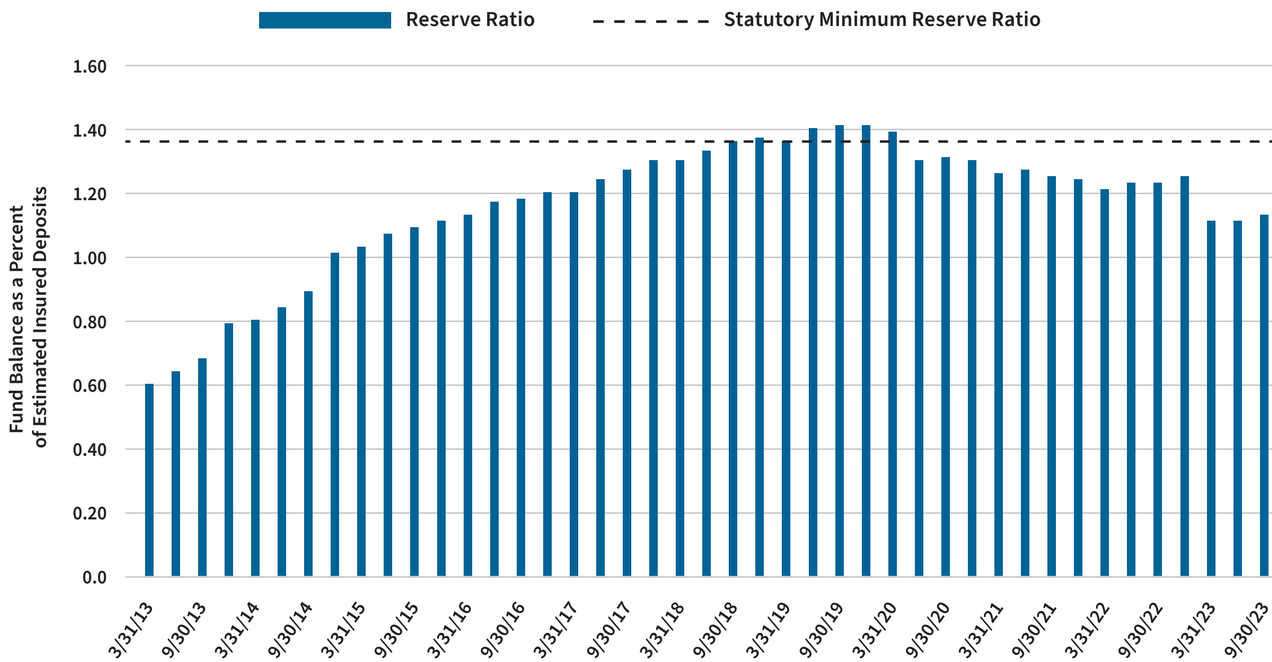
[20] On January 11, 2024, DIF received approximately $41.5 billion in dividends from the Silicon Valley Bridge Bank, N.A. The DIF's cash and investments balance as of close of business on January 11, 2024 was $65.5 billion.

ESTIMATED DIF INSURED DEPOSITS



Source: Commercial Bank Call and Thrift Financial Reports

DEPOSIT INSURANCE FUND RESERVE RATIOS



Deposit Insurance Fund Selected Statistics
Dollars in Millions

	For the years ended December 31		
	2023	**2022**	**2021**
Financial Results			
Revenue	$35,996	$9,607	$8,153
Operating Expenses	2,126	1,883	1,843
Insurance and Other Expenses (includes provision for losses and realized loss on sale of investment securities)	43,249	(79)	(137)
Net (Loss) Income	(9,379)	7,803	6,448
Comprehensive (Loss) Income	(6,440)	5,077	5,244
Insurance Fund Balance	$121,778	$128,218	$123,141
Fund as a Percentage of Insured Deposits (reserve ratio)	1.13%[1]	1.25%	1.24%
Selected Statistics			
Total DIF-Member Institutions[2]	4,614[1]	4,706	4,839
Problem Institutions	44[1]	39	44
Total Assets of Problem Institutions	$53,514[1]	$47,463	$170,172
Institution Failures	5	0	0
Total Assets of Failed Institutions in Year[3]	$532,228	$0	$0
Number of Active Failed Institution Receiverships	74	132	191

[1] As of September 30, 2023.
[2] Commercial banks and savings institutions. Does not include U.S. insured branches of foreign banks.
[3] Total Assets data are based upon the last Call Report filed by the institution prior to failure.

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IV.

BUDGET AND SPENDING

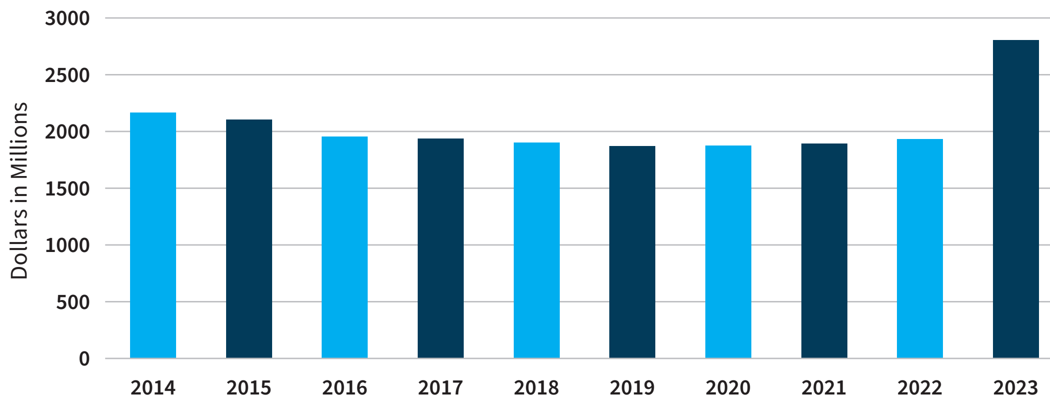
2023 FDIC Operating Budget

The FDIC segregates its corporate operating budget and expenditures into three separate components: ongoing operations, receivership funding, and the Office of Inspector General (OIG). The receivership funding component represents expenditures resulting from financial institution failures. It is, therefore, largely driven by external forces and is less controllable and estimable. FDIC operating expenditures totaled $2.8 billion in 2023, including $2.1 billion in ongoing operations, $684 million in receivership funding, and $47 million for the OIG. This represented approximately 91 percent of the approved budget for ongoing operations, 83 percent of the approved budget for receivership funding, and 98 percent of the approved budget for the OIG for the year.

The approved 2024 FDIC Operating Budget of approximately $3.0 billion consists of $2.6 billion for ongoing operations, $350 million for receivership funding, and $51 million for the OIG. The approved ongoing operations budget for 2024 is approximately $275 million (12 percent) higher than the 2023 ongoing operations budget, while the approved receivership funding budget is approximately $475 million (58 percent) lower than the 2023 receivership funding budget. The 2024 OIG budget is $2 million (5 percent) higher than the 2023 OIG budget.

As in prior years, the 2024 budget was formulated primarily on the basis of an analysis of projected workload for each of the Corporation's three major business lines and its program support functions. The approved 2024 FDIC Operating Budget is approximately $198 million (six percent) lower than the 2023 FDIC Operating Budget. The Receivership Funding budget is $475 million (58 percent) lower, while the Ongoing Operations budget is $275 million (12 percent) higher due to an increase in authorized staffing in 2024 and scheduled employee salary and benefit increases needed to recruit, hire, and retain the diverse pool of highly qualified people the agency relies upon to carry out its mission.

FDIC EXPENDITURES



The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual budgeting for needed resources. The original 2023 aggregate budget (for ongoing operations, receivership funding, OIG, and investment spending) was $2.4 billion. The budget was increased by $750 million in the Receivership component in May 2023 to provide the resources necessary to respond to three large regional bank failures. This brought the 2023 budget to $3.2 billion, while actual expenditures for the year were $2.8 billion, about $875 million higher than 2022 expenditures.

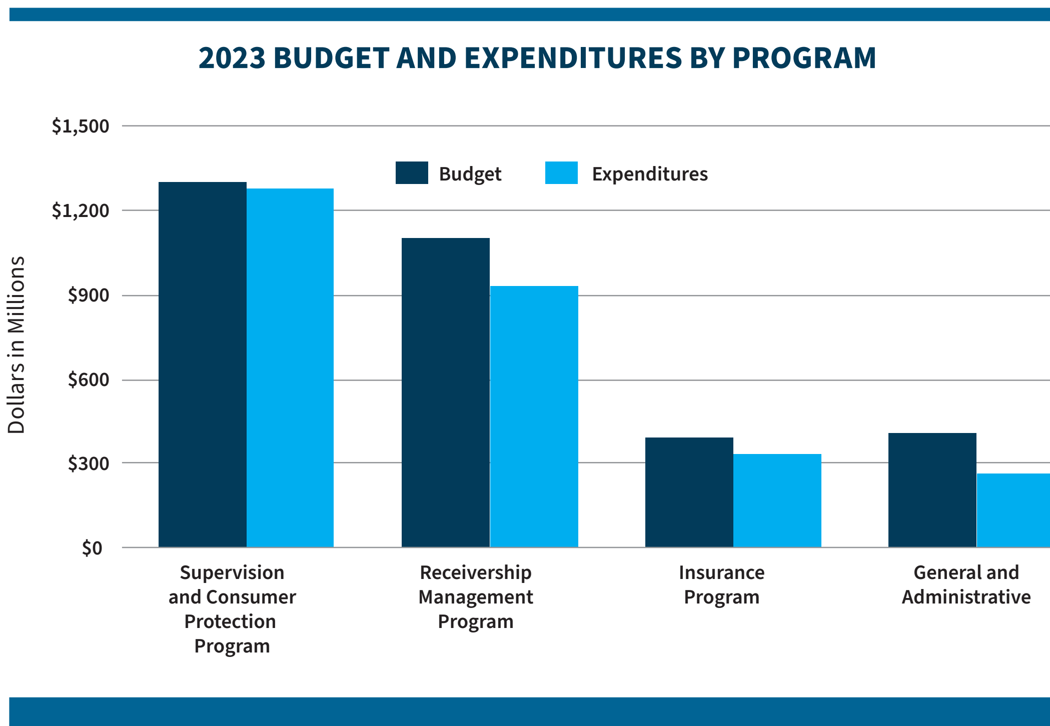
2023 Budget and Expenditures by Program

(EXCLUDING INVESTMENTS)

The FDIC's $3.2 billion 2023 corporate operating budget was allocated by program as follows: $1.3 billion or 40 percent, to the Supervision and Consumer Protection program; $1.1 billion or 35 percent, to the Receivership Management program; $392 million, or 12 percent, to the Insurance program; and $407 million, or 13 percent, to Corporate General and Administrative expenditures.

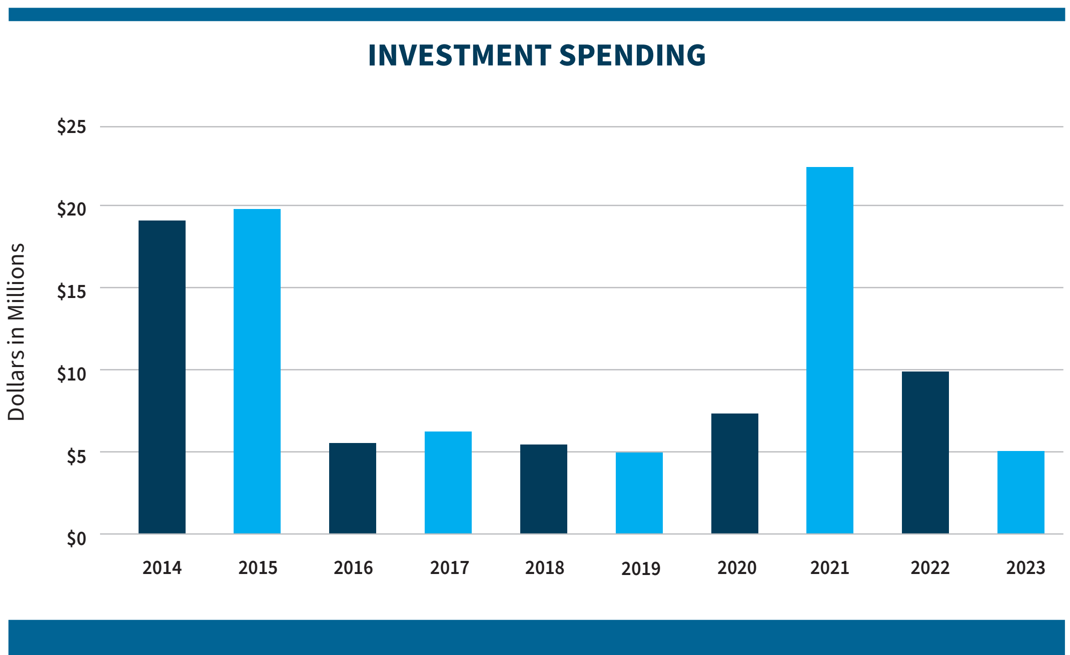
Actual expenditures for the year totaled $2.8 billion. Actual expenditures occurred as follows: $1.27 billion, or 46 percent, to the Supervision and Consumer Protection program; $930 million, or 33 percent, to the Receivership Management program; $333 million, or 12 percent, to the Insurance program; and $261 million, or 9 percent, to Corporate General and Administrative expenditures.

2023 BUDGET AND EXPENDITURES BY PROGRAM



Investment Spending

The FDIC instituted a separate Investment Budget in 2003 to provide enhanced governance of major multi-year development efforts. It has a disciplined process for reviewing proposed new investment projects and managing the construction and implementation of approved projects. Proposed IT projects are carefully reviewed to ensure that they are consistent with the agency's enterprise architecture. The project approval and monitoring processes also enable the FDIC to be aware of risks to the major capital investment projects and facilitate appropriate, timely intervention to address these risks throughout the development process. An investment portfolio performance review is provided to the FDIC's Board of Directors on a quarterly basis. From 2014-2023 investment spending totaled $107 million, and is estimated at $14 million for 2024.



V.

FINANCIAL SECTION

Federal Deposit Insurance Corporation

Deposit Insurance Fund Balance Sheet

As of December 31

(Dollars in Thousands)		2023		2022
ASSETS				
Cash and cash equivalents	$	4,872,657	$	2,599,206
Investment in U.S. Treasury securities *(Amortized Cost of $18,958,454 and $125,427,772)* (Note 3)		18,928,885		122,442,357
Assessments receivable (Note 12)		3,235,766		2,159,249
Special assessments receivable (Note 5)		20,423,184		0
Interest receivable on investments and other assets, net		145,780		688,061
Receivables from resolutions, net of allowances of $69,361,715 and $40,047,224 (Note 4)		97,778,346		520,555
Property and equipment, net (Note 6)		319,733		360,141
Operating lease right-of-use assets (Note 7)		80,747		92,406
Total Assets	**$**	**145,785,098**	**$**	**128,861,975**
LIABILITIES				
Accounts payable and other liabilities (Note 8)	$	410,515	$	268,216
Operating lease liabilities (Note 7)		101,617		111,205
Liabilities due to resolutions (Note 9)		22,513,085		846
Postretirement benefit liability (Note 16)		255,574		231,781
Contingent liabilities:				
Anticipated failure of insured institutions (Note 10)		725,877		31,233
Litigation losses (Note 10)		450		800
Total Liabilities		**24,007,118**		**644,081**
Off-balance-sheet exposure (Note 17)				
FUND BALANCE				
Accumulated Net Income		121,797,208		131,176,093
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Unrealized (loss) on U.S. Treasury securities, net (Note 3)		(29,569)		(2,985,415)
Unrealized postretirement benefit gain (Note 16)		10,341		27,216
Total Accumulated Other Comprehensive (Loss)		**(19,228)**		**(2,958,199)**
Total Fund Balance		**121,777,980**		**128,217,894**
Total Liabilities and Fund Balance	**$**	**145,785,098**	**$**	**128,861,975**

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

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Income and Fund Balance

For the Years Ended December 31

(Dollars in Thousands)	2023	2022
REVENUE		
Assessments (Note 12)	$ 33,188,017	$ 8,310,816
Interest on U.S. Treasury securities	2,735,999	1,246,302
Return of unclaimed insured deposits (Note 13)	16,714	37,913
Other revenue	55,057	11,635
Total Revenue	**35,995,787**	**9,606,666**
EXPENSES AND LOSSES		
Operating expenses (Note 14)	2,125,978	1,882,884
Provision for insurance losses (Note 15)	40,950,768	(82,964)
Realized loss on sale of investments, net (Note 3)	2,291,859	0
Insurance and other expenses	6,067	3,531
Total Expenses and Losses	**45,374,672**	**1,803,451**
Net (Loss) Income	**(9,378,885)**	**7,803,215**
OTHER COMPREHENSIVE INCOME		
Unrealized gain (loss) on U.S. Treasury securities, net	2,955,846	(2,836,300)
Unrealized postretirement benefit (loss) gain (Note 16)	(16,875)	109,939
Total Other Comprehensive Gain (Loss)	**2,938,971**	**(2,726,361)**
Comprehensive (Loss) Income	**(6,439,914)**	**5,076,854**
Fund Balance - Beginning	**128,217,894**	**123,141,040**
Fund Balance - Ending	**$ 121,777,980**	**$ 128,217,894**

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

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Cash Flows

For the Years Ended December 31

(Dollars in Thousands)		2023		2022
OPERATING ACTIVITIES				
Provided by:				
Assessments	$	11,684,277	$	7,862,116
Interest on U.S. Treasury securities		2,719,799		3,127,123
Recoveries from financial institution resolutions		43,143,054		470,381
Return of unclaimed insured deposits		17,583		37,913
Miscellaneous receipts		5,437		1,833
Used by:				
Operating expenses		(2,086,522)		(1,806,647)
Disbursements for financial institution resolutions		(157,962,304)		(3,568)
Miscellaneous disbursements		(5,847)		(802)
Net Cash (Used) Provided by Operating Activities		**(102,484,523)**		**9,688,349**
INVESTING ACTIVITIES				
Provided by:				
Maturity of U.S. Treasury securities		37,625,000		48,400,000
Sale of U.S. Treasury securities		79,819,109		0
Used by:				
Purchase of U.S. Treasury securities		(12,671,211)		(60,978,672)
Purchase of property and equipment		(14,924)		(73,412)
Net Cash Provided (Used) by Investing Activities		**104,757,974**		**(12,652,084)**
Net Increase (Decrease) in Cash and Cash Equivalents		**2,273,451**		**(2,963,735)**
Cash and Cash Equivalents - Beginning		**2,599,206**		**5,562,941**
Cash and Cash Equivalents - Ending	**$**	**4,872,657**	**$**	**2,599,206**

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

DEPOSIT INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023 and 2022

1. Operations of the Deposit Insurance Fund

OVERVIEW

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

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

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the FDIC also manages the Orderly Liquidation Fund (OLF). Established as a separate fund in the U.S. Treasury (Treasury), the OLF is inactive and unfunded until the FDIC is appointed as receiver for a covered financial company. A covered financial company is a failing financial company (for example, a bank holding company or nonbank financial company) for which a systemic risk determination has been made as set forth in section 203 of the Dodd-Frank Act. This systemic risk determination is distinct from the systemic risk determination discussed in Note 5.

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

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

OPERATIONS OF THE DIF

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

The DIF is primarily funded from deposit insurance assessments and interest earned on investments in U.S. Treasury securities. Other available funding sources, if necessary, are borrowings from the Treasury, the Federal Financing Bank (FFB), Federal Home Loan Banks, and IDIs. The FDIC has borrowing authority of $100 billion from the Treasury and a Note Purchase Agreement (Agreement) with the FFB to enhance the DIF's ability to fund deposit insurance. Under the FFB Agreement, the maximum principal amount of any Note that is offered for purchase by the FDIC to the FFB shall not cause the FDIC to exceed the Maximum Obligation Limitation (MOL).

The MOL is a statutory formula that limits the amount of obligations the DIF can incur to the sum of its cash, 90 percent of the fair market value of other assets, and the amount authorized to be borrowed from the Treasury. The MOL for the DIF was $210.0 billion and $227.5 billion as of December 31, 2023 and 2022, respectively.

DEPOSIT INSURANCE FUND

OPERATIONS OF RESOLUTION ENTITIES

The FDIC, as receiver, is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receiverships, conservatorships, and bridge institutions (collectively, resolution entities), and the claims against them, are accounted for separately from the DIF assets and liabilities to ensure that proceeds from these entities are distributed according to applicable laws and regulations. Therefore, income and expenses attributable to resolution entities are accounted for as transactions of those entities. The FDIC, as administrator of the DIF, bills resolution entities for services provided on their behalf.

2. Summary of Significant Accounting Policies

GENERAL

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

USE OF ESTIMATES

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

CASH EQUIVALENTS

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

INVESTMENT IN U.S. TREASURY SECURITIES

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

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

REVENUE RECOGNITION FOR ASSESSMENTS

Assessment revenue is recognized for the quarterly period of insurance coverage based on an estimate. The estimate is derived from an institution's regular risk-based assessment rate and assessment base for the prior quarter adjusted for certain changes in supervisory examination ratings for larger institutions, modest assessment base growth and average assessment rate adjustment factors. At the subsequent quarter-end, the estimated revenue amounts are adjusted when actual assessments for the covered period are determined for each institution (see Note 12).

CAPITAL ASSETS AND DEPRECIATION

The FDIC buildings are depreciated on a straight-line basis over a 35- to 50-year estimated life. Building improvements are capitalized and depreciated over the estimated useful life of the improvements. Leasehold improvements are capitalized and depreciated over the lesser of the remaining life of the lease or the estimated useful life of the improvements, if determined to be material. Capital assets depreciated on a straight-line basis over a five-year estimated useful life include mainframe equipment; furniture, fixtures, and general equipment; and internal-use software. Computer equipment is depreciated on a straight-line basis over a three-year estimated useful life (see Note 6).

LEASES

The Balance Sheet presents operating leases in the "Operating lease right-of-use assets" and "Operating lease liabilities" line items. Operating lease liabilities and right-of-

use (ROU) assets are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The FDIC has elected to use its risk-free rate at the commencement date in determining the present value of future payments for all classes of underlying assets, unless the rate implicit in the lease is readily determinable.

The operating lease ROU asset also includes lease prepayments and excludes lease incentives received. The lease term includes options to extend or terminate the lease when it is reasonably certain that the FDIC will exercise that option. For the DIF, the FDIC recognizes lease expense on a straight-line basis over the lease term. For lease arrangements that contain both lease and nonlease components, the FDIC has elected to account for them as a single lease component for all classes of underlying assets (see Note 7).

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses on receivables from resolutions includes management's estimate of all expected credit losses based on past events, current conditions, and reasonable and supportable forecasts about the future, as applicable (see Note 4).

PROVISION FOR INSURANCE LOSSES

The provision for insurance losses primarily represents changes in the allowance for credit losses on receivables from resolutions and the contingent liability for anticipated failure of insured institutions (see Note 15).

REPORTING ON VARIABLE INTEREST ENTITIES

The FDIC conducts a qualitative assessment of its relationship with variable interest entities (VIEs) as required by the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 810, *Consolidation*. This assessment is conducted to determine if the FDIC, in its corporate capacity, has (1) the power to direct the activities that most significantly affect the economic performance of the VIE and (2) an obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. When a variable interest holder has met both of these tests, the enterprise is considered the primary beneficiary and must consolidate the VIE.

In accordance with the provisions of FASB ASC Topic 810, an assessment of the terms of the legal agreement for the VIE is conducted to determine whether any of the terms had been activated or modified in a manner that would cause the FDIC, in its corporate capacity, to be characterized as a primary beneficiary. In making that determination, management considers which, if any, activities were significant to the VIE.

In 2023, the receivership related to the failure of First Republic Bank engaged in a structured transaction, which resulted in the issuance of a note obligation that the FDIC guaranteed, in its corporate capacity. As the guarantor of this note obligation for the structured transaction, the FDIC, in its corporate capacity, holds an interest in a VIE. It was determined that the structured transaction did not include significant activities and that the design of the entity was the best indicator of which party was the primary beneficiary. As such, the conclusion of the qualitative assessment of the FDIC's relationship with the VIE as required by ASC Topic 810 is that the FDIC, in its corporate capacity, has not engaged in any activity that would cause the FDIC to be characterized as a primary beneficiary to the VIE with which it was involved as of December 31, 2023. Therefore, consolidation is not required for the December 31, 2023 DIF financial statements. Note 8, under FDIC Guaranteed Debt of a Structured Transaction, fully describes the FDIC's involvement with the VIE.

RELATED PARTIES

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

APPLICATION OF RECENT ACCOUNTING STANDARDS

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The guidance replaces the incurred loss impairment model with a new expected credit loss model for financial assets measured at amortized cost and for off-balance-sheet credit exposures. The guidance also amends the AFS debt securities impairment model by requiring the use of an allowance to record estimated credit losses (and subsequent recoveries) related to AFS debt securities when their fair value is less than their amortized cost basis due to credit losses.

Topic 326 was effective for the DIF on January 1, 2023 and did not have a material impact on the DIF. However, presentation changes were required to the "Investment in U.S. Treasury securities" and "Receivables from resolutions, net" line items on the Balance Sheet.

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

DEPOSIT INSURANCE FUND

RECLASSIFICATION

In 2023, the FDIC reclassified amounts out of "Accounts payable and other liabilities" into a new line item "Liabilities due to resolutions" on the Balance Sheet due to materiality. For comparative purposes, the FDIC conformed 2022 to the new presentation.

3. Investment in U.S. Treasury Securities

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

December 31, 2023 Maturity	Yield at Purchase	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
U.S. Treasury notes and bonds						
Within 1 year	4.66%	$ 19,100,000	$ 18,958,454	$ 8,541	$ (38,110)	$ 18,928,885
Total		**$ 19,100,000**	**$ 18,958,454**	**$ 8,541**	**$ (38,110)** [(a)]	**$ 18,928,885**

(a) These unrealized losses occurred as a result of changes in market interest rates. The FDIC does not intend to sell the securities and is not likely to be required to sell them before recovery of their amortized cost basis. However, the $38 million reported as total unrealized losses occurred over a period of 12 months or longer, with an aggregate related fair value of $5.5 billion applied to the affected securities. The aggregate related fair value of all securities with unrealized losses was $5.5 billion as of December 31, 2023.

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

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

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

In 2023, the FDIC sold securities designated as AFS for total proceeds of $79.8 billion. The gross realized gains and losses on these sales were $135 million and $2.4 billion, respectively, which resulted in a total net loss of $2.3 billion. The cost of the sold securities was determined based on specific identification. The net loss was recognized in the "Realized loss on sale of investments, net" line item on the Statement of Income and Fund Balance. The FDIC reclassified the $2.3 billion out of accumulated other comprehensive income to the "Realized loss on sale of investments, net" line item, representing net unrealized losses recorded as of December 31, 2022 ($2.2 billion) and net holding losses arising during the current period ($76 million). The reclassification of net losses had no net effect on the 2023 comprehensive loss on the DIF Statement of Income and Fund Balance.

4. Receivables from Resolutions, Net

The receivables from resolutions result from DIF payments to cover obligations to insured depositors (subrogated claims), advances to resolution entities for working capital, and administrative expenses paid on behalf of resolution entities. Any related allowance for credit losses represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Estimated future payments on losses incurred on assets sold to an acquiring institution under a shared-loss agreement (SLA) are factored into the computation of the expected repayment. Assets held by resolution entities (including structured transaction-related assets from current and prior year failures) are the main source of repayment of the DIF's receivables from resolutions.

As of December 31, 2023, the FDIC, as receiver, managed 74 active receiverships, including 7 receiverships established in 2023. The resolution entities held assets with a total book value of $115.2 billion as of December 31, 2023 and $943 million as of December 31, 2022. Of these assets, cash, investments, and other receivables total $30.6 billion and $909 million, respectively. Other assets held by resolution entities are assets in liquidation of $84.6 billion as of December 31, 2023 and $34 million as of December 31, 2022.

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

For failed institutions resolved using a purchase and assumption transaction with an accompanying SLA, the projected future shared-loss payments and the end of agreement true-up recoveries on the covered residential and commercial loan assets sold to the acquiring institution under the agreement are considered in determining the allowance for credit losses on the receivables from these resolutions. True-up recoveries are projected to be received at expiration in accordance with the terms of the SLA. The shared-loss cost projections are based on the covered assets' intrinsic value, which is determined using financial models that consider the quality, condition and type of covered assets, current and future market conditions, risk factors and estimated asset holding periods. The shared-loss cost projections were primarily based on third-party valuations estimating the cumulative loss of covered assets.

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

PURCHASE AND ASSUMPTION TRANSACTIONS WITH SHARED-LOSS AGREEMENTS

During 2023, the FDIC resolved three failures using purchase and assumption resolution transactions with accompanying SLAs on total assets of $229.3 billion purchased by financial institution acquirers. The acquirers assumed all of the deposits and purchased most of the assets of the failed institutions. The majority of the commercial and residential loan assets were purchased under an SLA, where the FDIC agrees to share in future losses and recoveries experienced by the acquirer on those assets covered under the agreement. SLAs are used by the FDIC to keep assets in the private sector and to minimize disruptions to loan customers.

Losses on the covered assets are shared between the acquirer of the failed institution and the FDIC, in its receivership capacity, of the failed institution when losses occur through the sale, foreclosure, loan modification, or write-down of loans in accordance with the terms of the SLA. The agreements cover a seven- to eight-year period with the receiver covering 50 to 95 percent of the losses incurred by the acquiring bank. As mentioned above, the estimated shared-loss liability is accounted for by the receiver and is included in the calculation of the DIF's allowance for credit losses against the corporate receivable from the resolution. As shared-loss claims are asserted and proven, receiverships satisfy these shared-loss payments using available liquidation funds and/or by drawing on amounts due from the DIF for funding the deposits assumed by the acquirer (see Note 9).

As of December 31, 2023, no shared-loss payments have been made. In addition, the receiverships are estimated to pay $2.4 billion over the duration of these SLAs.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the DIF to concentrations of credit risk are receivables from resolutions. The repayment of these receivables is primarily influenced by recoveries on assets held by receiverships and payments on covered assets under SLAs. The majority of the remaining assets in liquidation ($84.6 billion) and current shared-loss covered assets ($229.3 billion), which together total $314 billion, are primarily concentrated in commercial loans ($122.7 billion), residential loans ($106.8 billion), structured transaction-related assets ($66.7 billion), and securities ($12.9 billion).

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5. Special Assessments Receivable

In accordance with Section 13(c)(4)(G) of the FDI Act, on March 12, 2023, the Secretary of the Treasury, acting on the recommendation of the FDIC Board of Directors and the Board of Governors of the Federal Reserve System and after consultation with the President of the United States, invoked the statutory systemic risk exception to allow the FDIC to complete its resolution of both Silicon Valley Bank, Santa Clara, CA, and Signature Bank, New York, NY, in a manner that protected uninsured depositors. Section 13(c)(4)(G) of the FDI Act also provides the FDIC with discretion in the design of a time period for any special assessments to recover the losses to the DIF as a result of the systemic risk determination. Accordingly, in November 2023, the FDIC Board issued a final rule to impose a special assessment on applicable IDIs to recover the loss to the DIF arising from the protection of uninsured depositors in connection with the systemic risk determination.

The assessment base for the special assessments will be equal to an IDI's estimated uninsured deposits, reported as of December 31, 2022, adjusted to exclude the first $5 billion in estimated uninsured deposits from the IDI, or for IDIs that are part of a holding company with one or more subsidiary IDIs, at the banking organization level. This special assessment will be collected at an annual rate of approximately 13.4 basis points, over eight quarterly assessment periods beginning with the first quarterly assessment period of 2024.

As of December 31, 2023, the DIF recorded a receivable of $20.4 billion, representing the estimated loss arising from the full coverage of uninsured deposits. No allowance for credit losses is recognized for the special assessments receivable because historical credit loss information, adjusted for current conditions and reasonable and supportable forecasts, results in an expectation that the receivable will be paid. In addition, the DIF recognized assessment revenue of $20.4 billion that fully offset the estimated losses arising from the full coverage of uninsured deposits; therefore, there was no impact to the Fund Balance of the DIF. Because the estimated loss pursuant to the systemic risk determination will be periodically adjusted, the FDIC retains the ability to:

- cease collection early,
- extend the special assessment collection period one or more quarters beyond the initial eight-quarter collection period to collect the difference between actual or estimated losses and the amounts collected, and
- impose a final shortfall special assessment on a one-time basis after the receiverships for Silicon Valley Bank and Signature Bank terminate.

6. Property and Equipment, Net

Depreciation expense was $35 million and $39 million for 2023 and 2022, respectively. The "Property and equipment, net" line item on the Balance Sheet consisted of the following components (dollars in thousands).

	December 31 2023	December 31 2022
Land	$ 37,352	$ 37,352
Buildings (including building and leasehold improvements)	384,381	385,151
Application software (includes work-in-process)	84,679	111,172
Furniture, fixtures, & equipment	34,263	33,108
Accumulated depreciation	(220,942)	(206,642)
Total	**$ 319,733**	**$ 360,141**

7. Leases

The FDIC has operating leases for office space, a data center, and certain equipment. The lease agreements generally contain escalation clauses resulting in upward adjustments in lease payments, usually on an annual basis. Many leases contain one or more options to extend, with renewal terms that can extend the lease term from one to five years, and some leases may include options to terminate. The following table provides relevant information regarding FDIC operating leases for the years ended December 31, 2023 and 2022 (dollars in thousands).

	December 31 2023	December 31 2022
Operating lease cost	$ 37,874	$ 39,782
Cash paid for amounts included in the measurement of operating leases	$ 37,945	36,099
ROU assets obtained in exchange for new operating lease liabilities	$ 23,612	40,046
Weighted Average		
Remaining lease term (in years)	4.38	5.15
Discount rate	2.57%	2.05%

The following table provides a maturity analysis of the FDIC's operating lease liabilities as of December 31, 2023 (dollars in thousands).

	December 31 2023
2024	$ 34,379
2025	25,653
2026	11,932
2027	10,161
2028	7,238
2029/Thereafter	20,669
Total future minimum lease payments	**$ 110,032**
Less: Imputed interest	(8,415)
Total operating lease liabilities	**$ 101,617**

As of December 31, 2023, the FDIC has additional operating leases with future payments totaling $2 million for office space, which commence after December 31, 2023, and are not included in the amounts presented above.

8. Other Liabilities

FDIC GUARANTEED DEBT OF A STRUCTURED TRANSACTION

In 2023, the FDIC, as receiver, used a structured transaction (a Securitization and, hereafter, trust) to sell a $50 billion Purchase Money Note (PMN) issued by JP Morgan Chase Bank, N.A. (JP Morgan), which is supported by a pool of mortgage loans (underlying collateral) acquired by JP Morgan through the related receivership and sale of First Republic Bank to JP Morgan. This resulted in the issuance of a single note (Note) issued by the trust and sold to the FFB. This transaction with FFB is not associated with the FFB Agreement that is described in Note 1. In exchange for a fee, the FDIC, in its corporate capacity, guarantees the timely payment of the principal and interest due on the Note, with the guarantee expected to terminate in 2028 when the Note matures. If the FDIC is required to perform under its guarantee, it acquires an interest in the cash flows of the trust equal to the amount of guarantee payments made plus accrued interest. Moreover, the trust has established an interest reserve (reserve account) to pay any interest shortfalls (the difference between the coupon rate collected on the PMN and the anticipated coupon rate on the Note) and the Note may be paid prior to maturity.

In exchange for its guarantee, the FDIC, in its corporate capacity, received a $125 million fee which is recorded as deferred revenue included in the "Accounts payable and other liabilities" line item and recognized as revenue on a straight-line basis over the term of the Note. As of December 31, 2023, the amount of deferred revenue recorded was $117 million.

As of December 31, 2023, the maximum loss exposure is the total outstanding Note of $50 billion. The FDIC's exposure as guarantor is protected by (1) JP Morgan's strength as a counterparty and commitment under the PMN, (2) over-collateralization of the PMN's underlying collateral, (3) the funded reserve account to cover interest shortfalls, and (4) an option to prepay the Note at par prior to maturity. As such, the FDIC considers the likelihood of having to fund the Note as remote and has estimated no credit losses over the life of the guarantee; therefore, no liability is required to be recorded.

Except as discussed above, the DIF recorded no other structured transaction-related assets or liabilities on its balance sheet. To date, the FDIC, in its corporate capacity, has not provided, and does not intend to provide, any form of financial or other type of support for the structured transaction that it was not previously contractually required to provide.

9. Liabilities Due to Resolutions

As of December 31, 2023 and 2022, the DIF recorded liabilities totaling $20.2 billion and $85 thousand, respectively, to resolution entities representing the agreed-upon value of assets transferred from the receiverships, at the time of failure, to the acquiring institutions for use in funding the deposits assumed by the acquiring institutions. The DIF satisfies these liabilities by sending cash directly to a receivership to pay claims, liabilities, and other expenses of the receiverships or by offsetting receivables from resolutions when a receivership declares a dividend.

In addition, there were $2.3 billion and $761 thousand in unpaid deposit claims related to multiple receiverships as of December 31, 2023 and 2022, respectively. The DIF pays these liabilities when the claims are proven.

10. Contingent Liabilities

ANTICIPATED FAILURE OF INSURED INSTITUTIONS

The DIF records a contingent liability and a loss provision for DIF-insured institutions that are likely to fail when the liability is probable and reasonably estimable, absent some favorable

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event such as obtaining additional capital or merging. The contingent liability is derived by applying expected failure rates and loss rates to the institutions based on supervisory ratings, balance sheet characteristics, and projected capital levels.

The banking industry remained resilient through the third quarter of 2023 amidst rising interest rates and economic uncertainty. Five financial institutions failed during 2023, with total assets of $532.2 billion, and an estimated loss on insured deposits to the DIF at December 31, 2023 of $20.0 billion. According to the third quarter 2023 financial data submitted by FDIC-insured institutions, the banking industry reported year-to-date net income of $218.6 billion, an increase of 11.7 percent from the same period a year ago. The increase in net income resulted from an increase in net interest income exceeding growth in provision expenses and noninterest expenses.

Provisions for credit losses reported by the banking industry for the first nine months of 2023 were $61.7 billion, versus $30.9 billion reported for the same time period a year ago. This change reflects loan growth as well as new economic uncertainties. Despite these uncertainties, credit quality metrics remained stable. The total noncurrent loan rate was 0.82 percent as of September 30, 2023, up 10 basis points from the same quarter in 2022 but well below the most recent high of 5.47 percent in March 31, 2010.

The rising interest-rate environment has improved bank margins. As of third quarter 2023, the quarterly net interest margin (NIM) rose to 3.30 percent, up 16 basis points from a year ago and up 74 basis points since the Federal Reserve began to increase the federal funds rate in first quarter 2021. Growth in interest income outpaced growth in interest expense, pushing net interest income for the first nine months of 2023 up $67.4 billion (14.8 percent) from the same period a year ago.

Due to the increase in net income and modest decline in risk-weighted assets, risk-based capital ratios improved in the third quarter 2023 from the same quarter in 2022. Total risk-based capital improved 53 basis points to 15.36 percent.

The contingent liability increased to $726 million as of December 31, 2023, compared to $31 million as of December 31, 2022. The increase reflects deterioration in financial conditions at a small number of troubled institutions.

In addition to the recorded contingent liability, the FDIC has identified risks in the financial services industry that could result in additional losses to the DIF, should potentially vulnerable insured institutions ultimately fail. As a result of these risks, the FDIC believes that it is reasonably possible that the DIF could incur additional estimated losses of approximately $4.0 billion as of December 31, 2023, compared to $273 million at December 31, 2022. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

Elevated inflation and interest rates, along with ongoing geopolitical uncertainties may cause bank profitability, credit quality, and loan growth to weaken. The FDIC continues to evaluate risks to affected institutions in light of existing economic and financial conditions, and the extent to which such risks may put stress on the resources of the insurance fund.

LITIGATION LOSSES

The DIF records an estimated loss for unresolved legal cases to the extent that those losses are considered probable and reasonably estimable. The FDIC recorded probable litigation losses of $450 thousand and $800 thousand for the DIF as of December 31, 2023 and 2022, respectively. In addition, the FDIC has identified no reasonably possible losses from unresolved cases as of December 31, 2023 and 2022.

11. Other Contingencies

PURCHASE AND ASSUMPTION INDEMNIFICATION

In connection with purchase and assumption agreements for resolutions, the FDIC, in its receivership capacity, generally indemnifies the purchaser of a failed institution's assets and liabilities in the event a third party asserts a claim against the purchaser unrelated to the explicit assets purchased or liabilities assumed at the time of failure. The FDIC, in its corporate capacity, is a secondary guarantor if a receivership is unable to pay. These indemnifications generally extend for a term of six years after the date of institution failure. The FDIC is unable to estimate the maximum potential liability for these types of guarantees as the agreements do not specify a maximum amount and any payments are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. During 2023 and 2022, the FDIC, in its corporate capacity, made no indemnification payments under such agreements, and no amount has been accrued in the accompanying financial statements with respect to these indemnification guarantees.

12. Assessments

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

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

- The FDIC Board of Directors designates a reserve ratio for the DIF and publishes the designated reserve ratio (DRR) before the beginning of each calendar year, as required by the FDI Act. Accordingly, in November 2023, the FDIC published a notice maintaining the DRR at 2 percent for 2024. The DRR is an integral part of the FDIC's comprehensive, long-term management plan for the DIF and is viewed as a long-range, minimum goal for the reserve ratio.

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

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

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

ASSESSMENT REVENUE

Annual assessment rates averaged approximately 6.1 cents and 4.0 cents per $100 of the assessment base in 2023 and 2022, respectively. The assessment base is generally defined as average consolidated total assets minus average tangible equity (measured as Tier 1 capital) of an IDI during the assessment period.

The "Assessments receivable" line item on the Balance Sheet of $3.2 billion and $2.2 billion represents the estimated premiums due from IDIs for the fourth quarter of 2023 and 2022, respectively. No allowance for credit losses is recognized for Assessments Receivable because historical credit loss information, adjusted for current conditions and reasonable and supportable forecasts, results in an expectation that the receivable will be paid. The actual deposit insurance assessments for the fourth quarter of 2023 will be billed and collected at the end of the first quarter of 2024. The DIF recognized $33.2 billion and $8.3 billion as assessment revenue from institutions during 2023 and 2022, respectively. The year-over-year increase of $24.9 billion was primarily due to special assessments of $20.4 billion.

PENDING LITIGATION FOR UNDERPAID ASSESSMENTS

On January 9, 2017, the FDIC filed suit in the United States District Court for the District of Columbia (and amended this complaint on April 7, 2017), alleging that Bank of America, N.A. (BoA) underpaid its insurance assessments for multiple quarters based on the underreporting of counterparty exposures. In total, the FDIC alleges that BoA underpaid insurance assessments by $1.12 billion, including interest for the quarters ending March 2012 through December 2014. The FDIC invoiced BoA for $542 million and $583 million representing claims in the initial suit and the amended complaint, respectively. BoA has failed to pay these past due amounts. Pending resolution of this matter, BoA has fully pledged security with a third-party custodian pursuant to a security agreement with the FDIC. As of December 31, 2023, the total amount of unpaid assessments (including accrued interest) was $1.26 billion. For the years ending December 31, 2023 and 2022, the impact of this litigation is not reflected in the financial statements of the DIF.

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RESERVE RATIO

As of September 30, 2023 and December 31, 2022, the DIF reserve ratio was 1.13 percent and 1.25 percent, respectively.

13. Return of Unclaimed Insured Deposits

The Unclaimed Deposits Amendments Act of 1993 (UDAA), Public Law 103-44, amended the FDI Act effective June 28, 1993 (codified as 12 U.S.C. § 1822 (e)). In accordance with the UDAA, the FDIC delivers to the appropriate states insured bank deposits not claimed within 18 months of the date when the FDIC initiates payment of insured deposits as a part of a bank failure, unless the appropriate state declines to accept custody. After receipt, states have custody of the deposits for 10 years, during which time a state treats deposits as unclaimed property. At the end of the 10 years, states are required to transfer any remaining unclaimed deposits to the FDIC and those deposits become the FDIC's property. As of December 31, 2023 and 2022, states have returned $17 million and $38 million, respectively, of unclaimed insured deposits to the FDIC, which the DIF recognized as revenue.

14. Operating Expenses

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

	December 31 2023	December 31 2022
Salaries and benefits	$ 1,488,361	$ 1,343,042
Outside services	306,070	269,741
Travel	53,409	20,528
Buildings and leased space	86,360	75,649
Software/Hardware maintenance	154,511	119,780
Depreciation of property and equipment	35,094	38,858
Other	25,843	22,993
Subtotal	**2,149,648**	**1,890,591**
Less: Expenses billed to resolution entities and others	(23,670)	(7,707)
Total	**$ 2,125,978**	**$ 1,882,884**

15. Provision for Insurance Losses

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

December 31, 2023	Provision for Insurance Losses	Receivables from Resolutions	Allowance for Credit Losses	Contingent Liabilities for: Anticipated Failures	Contingent Liabilities for: Litigation Losses	Liabilities due to Resolutions
Balance at January 1, 2023	**$ 0**	**$ 40,568**	**$ (40,047)**	**$ (31)**	**$ (1)**	**$ (1)**
Estimated losses on insured and uninsured deposits for current year failures	40,370		(40,370)			
Change in contingent liability for anticipated failures, net [1]	695			(695)		
Adjustments to estimated losses for prior year failures	(105)		105			
Disbursements for failures [2]		393,148				(277,988)
Recoveries from resolutions [3]		(257,953)				257,763
Write-offs for inactivated receiverships	(4)	(10,533)	10,537			
Other	(5)	1,910	413		1	(2,287)
Balance at December 31, 2023	**$ 40,951**	**$ 167,140**	**$ (69,362)**	**$ (726)**	**$ 0**	**$ (22,513)**

[1]Represents institutions that were added or removed from the contingent liability, as well as the change in the contingent liability for institutions that remained in the liability year-over-year.
[2]Includes $278 billion of non-cash transactions from receiverships (see Note 9).
[3]Includes $257.8 billion of non-cash dividends from receiverships (see Note 9).

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

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

16. Employee Benefits

PENSION BENEFITS AND SAVINGS PLANS

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

Under the Federal Thrift Savings Plan (TSP), the FDIC provides FERS employees with an automatic contribution of 1 percent of pay and an additional matching contribution up to 4 percent of pay. CSRS employees also can contribute to the TSP, but they do not receive agency matching contributions. In addition, under an FDIC-sponsored pre-tax and after-tax 401k savings plan, eligible FDIC employees are provided with an automatic contribution of 4 percent of pay, regardless of their participation in the plan, and an additional matching contribution up to 1 percent of pay. The expenses for these plans are presented in the table below (dollars in thousands).

	December 31 2023	December 31 2022
Civil Service Retirement System	$ 499	$ 286
Federal Employees Retirement System (Basic Benefit)	173,957	159,473
Federal Thrift Savings Plan	43,978	39,851
FDIC Savings Plan	45,905	40,259
Total	**$ 264,339**	**$ 239,869**

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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benefit liability is equal to the accumulated postretirement benefit obligation.

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

	December 31 2023	December 31 2022
Accumulated postretirement benefit obligation recognized in *Postretirement benefit liability*	$ 255,574	$ 231,781
Cumulative net actuarial gain recognized in accumulated other comprehensive income: *Unrealized postretirement benefit gain*	$ 10,341	$ 27,216
Amounts recognized in other comprehensive income: *Unrealized postretirement benefit (loss) gain*		
Actuarial (loss) gain	$ (16,875)	$ 109,939
Net periodic benefit costs recognized in *Operating expenses*		
Service cost	$ 3,446	$ 6,208
Interest cost	11,666	8,122
Net amortization out of other comprehensive income	(280)	3,521
Total	**$ 14,832**	**$ 17,851**

The year-over-year increase in the accumulated postretirement benefit obligation (APBO) of $24 million is primarily attributable to net periodic benefit costs of $15 million and a decrease in the discount rate that increased the APBO by $9 million. The discount rate, used to present value expected benefit payments, decreased from 5.27 percent to 5.04 percent at year-end 2023 to reflect changes in the economic environment.

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

	December 31 2023	December 31 2022
Employer contributions	$ 7,913	$ 7,731
Plan participants' contributions	$ 1,229	$ 1,197
Benefits paid	$ (9,142)	$ (8,928)

The expected contributions for the year ending December 31, 2024 are $11 million. Expected future benefit payments for each of the next 10 years are presented in the following table (dollars in thousands).

2024	2025	2026	2027	2028	2029-2033
$10,311	$10,985	$11,649	$12,223	$12,656	$69,408

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

	December 31 2023	December 31 2022
Discount rate for future benefits (benefit obligation)	5.04%	5.27%
Rate of compensation increase	6.95%	7.79%
Discount rate (benefit cost)	5.27%	2.82%
Dental health care cost-trend rate		
Assumed for next year	3.50%	3.50%
Ultimate	3.50%	3.50%
Year rate will reach ultimate	2024	2023

17. Off-Balance-Sheet Exposure

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Estimates of insured deposits are derived primarily from quarterly financial data submitted by IDIs to the FDIC and represent the accounting loss that would be realized if all IDIs were to fail and the acquired assets provided no recoveries. As of September 30, 2023 and December 31, 2022, estimated insured deposits for the DIF were $10.6 trillion and $10.3 trillion, respectively.

18. Fair Value of Financial Instruments

As of December 31, 2023 and 2022, financial assets recognized and measured at fair value on a recurring basis include cash equivalents (see Note 2) of $4.9 billion and $2.6 billion, respectively, and the investment in U.S. Treasury securities (see Note 3) of $18.9 billion and $122.4 billion, respectively. The valuation is considered a Level 1 measurement in the fair value hierarchy, representing quoted prices in active markets for identical assets. Other financial assets and liabilities, measured at amortized cost, are the receivables from resolutions, assessments receivable, interest receivable on investments, other short-term receivables, and accounts payable and other liabilities.

19. Information Relating to the Statement of Cash Flows

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

	December 31 2023	December 31 2022
Operating Activities		
Net (Loss) Income:	**$ (9,378,885)**	**$ 7,803,215**
Adjustments to reconcile net (loss) income to net cash (used) provided by operating activities:		
Amortization of U.S. Treasury securities	(595,440)	1,851,255
Depreciation on property and equipment	35,095	38,858
Retirement of property and equipment	3,799	1,540
Adjustment for cloud computing assets	16,440	0
Provision for insurance losses	40,950,768	(82,964)
Realized loss on sale of securities, net	2,291,859	0
Unrealized (loss) gain on postretirement benefits	(16,875)	109,939
Change in Assets and Liabilities:		
(Increase) in assessments receivable, net	(1,076,517)	(448,700)
(Increase) in special assessments receivable	(20,423,184)	0
Decrease in interest receivable and other assets	542,816	30,667
(Increase) Decrease in receivables from resolutions	(137,514,801)	458,420
Decrease (Increase) in operating lease right-of-use assets	11,659	(7,168)
Increase in accounts payable and other liabilities	142,299	12,811
(Decrease) Increase in operating lease liabilities	(9,588)	20,248
Increase in liabilities due to resolutions	22,512,239	46
Increase (Decrease) in postretirement benefit liability	23,793	(99,818)
Net Cash (Used) Provided by Operating Activities	**$ (102,484,523)**	**$ 9,688,349**

20. Subsequent Events

Subsequent events have been evaluated through February 15, 2024, the date the financial statements are available to be issued.

FDIC GUARANTEED DEBT OF STRUCTURED TRANSACTIONS

In January 2024, the FDIC, as receiver for Silicon Valley Bridge Bank, N.A. (SVBB), used structured transactions to sell $10.5 billion of Ginnie Mae Project Loan Securities and a $36.1 billion Purchase Money Note (PMN) issued by First-Citizens Bank & Trust Company (FCB). The PMN is supported by a pool of loans acquired by FCB through the receivership and sale of SVBB. The trusts facilitating these structured transactions issued Notes totaling $43.3 billion that were sold to the FFB. Estimated asset recoveries from these structured-transaction assets were used to derive the allowance for credit loss on the DIF's receivable from the SVBB resolution and the related special assessments receivable as of December 31, 2023. These transactions with FFB are not associated with the FFB Agreement that is described in Note 1.

In exchange for fees received in January 2024 of $147 million, the FDIC, in its corporate capacity, guaranteed the timely payment of the principal and interest due on the Notes, with the guarantees expected to terminate in 2033 and 2028 when the Notes mature.

The FDIC's exposure as guarantor is protected by (1) the over-collateralization of the Notes' underlying collateral, (2) the option to prepay or terminate the Notes at par prior to maturity, (3) funded reserve accounts for the PMN to cover interest shortfalls, (4) full recourse obligation of FCB to pay interest and principal on the PMN through maturity, and (5) FCB's capacity to meet its financial obligations. As such, the FDIC considers the likelihood of having to fund the Notes as remote.

DIVIDENDS FROM RECEIVERSHIPS

In January 2024, DIF received approximately $43.5 billion in dividends from the SVBB and Signature Bridge Bank receiverships ($41.5 billion and $2.0 billion, respectively) as repayment of the DIF's receivables from resolutions (see Note 4).

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Balance Sheet

As of December 31

(Dollars in Thousands)	2023	2022
ASSETS		
Cash and cash equivalents	$ 969,142	$ 922,224
Other assets, net	161	161
Total Assets	**$ 969,303**	**$ 922,385**
LIABILITIES		
Accounts payable and other liabilities	$ 11	$ 6
Total Liabilities	**11**	**6**
RESOLUTION EQUITY (NOTE 5)		
Contributed capital	125,469,317	125,469,317
Accumulated deficit	(124,500,025)	(124,546,938)
Total Resolution Equity	**969,292**	**922,379**
Total Liabilities and Resolution Equity	**$ 969,303**	**$ 922,385**

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

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Income and Accumulated Deficit

For the Years Ended December 31

(Dollars in Thousands)	2023	2022
REVENUE		
Interest on U.S. Treasury securities	$ 46,777	$ 14,524
Other revenue	419	352
Total Revenue	**47,196**	**14,876**
EXPENSES AND LOSSES		
Operating expenses	322	250
Losses related to thrift resolutions	(39)	65
Total Expenses and Losses	**283**	**315**
Net Income	**46,913**	**14,561**
Accumulated Deficit - Beginning	**(124,546,938)**	**(124,561,499)**
Accumulated Deficit - Ending	**$ (124,500,025)**	**$ (124,546,938)**

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

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Cash Flows

For the Years Ended December 31

(Dollars in Thousands)	2023	2022
OPERATING ACTIVITIES		
Provided by:		
Interest on U.S. Treasury securities	$ 46,777	$ 14,524
Recoveries from thrift resolutions	472	351
Used by:		
Operating expenses	(331)	(276)
Net Cash Provided by Operating Activities	**46,918**	**14,599**
Net Increase in Cash and Cash Equivalents	**46,918**	**14,599**
Cash and Cash Equivalents - Beginning	**922,224**	**907,625**
Cash and Cash Equivalents - Ending	**$ 969,142**	**$ 922,224**

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

FSLIC RESOLUTION FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023 and 2022

1. Operations/Dissolution of the FSLIC Resolution Fund

OVERVIEW

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

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

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

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

OPERATIONS/DISSOLUTION OF THE FRF

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

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

- criminal restitution orders (generally have from 1 to 16 years remaining to enforce);
- collections of judgments obtained against officers and directors and other professionals responsible for causing or contributing to thrift losses (generally have up to 10 years remaining to enforce, unless the judgments are renewed or are covered by the Federal Debt Collections Procedures Act, which will result in significantly longer periods for collection of some judgments);
- liquidation/disposition of residual assets purchased by the FRF from terminated receiverships; and
- Affordable Housing Disposition Program monitoring (the last agreement expires no later than 2045; see Note 4).

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

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

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

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

2. Summary of Significant Accounting Policies

GENERAL

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

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

USE OF ESTIMATES

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

CASH EQUIVALENTS

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

RELATED PARTIES

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

APPLICATION OF RECENT ACCOUNTING STANDARDS

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

3. Goodwill Litigation

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

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

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

4. Affordable Housing Disposition Program

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

FSLIC RESOLUTION FUND

income households. The FDIC, in its capacity as administrator of the FRF-RTC, assumed responsibility for monitoring property owner compliance with land use restriction agreements (LURAs). To enforce the property owners' LURA obligation, the RTC, prior to its dissolution, entered into Memoranda of Understanding with 34 monitoring agencies to oversee these LURAs. As of December 31, 2023, 20 monitoring agencies oversee these LURAs. The FDIC, through the FRF, has agreed to indemnify the monitoring agencies for all losses related to LURA legal enforcement proceedings.

From 2006 through 2018, two lawsuits against property owners resulted in $23 thousand in legal expenses, which were fully reimbursed due to successful litigation. In 2019, new litigation against two property owners has thus far resulted in legal expenses of $46 thousand. In 2022, one of the litigation cases was settled and the FDIC was reimbursed $7 thousand. The maximum potential exposure to the FRF cannot be estimated as it is contingent upon future legal proceedings. However, loss mitigation factors include:
(1) the indemnification may become void if the FDIC is not immediately informed upon receiving notice of any legal proceedings and (2) the FDIC is entitled to reimbursement of any legal expenses incurred for successful litigation against a property owner. AHDP guarantees will continue until the termination of the last LURA, or 2045 (whichever occurs first). As of December 31, 2023 and 2022, no contingent liability for this indemnification has been recorded.

5. Resolution Equity

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

December 31, 2023	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital	$ 43,864,980	$ 81,604,337	$ 125,469,317
Accumulated deficit	(42,921,160)	(81,578,865)	(124,500,025)
Total Resolution Equity	**$ 943,820**	**$ 25,472**	**$ 969,292**

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

CONTRIBUTED CAPITAL

The FRF-FSLIC and the former RTC received $43.5 billion and $60.1 billion from the U.S. Treasury, respectively, to fund losses from thrift resolutions prior to July 1, 1995. Additionally, the FRF-FSLIC issued $670 million in capital certificates to the Financing Corporation (a mixed-ownership government corporation established to function solely as a financing vehicle for the FSLIC) and the RTC issued $31.3 billion of these instruments to the REFCORP. FIRREA prohibited the payment of dividends on any of these capital certificates. Through December 31, 2023, the FRF-FSLIC received a total of $2.3 billion in goodwill appropriations, the effect of which increased contributed capital.

Through December 31, 2023, the FRF-RTC had returned $4.6 billion to the U.S. Treasury and made payments of $5.2 billion to the REFCORP. The most recent payment to the REFCORP was in July of 2020 for $20 million. In addition, the FDIC returned $2.6 billion to the U.S. Treasury on behalf of the FRF-FSLIC in 2013. These actions reduced contributed capital.

ACCUMULATED DEFICIT

The accumulated deficit represents the cumulative excess of expenses and losses over revenue for activity related to the FRF-FSLIC and the FRF-RTC. Approximately $29.8 billion and $87.9 billion were brought forward from the former FSLIC and the former RTC on August 9, 1989, and January 1, 1996, respectively. Since the dissolution dates, the FRF-FSLIC accumulated deficit increased by $13.1 billion, whereas the FRF-RTC accumulated deficit decreased by $6.3 billion.

6. Fair Value of Financial Instruments

At December 31, 2023 and 2022, the FRF's financial assets measured at fair value on a recurring basis are cash equivalents (see Note 2) of $944 million and $897 million, respectively. Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Treasury's Bureau of the Fiscal Service. The valuation is considered a Level 1 measurement in the fair value hierarchy, representing quoted prices in active markets for identical assets.

7. Information Relating to the Statement of Cash Flows

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

	December 31 2023	December 31 2022
Operating Activities		
Net Income:	$ 46,913	$ 14,561
Change in Assets and Liabilities:		
Decrease in other assets, net	0	40
Increase (Decrease) in accounts payable and other liabilities	5	(2)
Net Cash Provided by Operating Activities	**$ 46,918**	**$ 14,599**

8. Subsequent Events

Subsequent events have been evaluated through February 15, 2024, the date the financial statements are available to be issued. Based on management's evaluation, there were no subsequent events requiring disclosure.

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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

Independent Auditor's Report

To the Board of Directors of the Federal Deposit Insurance Corporation

In our audits of the 2023 and 2022 financial statements of the Deposit Insurance Fund (DIF) and of the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF), both of which the Federal Deposit Insurance Corporation (FDIC) administers,[1] we found

- the financial statements of the DIF and of the FRF as of and for the years ended December 31, 2023, and 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2023; and
- with respect to the DIF and to the FRF, no reportable noncompliance for 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

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

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

Opinions on the Financial Statements

In accordance with Section 17 of the Federal Deposit Insurance Act, as amended,[3] and the Government Corporation Control Act,[4] we have audited the financial statements of the DIF and of the FRF, both of which FDIC administers. The financial statements of the DIF comprise the balance sheets as of December 31, 2023, and 2022; the related statements of income and fund balance and of cash flows for the years then ended; and the related notes to the financial statements. The financial statements of the FRF comprise the balance sheets as of December 31, 2023, and 2022; the related statements of income and accumulated deficit and of cash flows for the years then ended; and the related notes to the financial statements. In our opinion,

[1]A third fund managed by FDIC, the Orderly Liquidation Fund, established by Section 210(n) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376, 1506 (2010), is unfunded and did not have any transactions from its inception in 2010 through 2023.

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

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

[4]31 U.S.C. §§ 9101-9110.

- the DIF's financial statements present fairly, in all material respects, the DIF's financial position as of December 31, 2023, and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles, and

- the FRF's financial statements present fairly, in all material respects, the FRF's financial position as of December 31, 2023, and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Opinions on Internal Control over Financial Reporting

We also have audited FDIC's internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2023, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In our opinion,

- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF as of December 31, 2023, based on criteria established under FMFIA, and
- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the FRF as of December 31, 2023, based on criteria established under FMFIA.

FDIC made progress during 2023 in addressing a significant deficiency[5] that we reported in our prior year audits.[6] Specifically, FDIC sufficiently addressed the deficiencies in contract documentation and payment review process controls such that we no longer consider the remaining control deficiencies in this area, individually or collectively, to represent a significant deficiency as of December 31, 2023.

During our 2023 audit, we identified other deficiencies in FDIC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant FDIC management's attention. We have communicated these matters to FDIC management and, where appropriate, will report on them separately.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting section of our report. We are required to be independent of FDIC and to meet our

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

[6]GAO, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2022 and 2021 Financial Statements*, GAO-23-105570 (Washington, D.C.: Feb. 16, 2023).

other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

FDIC management is responsible for

- the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in FDIC's annual report, and ensuring the consistency of that information with the audited financial statements;
- designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and
- its assessment about the effectiveness of internal control over financial reporting as of December 31, 2023, included in the accompanying Management's Report on Internal Control over Financial Reporting in appendix I.

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

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

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether effective internal control over financial reporting was maintained in all material respects, and (2) issue an auditor's report that includes our opinions.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances.

- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered FDIC's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.

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

- Perform other procedures we consider necessary in the circumstances.

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

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Information

FDIC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements. The other information comprises the following sections of FDIC's 2023 agency financial report: Mission, Vision, and Values; Message from the Chairman; Message from the Chief Financial Officer; Management's Discussion and Analysis; Performance Results Summary; Financial Highlights; Budget and Spending; Risk Management and Internal Controls; and Appendices. Management is responsible for the other information included in FDIC's annual report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the DIF's and the FRF's financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for 2023 that would be reportable, with respect to the DIF and to the FRF, under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

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

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

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

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

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

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

Agency Comments

In commenting on a draft of this report, FDIC stated that it was pleased to receive unmodified opinions for the 32nd consecutive year on the DIF's and the FRF's financial statements, and noted that we reported that FDIC had effective internal control over financial reporting and that there was no reportable noncompliance with tested provisions of applicable laws, regulations, contracts, and grant agreements. FDIC also stated that it was pleased to report that it effectively remediated a significant deficiency in internal control over contract documentation and contract payment review processes. FDIC stated that while its controls have improved, FDIC reiterated its commitment to sound financial management and will continue to look for opportunities to improve. The complete text of FDIC's response is reprinted in appendix II.

M. Hannah Padilla
Director
Financial Management and Assurance

February 15, 2024

APPENDIX I

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

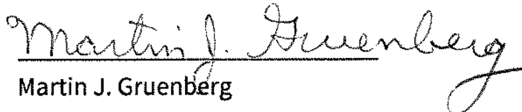
Office of the Chairman

Management's Report on Internal Control over Financial Reporting

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

FDIC management is responsible for establishing and maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. FDIC management evaluated the effectiveness of the FDIC's internal control over financial reporting relevant to the DIF and the FRF as of December 31, 2023, based on the criteria established under 31 U.S.C. 3512(c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)). FDIC management performed this evaluation through its corporate risk management program that seeks to comply with the spirit of the following laws, standards, and guidance from the Office of Management and Budget (OMB) among others: FMFIA; Chief Financial Officers Act (CFO Act); Government Performance and Results Act (GPRA); Federal Information Security Modernization Act (FISMA); and OMB Circular A-123. In addition, other standards that the FDIC considers are the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control – Integrated Framework* and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government.*

Based on the above evaluation, management concludes that, as of December 31, 2023, FDIC's internal control over financial reporting relevant to the DIF and the FRF was effective.



Martin J. Gruenberg
Chairman

BRET EDWARDS Digitally signed by BRET EDWARDS

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

February 15, 2024

APPENDIX II

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

February 15, 2024

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

Re: FDIC Management Response to the 2023 and 2022 Financial Statements Audit Report

Dear Ms. Padilla:

Thank you for the opportunity to review and comment on the U.S. Government Accountability Office's (GAO's) draft report titled, Financial Audit: Federal Deposit Insurance Corporation Funds' 2023 and 2022 Financial Statements, GAO-24-106490. We are pleased that the Federal Deposit Insurance Corporation (FDIC) has received unmodified opinions for the thirty-second consecutive year on the financial statements of its funds: the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF). GAO also reported the FDIC maintained, in all material respects, effective internal control over financial reporting, and that there was no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements that were tested.

The FDIC is pleased to report that we effectively remediated a significant deficiency in internal control over contract documentation and contract payment review processes. In 2023, we created targeted training and procedures for reviewing and approving contractor invoices; implemented oversight to ensure contracting policies and procedures are followed and contract documentation is complete and accurate; established the Division of Administration's quality assurance group, dedicated to quality review processes; and enhanced overall the FDIC's interdivisional monitoring capability. While our controls have improved, I want to reiterate our commitment to sound financial management and we will continue to look for opportunities to improve.

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

We want to thank the GAO staff for their professionalism and dedication during the audit and look forward to the FDIC continuing our positive and productive relationship during the 2024 audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

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

VI.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Office of the Chairman

Federal Deposit Insurance Corporation
Statement of Assurance

FDIC management is responsible for managing risks and maintaining effective internal controls. During the year, the FDIC conducted its assessment of risk and internal control in the spirit of OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on our assessment and internal management evaluations, we can provide reasonable assurance that the objectives of Section 2 (internal controls) and Section 4 (financial management systems) of the Federal Managers' Financial Integrity Act of 1982 have been achieved, and that the FDIC has no material weaknesses. During 2023, we effectively remediated a significant deficiency in our internal control over contract documentation and contract payment review processes. We are committed to maintaining effective internal controls corporate-wide in 2024.

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

Martin J. Gruenberg
Chairman

February 15, 2024

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

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

As a foundation for these efforts, the Office of Risk Management and Internal Controls (ORMIC) oversees a corporate-wide program of risk management and internal control activities and works closely with FDIC's Division and Office management. The FDIC has made a concerted effort to identify and assess financial, reputational, and operational risks and incorporate corresponding controls into day-to-day operations. The program also requires that Divisions and Offices document comprehensive procedures, thoroughly train employees, and hold supervisors and their employees accountable for performance and results. Divisions and Offices monitor compliance through periodic management reviews and various activity reports distributed to all levels of management. The FDIC also takes seriously FDIC Office of Inspector General and GAO audit recommendations and strives to implement agreed-upon actions promptly. The FDIC has received unmodified opinions on its financial statement audits for 32 consecutive years, and these and other positive results reflect the effectiveness of the overall management control program.

In 2023, the FDIC strengthened acquisition-related controls, expanded internal control testing efforts, enhanced the Division of Finance's internal control program, enhanced the fraud reporting structure, and matured our supply chain risk management program. ORMIC will continue these efforts in 2024 and will also implement an agency-wide enterprise change management program.

In September 2023, Stacie Alboum (left) and Jill Lennox (right) spoke at the ERM Risk Awareness Symposium.

In September 2023, ORMIC held its second annual ERM Risk Awareness Symposium where FDIC risk management experts shared information about significant risks facing the FDIC and how the agency is managing and addressing these risks and planning for the future. Presenters discussed deposit insurance coverage, IT modernization efforts, the FDIC's Intelligence and Threat Sharing Unit, and the Dodd-Frank Act's requirements for certain financial firms to create "living wills" that describe their strategies for effecting a rapid and orderly resolution in the event of material financial distress or failure.

Program Evaluation

ORMIC periodically evaluates selected program areas responsible for achieving FDIC strategic objectives and annual performance goals. During 2023, ORMIC evaluated the Division of Complex Institution Supervision and Resolution (CISR) processes for achieving the following strategic objective and related performance goal from the FDIC's 2023 Annual Performance Plan. The objective and goal evaluated and summary results follow.

Strategic Objective: In the event of the failure of a large, complex financial institution (LCFI), the FDIC carries out the resolution in an orderly manner in accordance with statutory mandates.

Performance Goal: Continue to build the FDIC's operational readiness to administer the resolution of LCFIs, including those designated as systemically important.

Targets:

1) Continue to refine plans and strategic options to ensure the FDIC's operational readiness to administer a resolution of LCFIs;
2) Continue to deepen and strengthen working relationships with key foreign jurisdictions, both on a bilateral basis and through multilateral fora.

The objective of ORMIC's evaluation was to determine if CISR has processes in place to achieve the performance goal and confirm that there is documentary support evidencing that the performance goal was met.

ORMIC reviewed CISR's 2023 Business Plan; the *2022-2024 FDIC Strategic Plan*; output from tracking systems used for monitoring implementation of two strategic goals and objectives; the Corporate Performance Goal Reporting System; a number of materials supporting steps taken to strengthen operational readiness, including the schedule of International Engagements – including descriptions, key outputs, and deliverables; the Trilateral Principal-Level Exercise (TPLE) Overview Presentation, the TPLE 2023 Senior Staff Communications Exercise – Post Exercise Survey Results, and the TPLE 2022 Briefing materials; Financial Stability Board Resolution Steering Group (ReSG) membership and Schedule of Meetings – including main agenda items; and Risk Assessment Process Questionnaires for Central Counterparties (CCP) Survey Responses and Information Needs for CCP Resolution Planning.

ORMIC held meetings with senior officials and staff from CISR's Operations Branch, and leveraged familiarity with CISR operations from ongoing risk management and internal control-related collaboration activities.

ORMIC evaluated CISR's processes related to this performance goal and noted that processes were in place to:

- Track goal milestones through completion;
- Track overall goals and objectives and CISR-led FDIC Performance Goals on a bi-weekly and quarterly basis, respectively;
- Continue to improve resolution planning by identifying and addressing gaps;
- Continue to engage with key stakeholders from domestic regulatory authorities, as well as foreign jurisdictions, and conduct simulation exercises to further support readiness;
- Hold TPLEs and information exchanges resulting in policy discussions, development of playbooks, and resolution strategies; and
- Hold TPLE Senior Staff Communications Exercises – with Post Exercise Survey Results.

ORMIC validated the processes in place by reviewing a variety of documents and deliverables, including the ReSG schedule of meetings, schedule of international engagements, agendas and agenda items, lists of participants, and outputs from the tracking systems. ORMIC

concluded that CISR has effective processes in place to achieve this performance goal and related targets for building and maintaining the FDIC's operational readiness to administer the resolution of LCFIs.

Additionally, ORMIC reviewed the OIG's recent evaluation entitled *The FDIC's Orderly Liquidation Authority*. CISR is currently addressing recommendations made by the OIG in their evaluation report to supplement the FDIC's resolution readiness capabilities. ORMIC tracks OIG recommendations and corrective actions through implementation and closure.

Internal Control Program – Fraud Risk Management

The FDIC's enterprise risk management and internal control program considers the potential for fraud and incorporates elements of Principle 8—Assess Fraud Risk—from the GAO's *Standards for Internal Control in the Federal Government*.[21] The FDIC implemented a Fraud Risk Assessment Framework as a basis for identifying potential financial fraud risks and schemes and ensuring that preventive and detective controls are present and working as intended. Examples of transactions more susceptible to fraud include contractor payments, wire transfers, travel card purchases, and cash receipts.

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

FDIC management performs due diligence in areas of suspected or alleged fraud. In addition, the FDIC promptly refers instances of suspected fraud to the Office of Inspector General for investigation. FDIC continues to maintain a robust internal control environment designed to deter and detect fraud.

Management Report on Final Actions

As required under the provisions of Section 5 of the Inspector General Act of 1978, as amended, the FDIC must report information on final action taken by management on certain audit reports. The tables on the following pages provide information on final actions taken by management on audit reports for the federal fiscal year period October 1, 2022, through September 30, 2023.

[21] GAO's *Standards for Internal Control in the Federal Government* is available at https://www.gao.gov/products/gao-14-704g.

Table 1: Management Report on Final Action on Audits with Disallowed Costs for Fiscal Year 2023

(There were no audit reports in this category.)

Table 2: Management Report on Final Action on Audits with Recommendations to Put Funds to Better Use for Fiscal Year 2023

Dollars in Thousands

		Number of Reports	Funds Put To Better Use
A.	Management decisions – final action not taken at beginning of period	0	$0
B.	Management decisions made during the period	1	$1,500
C.	Total reports pending final action during the period (A and B)	1	$1,500
D.	Final action taken during the period:	0	$0
	1. Value of recommendations implemented (completed)	0	$0
	2. Value of recommendations that management concluded should not or could not be implemented or completed	0	$0
	3. Total of 1 and 2	0	$0
E.	Audit reports needing final action at the end of the period (September 30, 2023) * Note, the OIG closed this recommendation on December 4, 2023.	1	$1,500

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2023

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-20-001 10/28/2019	OIG recommends that the Deputy to the Chairman and Chief Operating Officer provide enhanced contract portfolio reports to FDIC executives, senior management, and the Board Directors.	The Division of Administration (DOA)'s Acquisition Services Branch (ASB) has identified the specific contract portfolio reporting enhancements that would be useful to FDIC executives, senior management, and the Board of Directors; and is determining the extent to which such reporting is producible using existing data and technology. DOA is working to identify reliable and efficient data sources to meet reporting needs. Due Date: 6/30/2024	$0
EVAL-21-002 3/31/2021	OIG recommends that the Deputy to the Chairman and Chief Operating Officer implement periodic reviews for procured Critical Functions, including for the Basic Ordering Agreements (BOAs) and task orders for Managed Security Services Provider and Security and Privacy Professional Services. OIG recommends that the Deputy to the Chairman and Chief Operating Officer determine when and how to assess for contractor overreliance as part of the management oversight strategy.	Status: Subsequently closed. Status: Subsequently closed.	$0

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2023 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-21-002 3/31/2021 (Continued)	OIG recommends that the Deputy to the Chairman and Chief Operating Officer implement corrective actions when the FDIC determines it is over-reliant on a contractor for a procured Critical Function.	Status: Subsequently closed.	
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer report to the Board about the Procurement Risk Assessments, Management Oversight Strategies, and contract provisions that address identified risks for planned Critical Functions during the procurement planning phase of the acquisition, for its consideration.	DOA ASB implemented its template for essential contracts and revised its Acquisition Procedures and Guidance Manual (APGM) accordingly. DOA ASB is working to incorporate essential contracts into its report to the Board. Efforts are being made to include essential contracts in the Board Report for the fourth quarter of 2023. Due Date: 3/31/2024	
	OIG recommends that the Deputy to the Chairman and Chief Operating Officer report to the Board about the Contract Award Profile Reports and corresponding status reports for procured Critical Functions during the contract management phase of the acquisition process on an individual and aggregate contract basis, for its consideration.	DOA ASB implemented its template for essential contracts and revised its Acquisition Procedures and Guidance Manual (APGM) accordingly. DOA ASB is working to incorporate essential contracts into its report to the Board. Efforts are being made to include essential contracts in the Board Report for the fourth quarter of 2023. Due Date: 3/31/2024	

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2023 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
REV-22-001 1/4/2022	We recommend that the Deputy to the Chairman, Chief Operating Officer, and Chief of Staff, in coordination with the General Counsel, develop and implement procedures for the FDIC to ensure contractors carry out their obligations under the Whistleblower Rights Notification Clause, including methods for verification that (1) all contractor and subcontractor employees of the FDIC are notified of their whistleblower rights and protections, and (2) clauses are appropriately included in subcontracts.	DOA ASB issued its Procurement Administrative Bulletin (PAB) 2022-07, Contractor Employee Whistleblower Rights, dated December 9, 2022. The PAB revises the clause to inform employees of Whistleblower Rights and requires the contractor and subcontractor to distribute a brochure pertaining to whistleblower information to employees working in support of the contract. Additional time is needed to add a certification requirement, which must be submitted through a lengthy process involving posting it in the *Federal Register*. Due Date: 8/31/2024	$0
AUD-22-003 1/18/2022	We recommend that the Director, RMS, coordinate with the Legal Division to establish and implement procedures for RMS threat information sharing activities.	RMS is addressing this corrective action together with a similar recommendation that was issued in the Sharing of Threat and Vulnerability Information with Financial Institutions report (EVAL-23-002) on August 29, 2023. Due Date: 3/31/2024	$0

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2023 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-22-003 3/1/2022	We recommend that the FDIC Senior Accountable Official for SCRM (Deputy to the Chairman and Chief Financial Officer) establish and implement metrics and indicators to continuously monitor and evaluate supply chain risks at the FDIC.	Status: Recommendation closure package was submitted to the OIG. Due Date: 12/31/2023	$0
	We recommend that the Chief Information Security Officer implement SCRM controls of the NIST Risk Management Framework (RMF) for IT procurements.	The FDIC has selected the appropriate security controls from the SCRM control family from NIST SP 800-53 Rev 5. The SCRM team is coordinating across Divisions and Offices to implement the controls. Additional time is needed for Divisions and Offices to implement the selected SCRM controls, but staff anticipates this will be completed by the end of the first quarter of 2024. Due Date: 3/31/2024	

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2023 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-22-003 3/1/2022 (Continued)	We recommend that the FDIC Senior Accountable Official for SCRM (Deputy to the Chairman and Chief Financial Officer) in cooperation with the Deputy to the Chairman, Chief Operating Officer, and Director, Division of Administration develop and implement a process and procedures for conducting supply chain risk assessments.	Status: Recommendation closure package was submitted to the OIG. Due Date: 12/31/2023	
	We recommend that the FDIC Senior Accountable Official for SCRM (Deputy to the Chairman and Chief Financial Officer) in cooperation with the Deputy to the Chairman, Chief Operating Officer, and Director, Division of Administration: conduct supply chain risk assessments prior to entering into contracts with new suppliers/vendors.	Status: Recommendation closure package was submitted to the OIG. Due Date: 12/31/2023	

Table 3:
Audit Reports Without Final Actions but with Management Decisions over One Year Old for Fiscal Year 2023 (continued)

Report No. and Issue Date	OIG Audit Recommendation	Management Action	Disallowed Costs
EVAL-22-003 3/1/2022 (Continued)	We recommend that the FDIC Senior Accountable Official for SCRM (Deputy to the Chairman and Chief Financial Officer) in cooperation with the Deputy to the Chairman, Chief Operating Officer, and Director, Division of Administration: conduct supply chain risk assessments prior to substantive contract actions, including renewals, extensions, and exercising option periods.	Status: Recommendation closure package was submitted to the OIG. Due Date: 12/31/2023	
AUD-22-004 9/27/2022	We recommend that the CIO address the 31 Plan of Action and Milestones (POA&Ms) identified as of June 21, 2022, associated with NIST SP 800-53 Rev. 5 control SI-2 (Flaw Remediation).	The Acceptance of Risk for eight POA&Ms expired. The FDIC decided not to renew the Acceptance of Risk and instead focus on remediation. Additional time is needed to address the remaining POA&Ms due to competing priorities. Due Date: 10/31/2024	$0

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VII.

APPENDICES

A. Key Statistics

FDIC Actions on Financial Institutions Applications

	2023	2022	2021
Deposit Insurance	**5**	**17**	**15**
Approved[1]	5	17	15
Denied	0	0	0
New Branches	**398**	**481**	**493**
Approved	398	481	493
Denied	0	0	0
Mergers	**116**	**133**	**187**
Approved	116	133	187
Denied	0	0	0
Requests for Consent to Serve[2]	**61**	**52**	**47**
Approved	58	50	47
Section 19	0	6	5
Section 32	58	44	42
Denied	3	2	0
Section 19	0	0	0
Section 32	3	2	0
Notices of Change in Control	**15**	**23**	**34**
Letters of Intent Not to Disapprove	15	22	34
Disapproved	0	1	0
Brokered Deposit Waivers	**11**	**1**	**1**
Approved	11	0	1
Denied	0	1	0
Savings Association Activities[3]	**0**	**0**	**0**
Approved	0	0	0
Denied	0	0	0
State Bank Activities/Investments[4]	**13**	**25**	**25**
Approved	13	25	25
Denied	0	0	0
Conversion of Mutual Institutions	**4**	**4**	**4**
Non-Objection	4	4	4
Objection	0	0	0

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

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

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

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

Combined Risk and Consumer Enforcement Actions

	2023	2022	2021
Total Number of Actions Initiated by the FDIC	**117**	**118**	**99**
Termination of Insurance	**12**	**16**	**7**
Involuntary Termination	**0**	**0**	**0**
Sec. 8a for Violations, Unsafe/Unsound Practices or Conditions	0	0	0
Voluntary Termination	**12**	**16**	**7**
Sec. 8a by Order Upon Request	0	0	0
Sec. 8p No Deposits	11	14	6
Sec. 8q Deposits Assumed	1	2	1
Sec. 8b Consent and Cease-and-Desist Actions	**28**	**19**	**10**
Notices of Charges Issued	4	0	1
Orders to Pay Restitution	0	0	0
Consent and Cease and Desist Orders	22	17	8
Personal Cease and Desist Orders	2	2	1
Sec. 8e Removal/Prohibition of Director or Officer	**43**	**28**	**25**
Notices of Intention to Remove/Prohibit	4	3	4
Consent Orders	39	25	21
Sec. 8g Suspension/Removal When Charged With Crime	**0**	**0**	**0**
Civil Money Penalty Actions	**28**	**27**	**30**
Sec. 7a Call Report Penalty Orders	0	0	0
Sec. 8i Flood Act Civil Money Penalty Orders	24	24	26
Sec. 8i Civil Money Penalty Notices of Assessment	4	3	4
Sec. 10c Orders of Investigation	**4**	**8**	**2**
Sec. 19 Waiver Orders	**1**	**20**	**24**
Approved Section 19 Waiver Orders	1	20	24
Denied Section 19 Waiver Orders	0	0	0
Sec. 32 Notices Disapproving Officer/Director's Request for Review	0	0	**0**
Truth-in-Lending Act Reimbursement Actions	**31**	**41**	**44**
Denials of Requests for Relief	0	0	0
Grants of Relief	0	0	0
Banks Making Reimbursement[1]	31	41	44
Suspicious Activity Reports (Open and closed institutions)[1]	**407,304**	**421,118**	**360,121**
Other Actions Not Listed[2]	**1**	**0**	**1**

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

[2] The Other Actions Not Listed were, in 2023: 1 Order Dismissing Notice of Assessment of Civil Money Penalty and Order to Pay; in 2022: 0; in 2021: 1 Supervisory Prompt Corrective Action Directive.

FDIC Insured Institutions Closed During 2023
Dollars in Thousands

Codes for Bank Class:

NM = State-chartered Bank that is not a member of the Federal Reserve System N = National Bank	SB = Savings Bank SI = Stock and Mutual Savings Bank	SM = State-chartered Bank that is a member of the Federal Reserve System SA = Savings Association

Name and Location	Bank Class	Number of Deposit Accounts	Total Assets[1]	Total Deposits[1]	Estimated Loss to the DIF[2]	Date of Closing or Acquisition	Receiver/ Assuming Bank and Location
Purchase and Assumption - All Deposits							
Silicon Valley Bank Santa Clara, CA	SM	165,226	$209,026,000	$175,378,000	$2,618,239[3]	3/10/2023	First–Citizens Bank & Trust Company Raleigh, North Carolina.
Signature Bank New York, NY	NM	175,044	$110,363,650	$88,612,911	$602,275[3]	3/12/2023	Flagstar Bank, National Association, Hicksville, New York
Citizens Bank Sac City, IA	NM	1,965	$60,448	$52,311	$14,804	11/3/2023	Iowa Trust & Savings Bank Emmetsburg, Iowa
Whole Bank Purchase and Assumption - All Deposits							
First Republic Bank San Francisco, CA	NM	1,095,457	$212,638,872	$176,436,706	$16,657,086	5/1/2023	JPMorgan Chase Bank, National Association, Columbus, Ohio
Heartland Tri-State Bank Elkhart, KS	SM	5,404	$139,446	$130,110	$54,167	7/28/2023	Dream First Bank, National Association Syracuse, Kansas

[1] Total Assets and Total Deposits data are based upon the last Call Report filed by the institution prior to failure.
[2] Estimated losses are as of December 31, 2023. Estimated losses are routinely adjusted with updated information from new appraisals and asset sales, which ultimately affect the asset values and projected recoveries. Represents the estimated loss to the DIF from deposit insurance obligations.
[3] The estimated losses for Silicon Valley Bank and Signature Bank exclude $20.4 billion of estimated losses for uninsured deposits pursuant to a systemic risk exception.

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through September 30, 2023[1]

Dollars in Millions (except Insurance Coverage)

	Deposits in Insured Institutions[2]					Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits	Percentage of Domestic Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
2023	$250,000	$17,213,780	$10,592,562	61.5	$119,339.0	0.69	1.13
2022	250,000	17,778,221	10,265,997	57.7	128,218.0	0.72	1.25
2021	250,000	18,237,236	9,923,221	54.4	123,141.0	0.68	1.24
2020	250,000	16,339,026	9,103,253	55.7	117,896.8	0.72	1.30
2019	250,000	13,262,843	7,828,163	59.0	110,346.9	0.83	1.41
2018	250,000	12,659,406	7,525,204	59.4	102,608.9	0.81	1.36
2017	250,000	12,129,503	7,154,379	59.0	92,747.5	0.76	1.30
2016	250,000	11,693,371	6,915,663	59.1	83,161.5	0.71	1.20
2015	250,000	10,952,922	6,518,675	59.5	72,600.2	0.66	1.11
2014	250,000	10,410,687	6,195,554	59.5	62,780.2	0.60	1.01
2013	250,000	9,825,479	5,998,238	61.0	47,190.8	0.48	0.79
2012	250,000	9,474,720	7,402,053	78.1	32,957.8	0.35	0.45
2011	250,000	8,782,291	6,973,483	79.4	11,826.5	0.13	0.17
2010	250,000	7,887,858	6,301,542	79.9	(7,352.2)	(0.09)	(0.12)
2009	250,000	7,705,354	5,407,773	70.2	(20,861.8)	(0.27)	(0.39)
2008	100,000	7,505,408	4,750,783	63.3	17,276.3	0.23	0.36
2007	100,000	6,921,678	4,292,211	62.0	52,413.0	0.76	1.22
2006	100,000	6,640,097	4,153,808	62.6	50,165.3	0.76	1.21
2005	100,000	6,229,753	3,890,930	62.5	48,596.6	0.78	1.25
2004	100,000	5,724,621	3,622,059	63.3	47,506.8	0.83	1.31
2003	100,000	5,223,922	3,452,497	66.1	46,022.3	0.88	1.33
2002	100,000	4,916,078	3,383,598	68.8	43,797.0	0.89	1.29
2001	100,000	4,564,064	3,215,581	70.5	41,373.8	0.91	1.29
2000	100,000	4,211,895	3,055,108	72.5	41,733.8	0.99	1.37
1999	100,000	3,885,826	2,869,208	73.8	39,694.9	1.02	1.38
1998	100,000	3,817,150	2,850,452	74.7	39,452.1	1.03	1.38
1997	100,000	3,602,189	2,746,477	76.2	37,660.8	1.05	1.37
1996	100,000	3,454,556	2,690,439	77.9	35,742.8	1.03	1.33
1995	100,000	3,318,595	2,663,873	80.3	28,811.5	0.87	1.08
1994	100,000	3,184,410	2,588,619	81.3	23,784.5	0.75	0.92
1993	100,000	3,220,302	2,602,781	80.8	14,277.3	0.44	0.55
1992	100,000	3,275,530	2,677,709	81.7	178.4	0.01	0.01
1991	100,000	3,331,312	2,733,387	82.1	(6,934.0)	(0.21)	(0.25)
1990	100,000	3,415,464	2,784,838	81.5	4,062.7	0.12	0.15

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through September 30, 2023[1] (continued)

Dollars in Millions (except Insurance Coverage)

	Deposits in Insured Institutions[2]					Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits	Percentage of Domestic Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1989	100,000	3,412,503	2,755,471	80.7	13,209.5	0.39	0.48
1988	100,000	2,337,080	1,756,771	75.2	14,061.1	0.60	0.80
1987	100,000	2,198,648	1,657,291	75.4	18,301.8	0.83	1.10
1986	100,000	2,162,687	1,636,915	75.7	18,253.3	0.84	1.12
1985	100,000	1,975,030	1,510,496	76.5	17,956.9	0.91	1.19
1984	100,000	1,805,334	1,393,421	77.2	16,529.4	0.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
1978	40,000	1,145,835	760,706	66.4	8,796.0	0.77	1.16
1977	40,000	1,050,435	692,533	65.9	7,992.8	0.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	0.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	0.77	1.18
1974	40,000	833,277	520,309	62.4	6,124.2	0.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	0.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	0.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	0.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	0.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	0.82	1.29
1968	15,000	491,513	296,701	60.4	3,749.2	0.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	0.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	0.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	0.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	0.82	1.48
1963	10,000	313,304	177,381	56.6	2,667.9	0.85	1.50
1962	10,000	297,548	170,210	57.2	2,502.0	0.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	0.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	0.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	0.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	0.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	0.82	1.46

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through September 30, 2023[1] (continued)

Dollars in Millions (except Insurance Coverage)

	Deposits in Insured Institutions[2]					Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits	Percentage of Domestic Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1956	10,000	219,393	121,008	55.2	1,742.1	0.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	0.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	0.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.6	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	0.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	0.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	0.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	0.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	0.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	0.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	0.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	0.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	0.68	1.52
1934	5,000	40,060	18,075	45.1	291.7	0.73	1.61

[1] For 2023, figures are as of September 30; all other prior years are as of December 31. Prior to 1989, figures are for the Bank Insurance Fund (BIF) only and exclude insured branches of foreign banks. For 1989 to 2005, figures represent the sum of the BIF and Savings Association Insurance Fund (SAIF) amounts; for 2006 to 2023, figures are for DIF. Amounts for 1989-2023 include insured branches of foreign banks. Prior to year-end 1991, insured deposits were estimated using percentages determined from June Call and Thrift Financial Reports.

[2] The year-end 2008 coverage limit and estimated insured deposits do not reflect the temporary increase to $250,000 then in effect under the Emergency Economic Stabilization Act of 2008. The Dodd-Frank Wall Street Reform and Consumer Protection (Dodd-Frank) Act made this coverage limit permanent. The year-end 2009 coverage limit and estimated insured deposits reflect the $250,000 coverage limit. The Dodd-Frank Act also temporarily provided unlimited coverage for non-interest bearing transaction accounts for two years beginning December 31, 2010. Coverage for certain retirement accounts increased to $250,000 in 2006. Initial coverage limit was $2,500 from January 1 to June 30, 1934.

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2023

Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other	Effective Assessment Rate[1]	Total	Provision for Ins. Losses	Admin. and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
TOTAL	$323,111.6	$246,497.3	$12,157.2	$88,771.5		$201,599.9	$147,010.0	$42,807.4	$11,782.6	$139.5	$121,651.2
2023	35,995.8	33,188.0[3]	0.0	2,807.8	0.0614%	45,374.7	40,950.8[3]	2,126.0	2,297.9	0.0	(9,378.9)
2022	9,606.7	8,310.8	0.0	$1,295.9	0.0396%	1,803.5	(82.9)	1,882.9	3.5	0.0	7,803.2
2021	8,153.4	7,080.2	0.0	1,073.2	0.0356%	1,705.3	(143.7)	1,842.7	6.3	0.0	6,448.1
2020	8,796.5	7,153.9	60.7	$1,703.3	0.0395%	1,691.9	(157.3)	1,846.5	2.7	0.0	7,104.6
2019	7,095.3	5,642.7	703.6	2,156.2	0.0312%	513.2	(1,285.5)	1,795.6	3.1	0.0	6,582.1
2018	11,170.8	9,526.7	0.0	1,644.1	0.0626%	1,205.2	(562.6)	1,764.7	3.1	0.0	9,965.6
2017	11,663.7	10,594.8	0.0	1,068.9	0.0716%	1,558.2	(183.1)	1,739.4	2.0	0.0	10,105.5
2016	10,674.1	9,986.6	0.0	687.5	0.0699%	150.6	(1,567.9)	1,715.0	3.5	0.0	10,523.5
2015	9,303.5	8,846.8	0.0	456.7	0.0647%	(553.2)	(2,251.3)	1,687.2	10.9	0.0	9,856.7
2014	8,965.1	8,656.1	0.0	309.0	0.0663%	(6,634.7)	(8,305.5)	1,664.3	6.5	0.0	15,599.8
2013	10,458.9	9,734.2	0.0	724.7	0.0775%	(4,045.9)	(5,659.4)	1,608.7	4.8	0.0	14,504.8
2012	18,522.3	12,397.2	0.2	6,125.3	0.1012%	(2,599.0)	(4,222.6)	1,777.5	(153.9)	0.0	21,121.3
2011	16,342.0	13,499.5	0.9	2,843.4	0.1115%	(2,915.4)	(4,413.6)	1,625.4	(127.2)	0.0	19,257.4
2010	13,379.9	13,611.2	0.8	(230.5)	0.1772%	75.0	(847.8)	1,592.6	(669.8)	0.0	13,304.9
2009	24,706.4	17,865.4	148.0	6,989.0	0.2330%	60,709.0	57,711.8	1,271.1	1,726.1	0.0	(36,002.6)
2008	7,306.3	4,410.4	1,445.9	4,341.8	0.0418%	44,339.5	41,838.8	1,033.5	1,467.2	0.0	(37,033.2)
2007	3,196.2	3,730.9	3,088.0	2,553.3	0.0093%	1,090.9	95.0	992.6	3.3	0.0	2,105.3
2006	2,643.5	31.9	0.0	2,611.6	0.0005%	904.3	(52.1)	950.6	5.8	0.0	1,739.2
2005	2,420.5	60.9	0.0	2,359.6	0.0010%	809.3	(160.2)	965.7	3.8	0.0	1,611.2
2004	2,240.3	104.2	0.0	2,136.1	0.0019%	607.6	(353.4)	941.3	19.7	0.0	1,632.7
2003	2,173.6	94.8	0.0	2,078.8	0.0019%	(67.7)	(1,010.5)	935.5	7.3	0.0	2,241.3
2002	2,384.7	107.8	0.0	2,276.9	0.0023%	719.6	(243.0)	945.1	17.5	0.0	1,665.1
2001	2,730.1	83.2	0.0	2,646.9	0.0019%	3,123.4	2,199.3	887.9	36.2	0.0	(393.3)
2000	2,570.1	64.3	0.0	2,505.8	0.0016%	945.2	28.0	883.9	33.3	0.0	1,624.9
1999	2,416.7	48.4	0.0	2,368.3	0.0013%	2,047.0	1,199.7	823.4	23.9	0.0	369.7
1998	2,584.6	37.0	0.0	2,547.6	0.0010%	817.5	(5.7)	782.6	40.6	0.0	1,767.1
1997	2,165.5	38.6	0.0	2,126.9	0.0011%	247.3	(505.7)	677.2	75.8	0.0	1,918.2
1996	7,156.8	5,294.2	0.0	1,862.6	0.1622%	353.6	(417.2)	568.3	202.5	0.0	6,803.2
1995	5,229.2	3,877.0	0.0	1,352.2	0.1238%	202.2	(354.2)	510.6	45.8	0.0	5,027.0
1994	7,682.1	6,722.7	0.0	959.4	0.2192%	(1,825.1)	(2,459.4)	443.2	191.1	0.0	9,507.2
1993	7,354.5	6,682.0	0.0	672.5	0.2157%	(6,744.4)	(7,660.4)	418.5	497.5	0.0	14,098.9
1992	6,479.3	5,758.6	0.0	720.7	0.1815%	(596.8)	(2,274.7)	614.8[4]	1,063.1	35.4	7,111.5
1991	5,886.5	5,254.0	0.0	632.5	0.1613%	16,925.3	15,496.2	326.1	1,103.0	42.4	(10,996.4)
1990	3,855.3	2,872.3	0.0	983.0	0.0868%	13,059.3	12,133.1	275.6	650.6	56.1	(9,147.9)

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2023 (continued)

Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other	Effective Assessment Rate[1]	Total	Provision for Ins. Losses	Admin. and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
1989	3,494.8	1,885.0	0.0	1,609.8	0.0816%	4,352.2	3,811.3	219.9	321.0	5.6	(851.8)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0825%	7,588.4	6,298.3	223.9	1,066.2	0.0	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833%	3,270.9	2,996.9	204.9	69.1	0.0	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0787%	2,963.7	2,827.7	180.3	(44.3)	0.0	296.4
1985	3,385.5	1,433.5	0.0	1,952.0	0.0815%	1,957.9	1,569.0	179.2	209.7	0.0	1,427.6
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800%	1,999.2	1,633.4	151.2	214.6	0.0	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714%	969.9	675.1	135.7	159.1	0.0	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769%	999.8	126.4	129.9	743.5	0.0	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714%	848.1	320.4	127.2	400.5	0.0	1,226.6
1980	1,310.4	951.9	521.1	879.6	0.0370%	83.6	(38.1)	118.2	3.5	0.0	1,226.8
1979	1,090.4	881.0	524.6	734.0	0.0333%	93.7	(17.2)	106.8	4.1	0.0	996.7
1978	952.1	810.1	443.1	585.1	0.0385%	148.9	36.5	103.3	9.1	0.0	803.2
1977	837.8	731.3	411.9	518.4	0.0370%	113.6	20.8	89.3	3.5	0.0	724.2
1976	764.9	676.1	379.6	468.4	0.0370%	212.3	28.0	180.4[5]	3.9	0.0	552.6
1975	689.3	641.3	362.4	410.4	0.0357%	97.5	27.6	67.7	2.2	0.0	591.8
1974	668.1	587.4	285.4	366.1	0.0435%	159.2	97.9	59.2	2.1	0.0	508.9
1973	561.0	529.4	283.4	315.0	0.0385%	108.2	52.5	54.4	1.3	0.0	452.8
1972	467.0	468.8	280.3	278.5	0.0333%	65.7	10.1	49.6	6.0[6]	0.0	401.3
1971	415.3	417.2	241.4	239.5	0.0345%	60.3	13.4	46.9	0.0	0.0	355.0
1970	382.7	369.3	210.0	223.4	0.0357%	46.0	3.8	42.2	0.0	0.0	336.7
1969	335.8	364.2	220.2	191.8	0.0333%	34.5	1.0	33.5	0.0	0.0	301.3
1968	295.0	334.5	202.1	162.6	0.0333%	29.1	0.1	29.0	0.0	0.0	265.9
1967	263.0	303.1	182.4	142.3	0.0333%	27.3	2.9	24.4	0.0	0.0	235.7
1966	241.0	284.3	172.6	129.3	0.0323%	19.9	0.1	19.8	0.0	0.0	221.1
1965	214.6	260.5	158.3	112.4	0.0323%	22.9	5.2	17.7	0.0	0.0	191.7
1964	197.1	238.2	145.2	104.1	0.0323%	18.4	2.9	15.5	0.0	0.0	178.7
1963	181.9	220.6	136.4	97.7	0.0313%	15.1	0.7	14.4	0.0	0.0	166.8
1962	161.1	203.4	126.9	84.6	0.0313%	13.8	0.1	13.7	0.0	0.0	147.3
1961	147.3	188.9	115.5	73.9	0.0323%	14.8	1.6	13.2	0.0	0.0	132.5
1960	144.6	180.4	100.8	65.0	0.0370%	12.5	0.1	12.4	0.0	0.0	132.1
1959	136.5	178.2	99.6	57.9	0.0370%	12.1	0.2	11.9	0.0	0.0	124.4
1958	126.8	166.8	93.0	53.0	0.0370%	11.6	0.0	11.6	0.0	0.0	115.2
1957	117.3	159.3	90.2	48.2	0.0357%	9.7	0.1	9.6	0.0	0.0	107.6
1956	111.9	155.5	87.3	43.7	0.0370%	9.4	0.3	9.1	0.0	0.0	102.5
1955	105.8	151.5	85.4	39.7	0.0370%	9.0	0.3	8.7	0.0	0.0	96.8

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2023 (continued)

Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other	Effective Assessment Rate[1]	Total	Provision for Ins. Losses	Admin. and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
1954	99.7	144.2	81.8	37.3	0.0357%	7.8	0.1	7.7	0.0	0.0	91.9
1953	94.2	138.7	78.5	34.0	0.0357%	7.3	0.1	7.2	0.0	0.0	86.9
1952	88.6	131.0	73.7	31.3	0.0370%	7.8	0.8	7.0	0.0	0.0	80.8
1951	83.5	124.3	70.0	29.2	0.0370%	6.6	0.0	6.6	0.0	0.0	76.9
1950	84.8	122.9	68.7	30.6	0.0370%	7.8	1.4	6.4	0.0	0.0	77.0
1949	151.1	122.7	0.0	28.4	0.0833%	6.4	0.3	6.1	0.0	0.0	144.7
1948	145.6	119.3	0.0	26.3	0.0833%	7.0	0.7	6.3[7]	0.0	0.0	138.6
1947	157.5	114.4	0.0	43.1	0.0833%	9.9	0.1	9.8	0.0	0.0	147.6
1946	130.7	107.0	0.0	23.7	0.0833%	10.0	0.1	9.9	0.0	0.0	120.7
1945	121.0	93.7	0.0	27.3	0.0833%	9.4	0.1	9.3	0.0	0.0	111.6
1944	99.3	80.9	0.0	18.4	0.0833%	9.3	0.1	9.2	0.0	0.0	90.0
1943	86.6	70.0	0.0	16.6	0.0833%	9.8	0.2	9.6	0.0	0.0	76.8
1942	69.1	56.5	0.0	12.6	0.0833%	10.1	0.5	9.6	0.0	0.0	59.0
1941	62.0	51.4	0.0	10.6	0.0833%	10.1	0.6	9.5	0.0	0.0	51.9
1940	55.9	46.2	0.0	9.7	0.0833%	12.9	3.5	9.4	0.0	0.0	43.0
1939	51.2	40.7	0.0	10.5	0.0833%	16.4	7.2	9.2	0.0	0.0	34.8
1938	47.7	38.3	0.0	9.4	0.0833%	11.3	2.5	8.8	0.0	0.0	36.4
1937	48.2	38.8	0.0	9.4	0.0833%	12.2	3.7	8.5	0.0	0.0	36.0
1936	43.8	35.6	0.0	8.2	0.0833%	10.9	2.6	8.3	0.0	0.0	32.9
1935	20.8	11.5	0.0	9.3	0.0833%	11.3	2.8	8.5	0.0	0.0	9.5
1933-34	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8	0.0	0.0	(3.0)

[1] The effective assessment rate is calculated from annual assessment income (net of assessment credits), excluding transfers to the Financing Corporation (FICO), Resolution Funding Corporation (REFCORP) and FSLIC Resolution Fund, divided by the average assessment base. Figures represent only BIF-insured institutions prior to 1990, and BIF- and SAIF-insured institutions from 1990 through 2005. After 1995, all thrift closings became the responsibility of the FDIC and amounts are reflected in the SAIF. Beginning in 2006, figures are for the DIF.

The annualized assessment rate for 2023 is based on full year assessment income divided by a four quarter average of 2023 quarterly assessment base amounts. The assessment base for fourth quarter 2023 was estimated using the third quarter 2023 assessment base and an assumed quarterly growth rate of one percent.

Historical Assessment Rates:

1934 – 1949 The statutory assessment rate was 0.0833 percent.

1950 – 1984 The effective assessment rates varied from the statutory rate of 0.0833 percent due to assessment credits provided in those years.

1985 – 1989 The statutory assessment rate was 0.0833 percent (no credits were given).

1990 The statutory rate increased to 0.12 percent.

1991 – 1992 The statutory rate increased to a minimum of 0.15 percent. The effective rates in 1991 and 1992 varied because the FDIC exercised new authority to increase assessments above the statutory minimum rate when needed.

1993 – 2006 Beginning in 1993, the effective rate was based on a risk-related premium system under which institutions paid assessments in the range of 0.23 percent to 0.31 percent. In May 1995, the BIF reached the mandatory recapitalization level of 1.25 percent. As a result, BIF assessment rates were reduced to a range of 0.04 percent to 0.31 percent of assessable deposits, effective June 1995, and assessments totaling $1.5 billion were refunded in September 1995. Assessment rates for the BIF were lowered again to a range of 0 to 0.27 percent of assessable deposits, effective the start of 1996. In 1996, the SAIF collected a one-time special assessment of $4.5 billion. Subsequently, assessment rates for the SAIF were lowered to the same range as the BIF, effective October 1996. This range of rates remained unchanged for both funds through 2006.

2007 – 2008 As part of the implementation of the Federal Deposit Insurance Reform Act of 2005, assessment rates were increased to a range of 0.05 percent to 0.43 percent of assessable deposits effective at the start of 2007, but many institutions received a one-time assessment credit ($4.7 billion in total) to offset the new assessments.

2009 – 2011 For the first quarter of 2009, assessment rates were increased to a range of 0.12 percent to 0.50 percent of assessable deposits. On June 30, 2009, a special assessment was imposed on all insured banks and thrifts, which amounted in aggregate to approximately $5.4 billion. For 8,106 institutions, with $9.3 trillion in assets, the special assessment was 5 basis points of each insured institution's assets minus tier one capital; 89 other institutions, with assets of $4.0 trillion, had their special assessment capped at 10 basis points of their second quarter assessment base. From the second quarter of 2009 through the first quarter of 2011, initial assessment rates ranged between 0.12 percent and 0.45 percent of assessable deposits. Initial rates were subject to further adjustments.

2011 – 2016 Beginning in the second quarter of 2011, the assessment base changed to average total consolidated assets less average tangible equity (with certain adjustments for banker's banks and custodial banks), as required by the Dodd-Frank Act. The FDIC implemented a new assessment rate schedule at the same time to conform to the larger assessment base. Initial assessment rates were lowered to a range of 0.05 percent to 0.35 percent of the new base. The annualized assessment rates averaged approximately 17.6 cents per $100 of assessable deposits for the first quarter of 2011 and 11.1 cents per $100 of the new base for the last three quarters of 2011 (which is shown in the table).

2016 Beginning July 1, 2016, initial assessment rates were lowered from a range of 5 basis points to 35 basis points to a range of 3 basis points to 30 basis points, and an additional surcharge was imposed on large banks (generally institutions with $10 billion or more in assets) of 4.5 basis points of their assessment base (after making adjustments).

2018 The 4.5 basis point surcharge imposed on large banks ended effective October 1, 2018. The annualized assessment rates averaged approximately 7.2 cents per $100 of the assessable base for the first three quarters of 2018 and 3.5 cents per $100 of the assessment base for the last quarter of 2018. The full year annualized assessment rate averaged 6.3 cents per $100 (which is shown in the table).

2019 Assessment income for 2019 was reduced by small bank credits of $703.6 million.

2020 Assessment income for 2020 was reduced by small bank credits of $60.7 million.

[2] These expenses, which are presented as operating expenses in the Statement of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and do not include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Resolutions, net" line on the Balance Sheet. The narrative and graph presented on page 128 of this report shows the aggregate (corporate and receivership) expenditures of the FDIC.

[3] Assessment Income and Provision for Ins. Losses include revenue and estimated losses of $20.4 billion for coverage of uninsured deposits pursuant to systemic risk exceptions.

[4] Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits (1992).

[5] Includes a $106 million net loss on government securities (1976).

[6] This amount represents interest and other insurance expenses from 1933 to 1972.

[7] Includes the aggregate amount of $81 million of interest paid on capital stock between 1933 and 1948.

Assets and Deposits of Failed or Assisted Insured Institutions and Losses to the Deposit Insurance Fund, 1934 - 2023

Dollars in Thousands

Bank and Thrift Failures[1]				
Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Losses to the Fund[4]
	2,636	**$1,479,535,581**	**$1,154,472,610**	**$124,416,688**
2023	5	$532,228,416	$440,610,038	$19,946,553[5]
2022	0	0	0	0
2021	0	0	0	0
2020	4	454,986	437,138	91,011
2019	4	208,767	$190,547	25,260
2018	0	0	0	0
2017	8	5,081,737	4,683,360	1,078,967
2016	5	277,182	268,516	42,474
2015	8	6,706,038	4,870,464	857,273
2014	18	2,913,503	2,691,485	378,362
2013	24	6,044,051	5,132,246	1,202,763
2012	51	11,617,348	11,009,630	2,377,369
2011	92	34,922,997	31,071,862	6,389,947
2010[6]	157	92,084,988	78,290,185	15,781,132
2009[6]	140	169,709,160	137,835,208	25,863,181
2008[6]	25	371,945,480	234,321,715	17,754,594
2007	3	2,614,928	2,424,187	157,440
2006	0	0	0	0
2005	0	0	0	0
2004	4	170,099	156,733	3,917
2003	3	947,317	901,978	62,647
2002	11	2,872,720	2,512,834	413,989
2001	4	1,821,760	1,661,214	292,465
2000	7	410,160	342,584	32,138
1999	8	1,592,189	1,320,573	586,027
1998	3	290,238	260,675	221,606
1997	1	27,923	27,511	5,026
1996	6	232,634	230,390	60,615
1995	6	802,124	776,387	84,472
1994	13	1,463,874	1,397,018	179,051
1993	41	3,828,939	3,509,341	632,646
1992	120	45,357,237	39,921,310	3,674,149
1991	124	64,556,512	52,972,034	6,001,595
1990	168	16,923,462	15,124,454	2,771,489
1989	206	28,930,572	24,152,468	6,195,286
1988	200	38,402,475	26,524,014	5,377,497
1987	184	6,928,889	6,599,180	1,862,492
1986	138	7,356,544	6,638,903	1,682,538
1985	116	3,090,897	2,889,801	648,179
1934 - 1984	729	16,719,435	12,716,627	1,682,538

Assets and Deposits of Failed or Assisted Insured Institutions and Losses to the Deposit Insurance Fund, 1934 - 2023 (continued)

Dollars in Thousands

Assistance Transactions				
Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Losses to the Fund[4]
	154	**$3,317,099,253**	**$1,442,173,417**	**$5,430,481**
2010 - 2023	0	0	0	0
2009[7]	8	1,917,482,183	1,090,318,282	0
2008[7]	5	1,306,041,994	280,806,966	0
1993 - 2007	0	0	0	0
1992	2	33,831	33,117	250
1991	3	78,524	75,720	3,024
1990	1	14,206	14,628	2,338
1989	1	4,438	6,396	2,296
1988	80	15,493,939	11,793,702	1,540,642
1987	19	2,478,124	2,275,642	160,164
1986	7	712,558	585,248	93,179
1985	4	5,886,381	5,580,359	359,056
1984	2	40,470,332	29,088,247	1,116,275
1983	4	3,611,549	3,011,406	337,683
1982	10	10,509,286	9,118,382	1,042,784
1981	3	4,838,612	3,914,268	772,790
1980	1	7,953,042	5,001,755	0
1934 - 1979	4	1,490,254	549,299	0

[1] Institutions for which the FDIC is appointed receiver, including deposit payoff, insured deposit transfer, and deposit assumption cases.
[2] For 1990 through 2005, amounts represent the sum of BIF and SAIF failures (excluding those handled by the RTC); prior to 1990, figures are only for the BIF. After 1995, all thrift closings became the responsibility of the FDIC and amounts are reflected in the SAIF. For 2006 to 2023, figures are for the DIF.
[3] Assets and deposit data are based on the last Call Report or TFR filed before failure.
[4] Losses to the fund include final and estimated losses. Final losses represent actual losses for unreimbursed subrogated claims of inactivated receiverships. Estimated losses generally represent the difference between the amount paid by the DIF to cover obligations to insured depositors and the estimated recoveries from the liquidation of receivership assets.
[5] Excludes estimated losses of $20.4 billion for uninsured deposits pursuant to a systemic risk exception.
[6] Includes amounts related to transaction account coverage under the Transaction Account Guarantee Program (TAG). The estimated losses as of December 31, 2023, for TAG accounts in 2010, 2009, and 2008 are $362 million, $1.1 billion, and $12 million, respectively.
[7] Includes institutions where assistance was provided under a systemic risk determination.

B. More About the FDIC

FDIC BOARD OF DIRECTORS

Martin J. Gruenberg

Martin J. Gruenberg was sworn in as Chairman of the FDIC Board of Directors on January 5, 2023. He has been a member of the FDIC Board since August 2005 and previously served as Vice Chairman from August 2005 to July 2011 and as Chairman from November 2012 to mid-2018. Mr. Gruenberg has also served as Acting Chairman on a number of occasions.

Mr. Gruenberg joined the FDIC Board after broad congressional experience in the financial services and regulatory areas. He served as Senior Counsel to Senator Paul S. Sarbanes (D-MD) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 1993 to 2005. He also served as Staff Director of the Banking Committee's Subcommittee on International Finance and Monetary Policy from 1987 to 1992.

Mr. Gruenberg served as Chairman of the Executive Council and President of the International Association of Deposit Insurers (IADI) from November 2007 to November 2012. In addition, Mr. Gruenberg served as Chairman of the Federal Financial Institutions Examination Council from April 2017 to June 2018.

Since June 2019, Mr. Gruenberg has served as Chairman of the Board of Directors of the Neighborhood Reinvestment Corporation (NeighborWorks America), and he has been a member of that Board since April 2018.

Beginning February 15, 2022, Mr. Gruenberg assumed the role of Chairman of the Resolution Steering Group (ResG) of the Financial Stability Board.

Mr. Gruenberg holds a J.D. from Case Western Reserve Law School and an A.B. from Princeton University, Princeton School of Public and International Affairs.

Travis Hill

Travis Hill was sworn in as the Vice Chairman of the FDIC Board of Directors on January 5, 2023. Previously, he worked at the FDIC from 2018 to 2022, as Deputy to the Chairman for Policy and before that as Senior Advisor to the Chairman. In these roles, among other responsibilities, he oversaw and coordinated regulatory and policy initiatives at the agency and advised the Chairman on regulatory and policy matters.

Prior to joining the FDIC, Mr. Hill served as Senior Counsel at the United States Senate Committee on Banking, Housing, and Urban Affairs, where he worked from 2013 to 2018. In this role, he participated extensively in the drafting and negotiating of numerous bipartisan bills. Before working at the Senate, he worked as a policy analyst at Regions Financial Corporation from 2011 to 2013.

Mr. Hill received a Bachelor of Science from Duke University, where he studied economics and political science, and a Juris Doctor from Georgetown University Law Center.

Jonathan McKernan

Jonathan McKernan was sworn in as a member of the FDIC Board of Directors on January 5, 2023. Mr. McKernan previously was a Counsel to Ranking Member Pat Toomey (R-PA) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 2021 to 2022. He also served as a Senior Counsel at the Federal Housing Finance Agency from 2019 to 2021, a Senior Policy Advisor at the Department of the Treasury from 2018 to 2019, and a Senior Financial Policy Advisor to Senator Bob Corker (R-TN) from 2017 to 2018.

Prior to his government service, from 2007 to 2017, Mr. McKernan was an attorney in private practice focused on matters under the banking and consumer financial laws.

Mr. McKernan holds a Bachelor of Arts and Master of Arts in economics from the University of Tennessee and a Juris Doctor with High Honors from the Duke University School of Law.

Michael J. Hsu

Michael Hsu became Acting Comptroller of the Currency on May 10, 2021.

As Acting Comptroller of the Currency, Mr. Hsu is the administrator of the federal banking system and chief executive officer of the Office of the Comptroller of the Currency (OCC). The OCC ensures that the federal banking system operates in a safe and sound manner, provides fair access to financial services, treats customers fairly, and complies with applicable laws and regulations. It supervises nearly 1,100 national banks, federal savings associations, and federal branches and agencies of foreign banks that serve consumers, businesses, and communities across the United States. These banks range from community banks to the nation's largest, most internationally active banks.

The Comptroller also serves as a Director of the Federal Deposit Insurance Corporation and a member of the Financial Stability Oversight Council and the Federal Financial Institutions Examination Council.

Prior to joining the OCC, Mr. Hsu served as an Associate Director in the Division of Supervision and Regulation at the Federal Reserve Board of Governors. In that role, he chaired the Large Institution Supervision Coordinating Committee Operating Committee, which has responsibility for supervising the global systemically important banking companies operating in the United States.

His career also has included serving as a Financial Sector Expert at the International Monetary Fund, Financial Economist at the U.S. Department of the Treasury, and Financial Economist at the Securities and Exchange Commission.

Mr. Hsu holds of a Bachelor of Arts from Brown University, a Master of Science in finance from George Washington University, and Juris Doctor degree from New York University School of Law.

Rohit Chopra

Rohit Chopra is Director of the Consumer Financial Protection Bureau. The CFPB is a unit of the Federal Reserve System charged with protecting families and honest businesses from illegal practices by financial institutions, and ensuring that markets for consumer financial products and services are fair, transparent, and competitive. As Director, Mr. Chopra is also a member of the Board of Directors of the Federal Deposit Insurance Corporation and the Financial Stability Oversight Council.

In 2018, Mr. Chopra was unanimously confirmed by the U.S. Senate as a Commissioner on the Federal Trade Commission, where he

served until assuming office as CFPB Director. During his tenure at the FTC, he successfully worked to strengthen sanctions against repeat offenders, to reverse the agency's reliance on no-money, no-fault settlements in fraud cases, and to halt abuses of small businesses. He also led efforts to revitalize dormant authorities, such as those to protect the Made in USA label and to promote competition.

The Director previously served at the CFPB from 2010 to 2015. In 2011, the Secretary of the Treasury designated him as the agency's student loan ombudsman, where he led the Bureau's efforts on student lending issues. Prior to his government service, Mr. Chopra worked at McKinsey & Company, the global management consultancy, where he worked in the financial services, health care, and consumer technology sectors.

Mr. Chopra holds a BA from Harvard University and an MBA from the Wharton School at the University of Pennsylvania.

FDIC Organizational Chart

BOARD OF DIRECTORS

Travis Hill
FDIC
Vice Chairman

Jonathan McKernan
FDIC
Board Member

Martin J. Gruenberg
FDIC
Chairman

Michael J. Hsu
Comptroller of
the Currency (Acting)
Board Member

Rohit Chopra
CFPB Director
Board Member

OFFICE OF INSPECTOR GENERAL (ACTING)
Jennifer Fain*

CHIEF OF STAFF
Kymberly Copa

INTERNAL OMBUDSMAN
Robert Harris

OFFICE OF LEGISLATIVE AFFAIRS
Andy Jimenez
Director

OFFICE OF FINANCIAL INSTITUTION ADJUDICATION
(1) Vacant
(2) Jennifer Whang
Administrative Law Judges

OFFICE OF MINORITY AND WOMEN INCLUSION
Nikita Pearson
Director

DEPUTY TO THE CHAIRMAN AND CHIEF OPERATING OFFICER
Dan Bendler

- DIVISION OF ADMINISTRATION
  Dan Bendler
  Director
- CORPORATE UNIVERSITY
  Dr. Felita Boldin
  Director and Chief Learning Officer

CHIEF INFORMATION OFFICER AND CHIEF PRIVACY OFFICER
Sylvia Burns

- DIVISION OF INFORMATION TECHNOLOGY
  Sylvia Burns
  Director
- OFFICE OF CHIEF INFORMATION SECURITY OFFICER
  Zachary Brown
  CISO and Director of OCISO

DEPUTY TO THE CHAIRMAN FOR EXTERNAL AFFAIRS
Nikita Pearson

- OFFICE OF COMMUNICATIONS
  Amy Thompson
  Director
- OFFICE OF THE OMBUDSMAN
  Jill Lennox
  Ombudsman (Acting)

DEPUTY TO THE CHAIRMAN AND CHIEF FINANCIAL OFFICER
Bret D. Edwards

- DIVISION OF FINANCE
  Donna M. Saulnier
  Director
- OFFICE OF RISK MANAGEMENT AND INTERNAL CONTROLS
  Marshall Gentry
  Director

DEPUTY TO THE CHAIRMAN FOR FINANCIAL STABILITY
Arthur Murton

- DIVISION OF RESOLUTIONS AND RECEIVERSHIPS
  Maureen Sweeney
  Director
- DIVISION OF INSURANCE AND RESEARCH
  Patrick Mitchell
  Director
- DIVISION OF COMPLEX INSTITUTION SUPERVISION AND RESOLUTION
  Arthur Murton
  Director

GENERAL COUNSEL
Harrel M. Pettway

- LEGAL DIVISION
  Harrel M. Pettway
  General Counsel

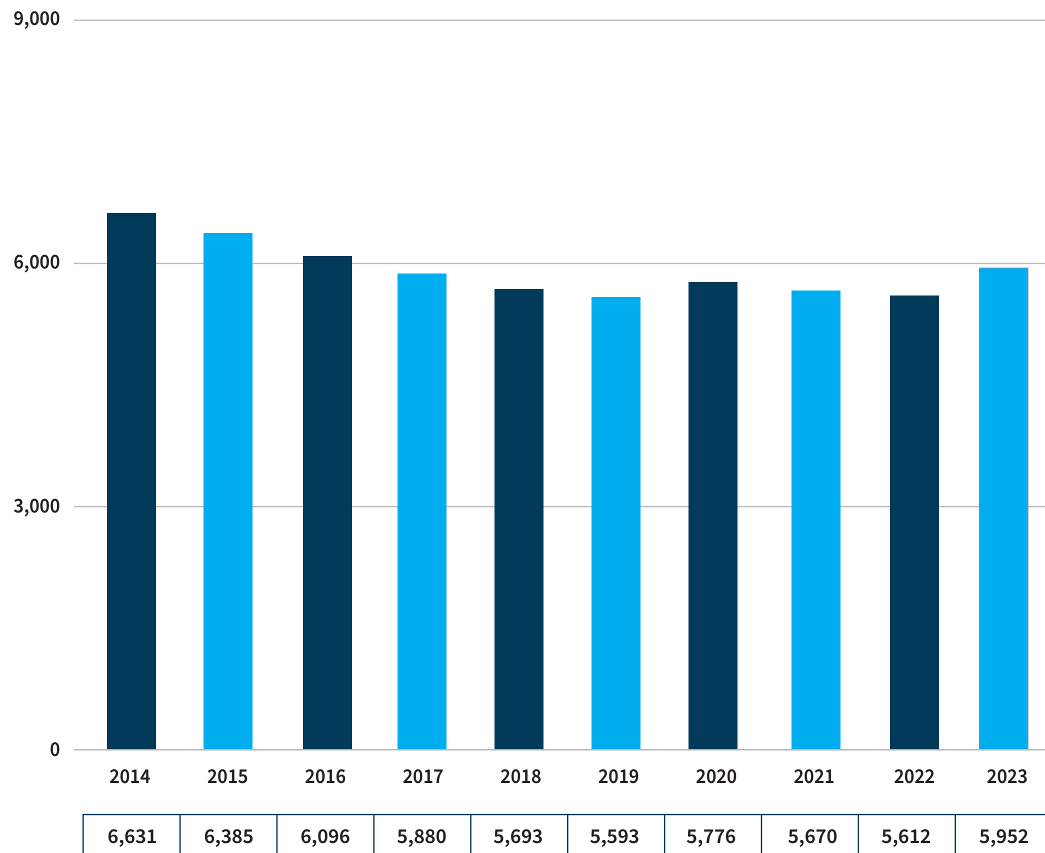
DIVISION OF RISK MANAGEMENT SUPERVISION
Doreen Eberley

- OFFICE OF MINORITY AND COMMUNITY DEVELOPMENT BANKING
  Betty Rudolph

DIVISION OF DEPOSITOR AND CONSUMER PROTECTION
Mark E. Pearce
Director

*Sworn in on January 11, 2024

CORPORATE STAFFING TRENDS



2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
6,631	6,385	6,096	5,880	5,693	5,593	5,776	5,670	5,612	5,952

FDIC Year–End Staffing

Note: 2014-2023 staffing totals reflect year-end full time equivalent staff.

Number of Employees by Division/Office (Year-End)[1]

	Total		Washington		Regional/Field	
Division or Office:	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Division of Risk Management Supervision	2,485	2,376	157	151	2,328	2,225
Division of Depositor and Consumer Protection	863	785	132	117	731	668
Legal Division	465	429	307	288	158	141
Division of Administration	412	395	301	289	111	106
Division of Resolutions and Receiverships	386	332	53	54	334	278
Division of Information Technology	304	292	177	165	127	127
Division of Complex Institution Supervision and Resolution	285	286	110	117	175	169
Division of Insurance and Research	196	190	168	153	28	37
Division of Finance	143	134	141	131	2	3
Executive Support Offices [2]	88	88	77	76	11	12
Corporate University	75	65	59	53	16	12
Office of the Chief Information Security Officer	57	54	54	53	3	1
Office of Risk Management and Internal Controls	25	23	24	23	1	0
Executive Offices[3]	24	20	24	20	0	0
Office of Inspector General	144	143	92	92	52	51
Total	**5,952**	**5,612**	**1,875**	**1,781**	**4,077**	**3,830**

[1] The FDIC reports staffing totals using a full-time equivalent methodology, which is based on an employee's scheduled work hours. Division/Office staffing has been rounded to the nearest whole FTE. Totals may not foot due to rounding.

[2] Includes the Offices of the Legislative Affairs, Communications, Ombudsman, Financial Institution Adjudication, and Minority and Women Inclusion.

[3] Includes the Offices of the Chairman, Vice Chairman, Director (Appointive), Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Consumer Protection and Innovation, External Affairs, Policy, and Financial Stability.

Sources of Information

FDIC WEBSITE

www.fdic.gov

A wide range of banking, consumer, and financial information is available on the FDIC's public-facing website. This includes the FDIC's Electronic Deposit Insurance Estimator (EDIE), which estimates an individual's deposit insurance coverage; the Institution Directory, which contains financial profiles of FDIC-insured institutions; Community Reinvestment Act evaluations and ratings for institutions supervised by the FDIC; Call Reports, which are bank reports of condition and income; and *Money Smart*, a training program to help individuals outside the financial mainstream enhance their money management skills and create positive banking relationships. Readers also can access a variety of consumer pamphlets, FDIC press releases, speeches, and other updates on the agency's activities, as well as corporate databases and customized reports of FDIC and banking industry information.

FDIC CALL CENTER

Phone: 877-275-3342 (877-ASK-FDIC)
703-562-2222

Hearing Impaired: 800-877-8339
703-562-2289

The FDIC Call Center in Washington, D.C., is the primary telephone point of contact for general questions from the banking community, the public, and FDIC employees. The Call Center directly, or with other FDIC subject-matter experts, responds to questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. The Call Center also refers callers to other federal and state agencies as needed. Hours of operation are 8:00 a.m. to 6:00 p.m., Eastern Time, Monday – Friday, 8:00 a.m. to 1:00 p.m., Saturday, and closed Sunday. Recorded information about deposit insurance and other topics is available 24 hours a day at the same telephone number. As a customer service, the FDIC Call Center has many bilingual Spanish agents on staff and has access to a translation service, which is able to assist callers with over 40 different languages.

PUBLIC INFORMATION CENTER

3501 Fairfax Drive
Room E-1021
Arlington, VA 22226

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703-562-2200

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FDIC Online Catalog: https://catalog.fdic.gov

E-mail: publicinfo@fdic.gov

Publications such as *FDIC Quarterly* and *Consumer News* and a variety of deposit insurance and consumer pamphlets are available at www.fdic.gov or may be ordered in hard copy through the FDIC online catalog. Other information, press releases, speeches and congressional testimony, directives to financial institutions, policy manuals, and FDIC documents are available on request through the Public Information Center. Hours of operation are 9:00 a.m. to 4:00 p.m., Eastern Time, Monday – Friday; walk-in service is available at the mailing address location. On-site visits are by appointment only.

OFFICE OF THE OMBUDSMAN

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E-mail: ombudsman@fdic.gov

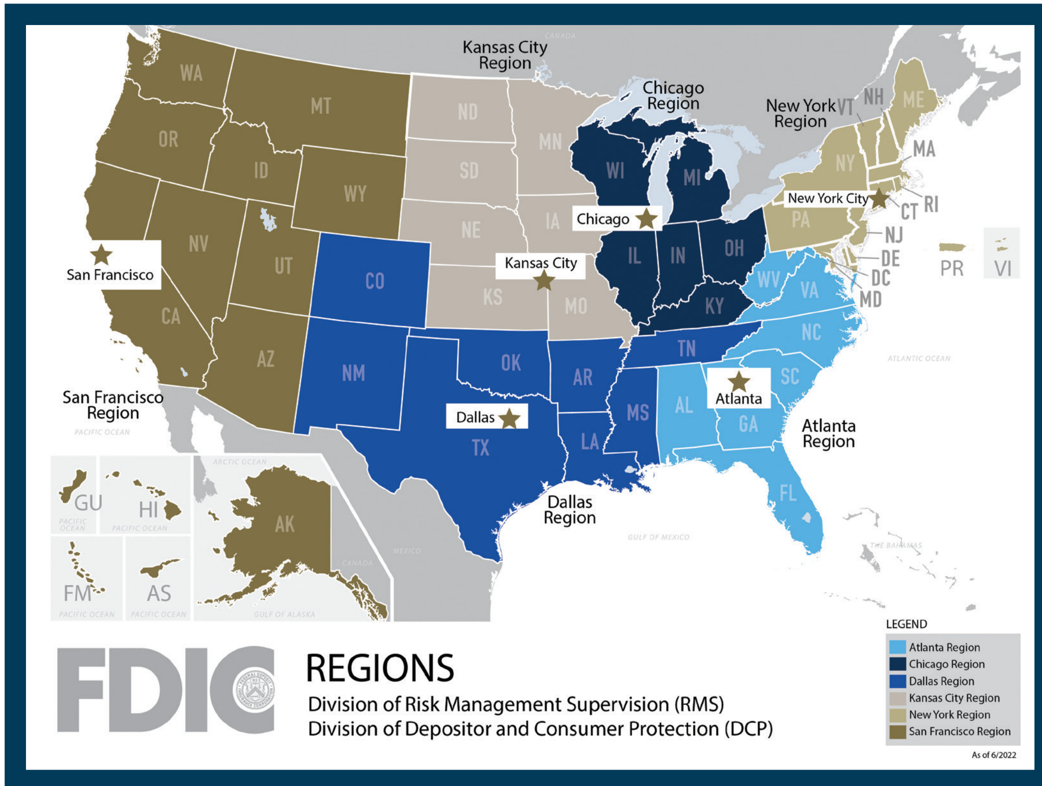
Online Comment form: https://ask.fdic.gov/fdicinformationandsupportcenter/s/

Website: www.fdic.gov/ombudsman

A Resource for the Banking Industry

The Office of the Ombudsman (OO) is an independent, neutral, and confidential resource and liaison for the banking industry and the general public. The OO responds to inquiries about the FDIC in a fair, impartial, and timely manner. OO representatives participate in all bank closings to provide accurate information to bank customers, bank employees, and the general public.

Regional Offices



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Timothy D. Rich, Regional Director
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(678) 916-2200

States represented:
Alabama
Florida
Georgia
North Carolina
South Carolina
Virginia
West Virginia

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Chicago, Illinois 60606
(312) 382-6000

States represented:
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Indiana
Kentucky
Michigan
Ohio
Wisconsin

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Arkansas
Colorado
Louisiana
Mississippi
New Mexico
Oklahoma
Tennessee
Texas

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(816) 234-8000

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Kansas
Minnesota
Missouri
Nebraska
North Dakota
South Dakota

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John Vogel, Regional Director
350 Fifth Avenue
Suite 1200
New York, New York 10118
(917) 320-2500

States and territories represented:
Connecticut
Delaware
District of Columbia
Maine
Maryland
Massachusetts
New Hampshire
New Jersey
New York
Pennsylvania
Puerto Rico
Rhode Island
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Virgin Islands

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Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation

February 2024

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Federal Deposit Insurance Corporation
Office of Inspector General

NOTICE

Pursuant to Pub. L. 117-263, section 5274, non-governmental organizations and business entities identified in this OIG Top Management and Performance Challenges Report have the opportunity to submit a written response for the purpose of clarifying or providing additional context to any specific reference. Comments must be submitted to comments@fdicoig.gov within 30 days of the report publication date as reflected on our public website. Any comments will be appended to this report and posted on our public website. We request that submissions be Section 508 compliant and free from any proprietary or otherwise sensitive information.

Federal Deposit Insurance Corporation
Office of Inspector General

Date: February 22, 2024

Memorandum To: Board of Directors

/Signed/

From: Jennifer L. Fain
Inspector General

Subject Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation

The Office of Inspector General (OIG) presents its annual assessment of the Top Management and Performance Challenges facing the Federal Deposit Insurance Corporation (FDIC). This document summarizes the most serious challenges facing the FDIC and briefly assesses the Agency's progress to address them.

This Challenges document is based on the OIG's experience and observations from our oversight work, reports by other oversight bodies, review of academic and relevant literature, perspectives from Government agencies and officials, and information from private-sector entities. In several instances, we discuss topic areas where the OIG had previously conducted work to evaluate, audit, and review the FDIC's progress in these Challenge areas.

We identified nine Top Challenges facing the FDIC. The Challenges identify risks to FDIC mission-critical activities and to FDIC internal programs and processes that support mission execution. These Challenges include all aspects of the Challenges that we reported last year, with important updates. Among these updates are the need for the FDIC to address increasing staff attrition--especially for examiners--and to focus on improving the FDIC's workplace environment. We also note that the failures of Signature Bank of New York and First Republic Bank demonstrated the need for the FDIC to escalate supervisory actions when risks are identified, consistent with the FDIC's forward-looking supervision initiative. Further, the FDIC should consider emerging risks in its failure estimation process and ensure that the FDIC can execute its orderly liquidation resolution authority.

The FDIC's Top Challenges include:

1. Strategic Human Capital Management at the FDIC
2. Identifying and Addressing Emerging Financial Sector Risk
3. Ensuring Readiness to Execute Resolutions and Receiverships
4. Identifying Cybersecurity Risks in the Financial Sector
5. Assessing Crypto-Asset Risk
6. Protecting Consumer Interests and Promoting Economic Inclusion
7. Fortifying IT Security at the FDIC
8. Strengthening FDIC Contract and Supply Chain Management
9. Fortifying Governance of FDIC Programs and Data

We commend the FDIC for taking steps in some areas to address certain Challenges and we note many of these actions in the attached document. This researched and deliberative analysis guides our work and we believe it is beneficial and constructive for policy makers, including the FDIC and Congressional oversight bodies. We further hope that it is informative for the American people regarding the programs and operations at the FDIC and the Challenges it faces.

Strategic Human Capital Management at the FDIC

Key Areas of Concern

The primary areas of concern for this Challenge are:
- Addressing FDIC Staff Attrition
- Managing a Wave of Prospective Retirements at the FDIC
- Sustaining a Work Environment Free from Discrimination, Harassment, and Retaliation

The FDIC relies on the talents and skills of its workforce of over 5,700 employees to accomplish its mission to maintain stability and public confidence in the Nation's financial system. The FDIC's strategic management of its human capital is important to ensure that the FDIC does not experience mission-critical skill and leadership gaps. Strategic human capital management involves a dynamic set of factors across multiple activities—workforce planning, recruitment, hiring, orientation, compensation, engagement, succession planning, and retirement programs. These activities should occur within a workplace that proactively prevents and addresses discrimination, harassment, and retaliation, and that ensures workforce diversity, equity, inclusion, and accessibility. Further, strategic human capital management involves consideration of the trade-offs of hiring permanent, temporary, or contracted staff to perform the FDIC's work.

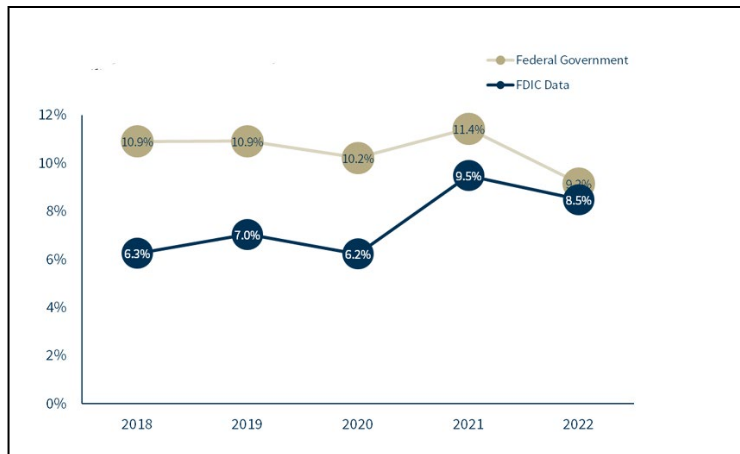
The Government Accountability Office (GAO) continues to recognize strategic human capital management as a Government-wide high-risk area, and we have included human capital risk as an FDIC Top Management and Performance Challenge since 2018. The FDIC has also included human capital management as a risk in the FDIC's Enterprise Risk Management (ERM) Risk Portfolio and in 2023 elevated the issue to the highest Enterprise Risk at the FDIC.

Addressing FDIC Staff Attrition

Attrition—through resignations and retirements—can create opportunities for employees and allow organizations to restructure, but if turnover is not strategically monitored and managed, gaps can develop in an organization's institutional knowledge and leadership.

The FDIC has faced increasing staff attrition rates, and the FDIC has been unable to close the attrition gap through hiring. As shown in Figure 1, the 2022 FDIC staff attrition rate remained higher than the

Figure 1: Workforce Attrition Rates for FDIC and Federal Government-wide 2018-2022



Source: FDIC Retention Management: Baseline Organizational Assessment

pre-pandemic rates of 6.3 percent in 2018 and 7 percent in 2019. In part, the attrition increased in 2021 and 2022 because of the FDIC's Voluntary Early Retirement and Separation Incentive Program, which began in early March 2020, was suspended in mid-March 2020 as a result of the pandemic, and reintroduced in February 2021 for certain positions.

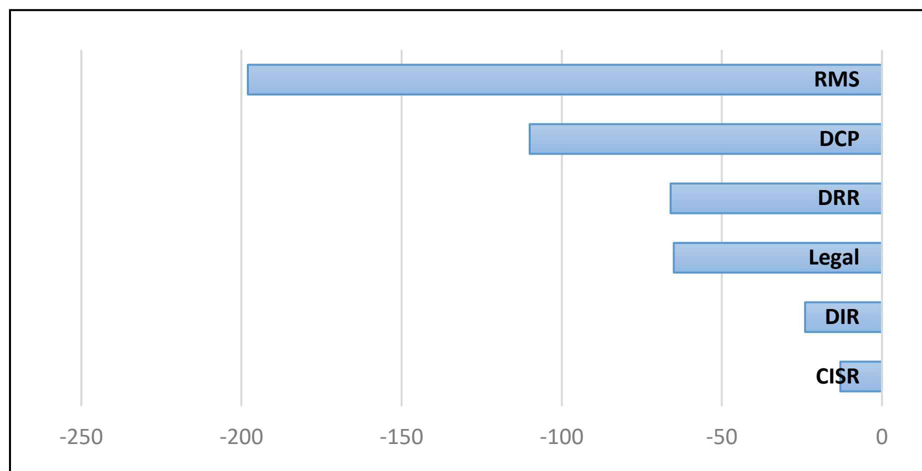
Further, the FDIC attrition rate has generally been lower than that of the Federal

Government, but in 2022 the FDIC attrition rate was beginning to close that gap.

According to the FDIC's analysis of surveys from employees departing the FDIC, more than 41 percent of those departing were retiring, and about 25.5 percent were resigning to take positions at banks or within the private sector. Nearly 16 percent of employees transferred to other Federal agencies, and 17.5 percent did not provide a reason for departure.

FDIC staff hiring has not kept pace with FDIC attrition in all FDIC Divisions. We computed the FDIC's net gain or loss for staff hiring and attrition for the 5-year period between January 1, 2018, and January 1, 2023. As shown in Figure 2, despite hiring, important FDIC Divisions had cumulative net employee losses over that 5-year period. In other words, the FDIC lost more employees during that period than it was able to hire.

Figure 2: Cumulative Net Employee Losses (hiring less attrition) for the Period of January 1, 2018 to January 1, 2023



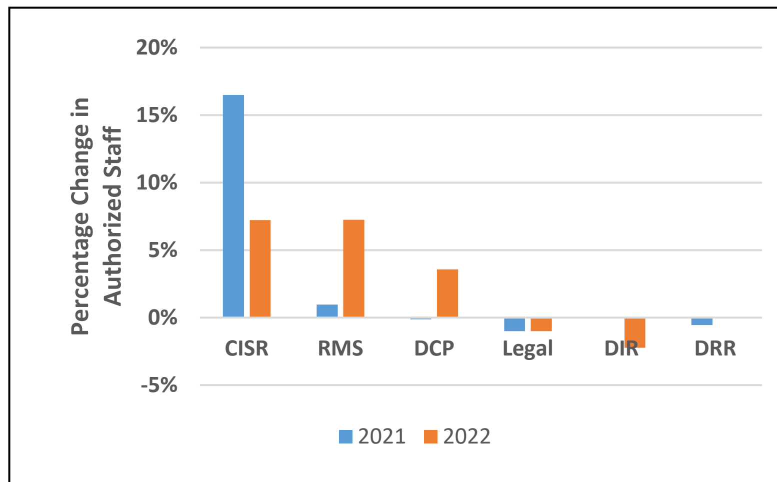
Source: OIG Analysis of FDIC Data

The FDIC's largest component, the Division of Risk Management Supervision (RMS), responsible for safety and soundness examinations and bank supervision, had a net loss of nearly 200 staff (about 9 percent of RMS employees). The FDIC's second largest component, the Division of Depositor and Consumer Protection (DCP), which conducts bank consumer compliance examinations, had a net loss of more than 100 personnel (or about 14 percent of DCP employees); the Division of Resolutions and Receiverships (DRR), responsible for marketing and resolving failed banks, paying deposit insurance, and managing bank receiverships, had net employee losses of over 50 staff (or about 20 percent of employees). The Legal Division, which provides legal support for all FDIC Divisions, experienced a net loss of over 50 staff (about 16 percent of employees). The Division of Insurance and Research (DIR), which analyzes emerging risks to the Deposit Insurance Fund (DIF), had net staff losses of over 20 personnel (about 14 percent of employees). The Division of Complex Institution Supervision and Resolution (CISR), responsible for the supervision and resolution of the largest banks, had net staff losses of more than 10 staff (about 5 percent of employees).

Three of the six Divisions noted above also had increases in budgeted authorized staffing levels in 2021 and 2022. In effect, at the same time that the FDIC was unable to hire to replace staff losses, the FDIC determined that additional staff was needed to accomplish its mission, thereby further increasing the number of required new hires.

As shown in Figure 3, CISR had a budget authorized staffing increase of 16 percent in 2021 and 7 percent in 2022. RMS had a budget authorized staffing increase of 1 percent in 2021 and 7 percent in 2022. DCP had a budget authorized staffing increase of 4 percent in 2022. Although the Legal Division, DIR, and DRR had small percentage budget authorized staffing decreases, their respective cumulative net staff losses exceeded budget authorized staffing reductions.

Figure 3: Budget Authorized Staffing Percentage Increase/Decrease for Selected Divisions from 2021-2022

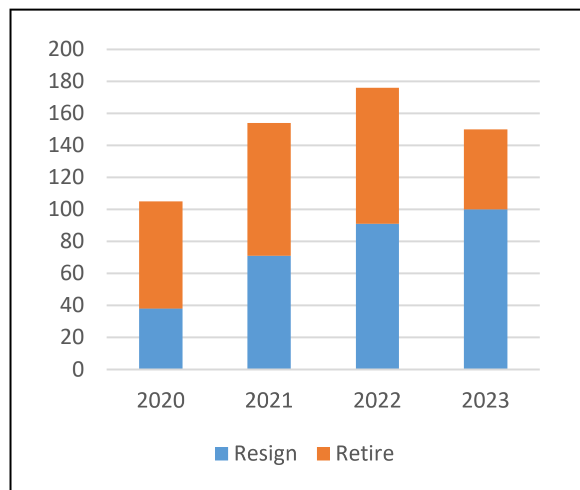


Source: OIG Analysis of FDIC Budget Data

In addition, the FDIC experienced increasing attrition for mission-critical FDIC examination staff. Examiners work in four Divisions at the FDIC: RMS, DCP, CISR, and the FDIC's Corporate University (CU). RMS examiners conduct safety and soundness examinations. According to the FDIC's Risk Management Manual of Examination Policies, bank safety and soundness examinations allow the FDIC to "identify the cause and severity of problems at individual banks and emerging risks in the financial services industry. The accurate identification of existing and emerging risks helps the FDIC develop effective corrective measures for individual institutions and broader supervisory strategies for the industry." DCP examiners conduct consumer compliance examinations that the FDIC Consumer Compliance Examination Manual states "are the primary means the FDIC uses to determine whether a financial institution is meeting its responsibility to comply with the requirements and proscriptions of Federal consumer protection laws and regulations." CISR specialists, many of whom qualify as examiners, perform back-up supervision, risk monitoring and analysis, and resolution planning activities for large complex financial institutions, and examiners in CU teach examination skills to other examiner staff.

As shown in Figure 4, overall attrition among all FDIC examiners increased in 2021 and 2022 after the pandemic but began to contract in 2023. Although overall attrition rates trended lower in 2023, examiner resignations continued to increase. For 2020, examiner attrition equaled about 4 percent of all FDIC examination staff with 38 examiners resigning. In 2021, examiner attrition rose to about 6 percent with 83 examiners resigning. In 2022, about 7 percent of examiners left the FDIC with 85 examiners

Figure 4: All FDIC Examiner Resignations and Retirements 2020-2023



Source: OIG Analysis of FDIC Data

resigning. The examiner attrition rate in 2023 was 6 percent with 100 examiners resigning.

Further, turnover rates for new examiners are higher than those for new employees throughout the FDIC. The FDIC's March 2023 Baseline Organizational Assessment found that early career examiners with 2 years of training had a 15.4 percent turnover rate, but the turnover rate for non-examiner FDIC employees with 2 years of service was 4.3 percent.

Examiner departures are costly to the FDIC in terms of both funding and time. The FDIC invests approximately 4 years of training for new examiners from the time they are hired until they earn an examination commission. Such commissioning requires that employees meet benchmarks, training, and other technical requirements, including passing a Technical Examination.

Importantly, examiner departures have impacted the FDIC's mission. Both the FDIC report and our report on the failure of Signature Bank of New York found that the FDIC lacked examination resources to conduct timely, quality safety and soundness examinations.

In the FDIC Chief Risk Officer's report, FDIC's Supervision of Signature Bank, the FDIC found that it "experienced resource challenges with examination staff that affected the timeliness and quality of [Signature Bank] examinations." The report found that since 2020, 40 percent of the FDIC's New York Regional Office large bank safety and soundness examination staff positions had been either vacant or filled with temporary staff. Further, the FDIC noted challenges regarding the quality of examiner skillsets that required additional supervisory review of data analysis and reports. As a result, the report concluded that "the vacancies and adequacy of the skillsets of the Dedicated Team slowed earlier identification and reporting of [Signature Bank] weaknesses."
In our Material Loss Review of Signature Bank of New York, we found that the FDIC did not timely perform supervisory activities and was repeatedly delayed in issuing supervisory products because of staffing limitations in terms of the number of available personnel and their respective skillsets. We noted frequent turnover in the FDIC's New York Regional Office examination staff and that temporary personnel added prior to 2022 to the Signature Bank examination team often lacked requisite experience with large banks.

We recommended that the FDIC reevaluate its strategy to attract, retain, and allocate staff. Further, as discussed in greater detail in the Identifying Cybersecurity Risks in the Financial Sector section of this Report, we also found that FDIC examiner staffing impacted the ability of the FDIC to conduct timely examinations of bank third-party service providers.

Managing a Wave of Prospective Retirements at the FDIC

The FDIC also faces significant prospective retirement-eligibility risk for current staff. Retirement eligibility is the date that an employee is eligible to choose to retire, but employees may work beyond their eligibility date.

The FDIC makes annual retirement date projections beyond eligibility dates based on a combination of factors, including age and retirement eligibility. Historically, the FDIC has found that many employees have chosen to work beyond their retirement-eligibility dates.

The FDIC faces staffing risks based on its employee retirement-eligibility rates, which are higher than Government-wide averages.

As shown in Table 1, 23 percent of the FDIC workforce was eligible to retire in 2023, with that figure rising to 36 percent in 2027. According to Analytic Perspectives in the President's Fiscal Year 2023 budget, 15 percent of the Federal workforce was eligible to retire in Fiscal Year 2023 with 30 percent eligible in the next 5 years. Further, every FDIC Division except DCP had higher staff retirement-eligibility rates than the current Government-wide average retirement eligibility rate of 15 percent.

Table 1: FDIC Staff Retirement-Eligibility Rates by Division

Division	2023	2024	2025	2026	2027
Division of Finance (DOF)	38%	43%	46%	46%	47%
Division of Resolutions and Receiverships (DRR)	37%	42%	45%	47%	49%
Legal Division (Legal)	33%	38%	38%	48%	48%
Division of Administration (DOA)	29%	32%	36%	39%	41%
Division of Risk Management Supervision (RMS)	21%	25%	28%	32%	34%
Division of Information Technology (DIT)	18%	21%	23%	27%	31%
Division of Complex Institution Supervision and Resolution (CISR)	16%	20%	25%	27%	31%
Division of Insurance Research (DIR)	16%	21%	24%	25%	28%
Division of Depositor and Consumer Protection (DCP)	15%	19%	23%	27%	29%
Overall for FDIC	23%	27%	30%	33%	36%

Source: OIG Analysis of FDIC Data

Retirement-eligibility rates are high for FDIC Executives and Managers across FDIC Regional Offices and for mission-critical examination staff.

As noted in Table 2, about 41 percent of all Executives and nearly 30 percent of all FDIC Managers were eligible to retire in 2023. These rates climb to 57 percent for FDIC Executives and nearly 47 percent for Managers by 2027. Some FDIC Regional Offices have significantly higher retirement rates for their Executives and Managers.

Table 2: FDIC Executive and Manager Retirement Eligibility

	Regional Office	2023	2024	2025	2026	2027
Executives	Atlanta	100%	100%	100%	100%	100%
	Chicago	100%	100%	100%	100%	100%
	Dallas	75%	75%	100%	100%	100%
	Kansas City	100%	100%	100%	100%	100%
	New York	25%	25%	25%	50%	50%
	San Francisco	33%	67%	67%	67%	67%
	Washington	37%	42%	48%	51%	53%
	All Executives	41%	46%	52%	56%	57%
Managers	Atlanta	21%	31%	37%	40%	45%
	Chicago	22%	36%	47%	52%	56%
	Dallas	49%	53%	58%	61%	63%
	Kansas City	38%	47%	53%	58%	58%
	New York	25%	32%	39%	46%	50%
	San Francisco	24%	30%	33%	42%	48%
	Washington	28%	31%	36%	38%	40%
	All Managers	29%	35%	41%	44%	47%

Source: OIG Analysis of FDIC Data

For example, 100 percent of Atlanta, Chicago, and Kansas City Regional Office Executives and 75 percent of the Executives from the Dallas Regional Office were eligible to retire in 2023. These retirements may result in gaps in leadership positions. Leadership gaps can cause delayed decision-making, reduced program oversight, and failure to achieve Agency goals.

In addition, a significant percentage of examiners across the FDIC are eligible for retirement. As shown in Table 3, in 2023, 30 percent of supervisory examiners were eligible to retire – a figure that climbs to 53 percent in 2027. In 2023, 15 percent of non-supervisory examiners were eligible to retire, and by 2027, 29 percent of this group is eligible to retire.

Further, some of the examiners noted in Table 3 are considered to be subject-matter experts (SME) because they have additional training and experience in certain bank-related disciplines. As shown in Table 4, the FDIC faces significant retirement risks for SMEs. Notably, the FDIC has the highest SME retirement-eligibility rates for Advanced Information Technology (IT) and Trust Account experts followed by Intermediate IT, Bank Secrecy Act/Anti-Money Laundering (BSA/AML), Capital Markets, Accounting, and Consumer Protection experts. The FDIC's vulnerability to SME retirements is occurring at a time when banks are facing rising risks from the increased use of Advanced IT, partnerships with third-party service providers, involvement with crypto assets and crypto-asset sector participants, and potential fraud and money laundering risks.

Collectively, FDIC current attrition and retirement-eligibility rates have the potential to result in future organizational knowledge, skill, and leadership gaps that may impede the FDIC from achieving results.

The FDIC has recognized the significance of its human capital risk and has taken a number of steps to mitigate risks. For example, in March 2023, the FDIC completed a Baseline Organizational Assessment to support the work of an FDIC-wide Retention Management Working Group. The FDIC also established a Human Capital Strategic Planning Analysis Unit within the Division of Administration to design an Agency-wide approach to address talent pipeline challenges. In September 2021, the FDIC also began its Leadership Excellence Acceleration

Table 3: Supervisory and Non-Supervisory Retirement-Eligibility Rates for All Examiners

	2023	2024	2025	2026	2027
Supervisory examiners	30%	39%	45%	50%	53%
Non-supervisory examiners	15%	19%	23%	26%	29%

Source: OIG Analysis of FDIC Data

Table 4: Examiner Retirement-Eligibility Rates for SMEs

	2023	2024	2025	2026	2027
Advanced IT	31%	62%	62%	69%	69%
Trusts	29%	35%	39%	45%	53%
Intermediate IT	22%	24%	27%	29%	31%
BSA/AML	16%	22%	28%	33%	40%
Capital Markets	15%	21%	28%	30%	32%
Accounting	14%	24%	30%	33%	36%
Consumer Protection	7%	7%	7%	13%	20%

Source: OIG Analysis of FDIC Data

Program offering non-supervisory employees one year of specialized leadership training to provide the knowledge, skills, and experience to take on leadership roles. Further, FDIC Divisions have been assessing their human capital needs, including one Division that is engaging a contractor in its efforts.

Sustaining a Work Environment Free From Discrimination, Harassment, and Retaliation

Discrimination, harassment, and retaliation within an organization can have profound effects and serious consequences for the individual, fellow colleagues, and the agency as a whole. In certain instances, a harassed individual may risk losing a job or the chance for a promotion, and it may lead the employee to suffer emotional and physical consequences. It is critical for organizations to have leadership that promotes a workplace and culture that safeguards against discrimination, harassment, and retaliation.

Organizations should have policies, procedures, and training to guard against and effectively address discrimination, harassment, and retaliation. Further, organizations should have mechanisms for individuals to report incidents of discrimination, harassment, and retaliation, and processes to promptly assess reported incidents and take appropriate actions against those who engage in such misconduct.

In our July 2020 OIG evaluation, Preventing and Addressing Sexual Harassment, we assessed the FDIC's sexual harassment-related policies, procedures, training, and practices for the period January 2015 through April 2019. We found that the FDIC had not established an adequate sexual harassment prevention program and should improve its policies, procedures, and training to facilitate the reporting of sexual harassment allegations and address reported allegations in a prompt and effective manner. Specifically, we found that the FDIC had not developed a sexual harassment prevention program that fully aligned with the five core principles promoted by the Equal Employment Opportunity Commission: (1) committed and engaged leadership; (2) strong and comprehensive harassment policies; (3) trusted and accessible complaint procedures; (4) regular, interactive training tailored to the audience and the organization; and (5) consistent and demonstrated accountability.

As part of our evaluation, we conducted a voluntary survey of FDIC employees. The survey responses provided insight into employee understanding of what constitutes sexual harassment, instances of sexual harassment experienced or observed at the FDIC, impediments to reporting, and the adequacy of training. Our survey found that approximately 8 percent of FDIC respondents (191 of 2,376) said that they had experienced sexual harassment at the FDIC during the period January 2015 through April 2019.

Although 191 FDIC respondents to the OIG survey reportedly experienced sexual harassment, the FDIC only received 12 reported sexual harassment allegations, including both formal complaints and misconduct allegations from January 2015 through April 2019. This response suggests that there may have been an underreporting of sexual harassment allegations. We made 15 recommendations to the FDIC to strengthen its anti-sexual harassment program. The FDIC made changes to its anti-sexual harassment policies and procedures based on our recommendations.

On November 13, 2023, the Wall Street Journal published the first of several articles outlining a toxic work environment at the FDIC over at least a decade that alleged sexual harassment, a heavy drinking culture, improper behavior by FDIC senior leaders, and an unwillingness of employees

to file sexual harassment complaints because of the fear of retaliation. On November 21, 2023, the FDIC Board announced that the Board had established a Special Committee co-chaired by FDIC Director Jonathan McKernan and FDIC Director and Acting Comptroller of the Currency Michael Hsu to oversee a "third-party review of the agency's workplace culture." In addition, we have work ongoing to follow up on our assessment of the FDIC's sexual harassment prevention program and a Special Inquiry to report on the leadership climate at the FDIC with regard to all forms of harassment and inappropriate behavior.

Identifying and Addressing Emerging Financial Sector Risk

Key Areas of Concern

In addition to the examiner staffing challenges described in the Strategic Human Capital Management at the FDIC section of this Report, the primary areas of concern for this Challenge area are:

- Escalating Supervisory Actions to Address Identified Risks
- Assessing Emerging Risks Through Data Gathering and Analysis
- Considering Emerging Risks in the FDIC's Bank Failure Estimation Process
- Sharing Threat and Vulnerability Information with Financial Institutions

According to the FDIC's Quarterly Banking Profile, the FDIC insures over 4,600 financial institutions with total assets exceeding $23 trillion. The FDIC supervises over 2,900 of these banks with combined total assets of about $4.2 trillion. A key aspect of the FDIC's bank supervision is a forward-looking supervisory approach to identify and assess bank and banking sector risks before they impact the financial condition of a bank or the broader financial sector.

Escalating Supervisory Actions to Address Identified Risks

When FDIC examinations identify weaknesses in bank risk management, the FDIC should ensure that bank board members and senior management take timely and appropriate actions to address such risks. FDIC examinations may include recommendations requiring that bank board members address weaknesses, or in the case of severe deficiencies, the FDIC may put in place informal or formal enforcement actions to require program improvements and hold banks accountable for implementing and maintaining required changes.[1]

Prior to the financial crisis of 2008-2011, examiners identified weak risk management practices at financial institutions, but they often delayed taking supervisory action until the institution's financial performance declined. In some cases, financial decline led to bank failures and losses to the DIF.

To avoid that result, in 2011 the FDIC implemented a forward-looking supervisory initiative as part of its risk-focused supervision program. The goal of this supervisory approach was to identify and assess risk before it impacts a bank's financial condition and to ensure early risk mitigation.

Both our Material Loss Review of Signature Bank of New York and the FDIC Chief Risk Officer's report, FDIC's Supervision of Signature Bank, found that the FDIC could have escalated supervisory concerns regarding Signature Bank earlier, consistent with the FDIC's forward-looking supervision initiative.

These supervisory concerns included multiple opportunities to downgrade the Management component of the FDIC's safety and soundness examination rating known as CAMELS[2]—changing the Management component from a 2—meaning satisfactory, to a 3—meaning needs improvement. The downgrade may have lowered the bank's composite CAMELS rating and, according to FDIC policy, supported consideration of an enforcement action against Signature Bank. We made three recommendations to the FDIC to emphasize to examiners the importance of timely escalation of supervisory concerns in line with the FDIC's forward-looking supervision initiative.

In remarks before the Committee on Financial Services, United States House of Representatives, on November 15, 2023, the FDIC Chairman noted that the FDIC was looking at options to improve supervision, such as "updating examiner guidance to be more explicit about analyses of uninsured deposit concentrations and reemphasiz[ing] to examiners the importance of forward–looking indicators of risk, such as high growth rates and breaches of internal risk limits." In our report, Material Loss Review of First Republic Bank, we recommended that the FDIC also engage with other regulators to evaluate the need for changes to rules under safety and soundness standards, including the adoption of noncapital triggers that would require early and forceful regulatory actions to address unsafe banking practices before such practices impair capital.

Assessing Emerging Risks Through Data Gathering and Analysis

The FDIC has a number of activities, beyond examinations, for the detection of emerging risks in the banking sector. The FDIC's Offsite Review Program is designed to identify emerging supervisory concerns and potential problems that may arise between onsite bank examinations so that supervisory strategies can be adjusted appropriately.[3] Further, the FDIC released its Risk Review 2023 report outlining key risks to banks. Through our work, we have found that the FDIC could do more to assess emerging risks by analyzing the data it holds and obtaining data from outside the FDIC.

Information Technology Risks. According to our report, Implementation of the FDIC's Information Technology Risk Examination (InTREx) Program, the FDIC is not fully utilizing available data and analytic tools to identify emerging IT risks at financial institutions. In 2017, the FDIC developed a tool called AlphaREx to conduct analysis of unstructured data from IT examinations. The FDIC used AlphaREx to identify financial institutions at risk from specific types of vulnerabilities, but the system has not been used to analyze FDIC IT examination data to identify emerging trends across all FDIC-supervised institutions. Such risk trend information could be used to promote risk remediation efforts, target specific IT reviews, and improve IT examination processes. Such analysis could be valuable to both policymakers and examiners in assessing cyber threats, formulating supervisory strategies, and evaluating the adequacy of InTREx procedures and examiner training. The FDIC is conducting a review to determine areas in which to use AlphaREx to identify emerging IT risks and trends at financial institutions.

Further, in our memorandum, The FDIC's Regional Service Provider Examination Program, we identified an opportunity for the FDIC to leverage available information to develop a comprehensive inventory of FDIC-supervised bank service providers. A map of bank and third-party interconnections may be useful for examiners to understand the full scope of cybersecurity risks—rather than risks solely for a single bank or third party. This information may also help FDIC policymakers to ensure that FDIC policies and examination procedures appropriately address and assess interconnected risks.

Further, in the event of a cybersecurity incident, a mapping of bank and third-party relationships may allow the FDIC to quickly identify the parties at risk and may provide relevant threat information and supervisory guidance to mitigate such risk as well as prepare for potential resolutions.

Threat Information. In our report, Sharing of Threat Information to Guide the Supervision of Financial Institutions, we found that the FDIC receives threat information relevant to the banking sector, but the FDIC had not established effective

processes to acquire, analyze, disseminate, and use relevant and actionable threat information to guide the supervision of financial institutions. For example, the FDIC relied solely on the judgment of certain individuals to determine the extent to which threat information should be analyzed to support FDIC business needs and the supervision of financial institutions rather than engaging stakeholders and developing procedures to guide analysis.

Also in our report, Sharing of Threat and Vulnerability Information with Financial Institutions, we found that the FDIC's threat intelligence operations may benefit from using an available natural language processing tool or alternative capabilities to analyze other FDIC unstructured data sets for the identification of threat and vulnerability information.

Government-Guaranteed Loan Information. In our report, FDIC Examinations of Government-Guaranteed Loans, we found that FDIC examiners did not have adequate data to identify, monitor, and research bank participation in Government-Guaranteed loan programs. The FDIC's DIR had obtained information from publicly-available sources for research-related purposes and studies, but that data was neither requested by nor shared with examination staff.

Absent sufficient data, the FDIC may be limited in its ability to proactively identify and monitor emerging risks associated with a bank's participation in Government-Guaranteed loan programs. Government-Guaranteed loan programs often have complex requirements and documentation standards that present compliance challenges for financial institutions. For example, a Federal agency may rescind its guaranty if a bank makes a loan to an ineligible borrower or to a borrower that lacks creditworthiness or repayment ability. The FDIC completed 6 recommendations and is in the process of implementing the remaining 13 recommendations we made to improve the FDIC's supervision of banks that participate in Government-Guaranteed loan programs.

Climate Change. As part of the Council of Inspectors General on Financial Oversight, we contributed to the Audit of the Financial Stability Oversight Council's Efforts to Address Climate-Related Financial Risk (FSOC Climate Report) that found that FSOC's Report on Climate-Related Financial Risk was consistent with Executive Order 14030, Climate-Related Financial Risk. The FSOC Climate Report identified the need for "actionable climate-related data to allow better risk measurement by regulators and in the private sector." According to the FDIC's Risk Review 2023, the FDIC is at the beginning stages of assessing climate-related financial risks. The FDIC is working with other Federal banking regulators, FSOC, and international organizations to ensure a common understanding of risks and share information.

On October 30, 2023, Federal banking regulators issued final Interagency Guidance on Principles for Climate-Related Financial Risk Management for Large Financial Institutions. The principles "provide a high-level framework for the safe and sound management of large bank exposures to climate-related financial risks."

The principles focus on governance, strategic planning, risk management, data, scenario analysis, and policies and procedures. The FDIC is also focusing on monitoring how the adverse effects of climate change could include a potentially disproportionate impact on the financially vulnerable, including low- and moderate-income and other underserved consumers and communities.

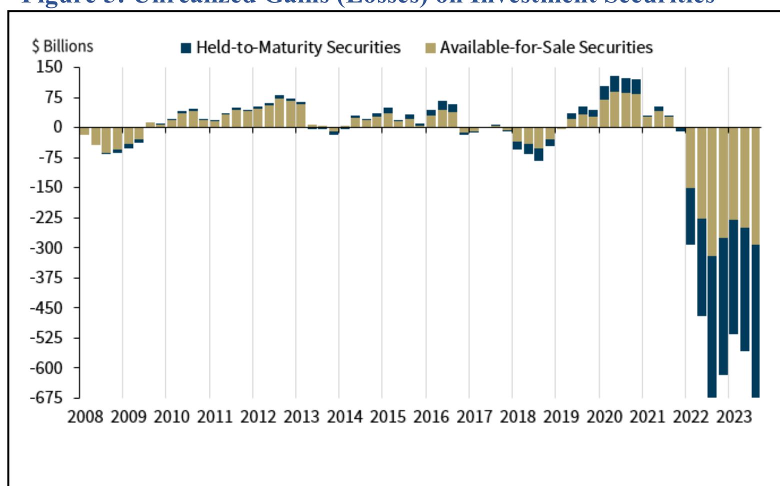
Considering Emerging Risks in the FDIC's Bank Failure Estimation Process

The FDIC estimates anticipated bank failures for its financial statements and for budgeting and planning purposes. The FDIC's internal Financial Risk Committee determines the FDIC's DIF Contingency Liability for Anticipated Failure of Insured Institutions for FDIC financial statements using a process that has been in place since at least 2015.[4] The Committee determines which institutions are included in the Contingency Liability for Anticipated Failure of Insured Institutions primarily based on bank examination CAMELS ratings, which may have up to an 18-month reporting lag. The anticipated failures figure also informs the FDIC failure estimate used for budgeting and resolution planning, which can be more forward-looking than the estimate used for the financial statements.

It is critical that the FDIC have a robust failure estimation process for its budgeting and resolution planning that monitors emerging banking risks. For example, failure estimates may need to consider the impact of the ease and speed of deposit movement through mobile apps and other technology as well as banks' unrealized losses on investment securities in assessing potential failure scenarios.

As noted in our reports, Material Loss Review of Signature Bank of New York and Material Loss Review of First Republic Bank, the speed of deposit movement and unrealized losses played a role in these bank failures. Further, as shown in Figure 5, unrealized losses on investment securities for insured banks rose again in the Third Quarter of 2023 to about $675 billion.

Figure 5: Unrealized Gains (Losses) on Investment Securities



Source: FDIC Quarterly Banking Profile, Third Quarter 2023

Sharing Threat and Vulnerability Information with Financial Institutions

A bank's Board of Directors and senior management are ultimately responsible for an institution's risk management. The FDIC, as a member of the Federal Financial Institutions Examination Council (FFIEC), has jointly stated that financial institutions should have an effective threat intelligence program, including methods for gathering, monitoring, sharing, and responding to threat and vulnerability information in order to support the institutions' safety and soundness. Without emerging threat and vulnerability information, bank board members and senior management may be unable to assess threats to their organization and take actions to reduce risks.

In our report, Sharing of Threat and Vulnerability Information with Financial Institutions, we found that the FDIC has implemented processes for sharing threat and vulnerability information with financial institutions. For example, the FDIC established formal procedures to communicate cyber threat and vulnerability information. However, the FDIC can improve the effectiveness of its processes to ensure financial institutions receive

actionable and relevant threat and vulnerability information. We determined that:

- The FDIC can improve its sharing of threat and vulnerability information with financial institutions and other financial sector entities.

- The FDIC can improve its controls over the recording of reported computer-security incidents to support threat intelligence operations and sharing activities.

- The FDIC can mature its threat information sharing program by establishing procedures for sharing non-cyber-related threat information and revising the program's existing threat sharing policies and procedures.

We made 10 recommendations to improve the FDIC's processes in order to ensure that financial institutions receive actionable and relevant threat and vulnerability information.

Ensuring Readiness to Execute Resolutions and Receiverships

Key Areas of Concern

In addition to the staffing challenges described in the Strategic Human Capital Management at the FDIC section of this Report, the primary areas of concern for this Challenge are:

- Readiness for FDI Act Resolutions
- Preparing for an Orderly Liquidation

The FDIC must stand ready to resolve failed financial institutions. The Federal Deposit Insurance Act (FDI Act) grants authority to the FDIC to execute bank resolutions and become a receiver of failed banks. The FDI Act, however, does not apply to systemically important financial companies (SIFC) such as investment banks, insurance companies, and broker-dealers. Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) was enacted and designed to address this gap and granted Orderly Liquidation Authority (OLA) to the FDIC to provide the necessary authority to liquidate failing financial companies that pose a significant risk to the financial stability of the United States in a manner that mitigates such risk and minimizes moral hazard.

Readiness for FDI Act Resolutions

The FDIC generally resolves failed banks under the FDI Act over a weekend to limit impacts to bank customers, but preparation activities for a resolution begin well before that period of time. According to the FDIC's Resolutions Handbook, the resolution process begins prior to a bank failure and includes an analysis of the bank's financial and organizational structure, receipt of failing bank data to assess a valuation, the set-up of an FDIC virtual data room to provide potential bidders information on the failing bank, the receipt of bids on the failing bank, and the FDIC's selection of a resolution strategy.

The rapid outflow of uninsured deposits during recent failures reduced the FDIC's resolution preparation lead time from days to hours. The reduced timeframe impacted the FDIC's ability to receive and validate bank data submissions from the failing banks for the establishment of an FDIC virtual data room for potential bidders.

In an August 14, 2023 speech regarding the failures of Silicon Valley Bank, Signature Bank, and First Republic Bank, the FDIC Chairman highlighted these data issues and noted shortcomings in the FDIC's 2012 rule requiring that large banks with over $50 billion in assets submit resolution plans. Specifically, the Chairman noted that the FDIC was hindered in receiving prompt and reliable information from failed banks; the FDIC did not have information on bank key personnel and retention plans, critical bank third parties, and bank payment and trading activities; and the FDIC did not have communications systems and strategies to reach internal and external stakeholders.

As noted by the FDIC Chairman, "[w]hile Silicon Valley Bank and First Republic had been required to file resolution plans which provided basic information that was useful, far more robust plans would have been helpful in dealing with the failure of these institutions. Signature Bank failed before it would have been required to file its first resolution plan in June."

Further, large bank failures also leave the FDIC with limited resolution options. For example, the FDIC can sell a failed bank or portions of its assets to another bank; however, such a transaction may increase the asset size and the systemic risk of the purchasing bank. Alternatively, the FDI Act's systemic risk exception may be

invoked—as was the case for Silicon Valley Bank and Signature Bank—when there is a serious adverse effect on economic conditions or financial stability. When invoked, the systemic risk exception allows the FDIC to resolve banks using different methods, including resolutions that may not be the least costly to the DIF. Use of the systemic risk exception may require that certain banks that had no involvement with the failed bank pay for the failed bank management's missteps.

In a series of rulemakings, the FDIC and other banking regulators are taking steps to address identified large bank resolution shortcomings. On September 18, 2023, banking regulators issued a Notice of Proposed Rulemaking that would revise regulatory capital requirements for banks with assets of $100 billion or more and for other banks with significant trading activity. Among other things, the proposed rule would change regulatory capital ratio calculations to reflect the banks' ability to absorb losses by, for example, requiring banks to include net unrealized losses on securities held as available for sale in the calculation of regulatory capital. The proposed rule has a 3-year phase-in requirement.

On September 19, 2023, banking regulators issued a second Notice of Proposed Rulemaking, requiring insured depository institutions with more than $100 billion in assets to maintain a minimum amount of long-term debt. The debt is intended to act as a "buffer" to absorb losses in the event of a bank failure, thereby providing regulators with greater flexibility to respond to the failure and reduce costs to the DIF. Currently, only the largest, global systemically important financial companies are required to hold long-term debt as part of their total loss absorbing capacity requirement.

Also, on September 19, 2023, the FDIC issued a third Notice of Proposed Rulemaking, revising a current rule requiring the submission of resolution information for insured depository institutions with $50 billion or more in total assets. The proposed rule requires that insured institutions with $100 billion or more in assets provide a full resolution plan that includes a strategy for its orderly and efficient resolution, including demonstrating the capability to provide needed information such as establishing a virtual data room with information for potential bidding parties.

Additionally, on October 11, 2023, the FDIC issued a fourth Notice of Proposed Rulemaking, providing new guidance for large banks with assets of $10 billion or more that raises the FDIC's standards for corporate governance, risk management, and controls commensurate with the size, business model, risk, and complexity of larger banks.

Further, the FDIC issued a Request for Information and Comment on Rules, Regulations, Guidance and Statements of Policy Regarding Bank Merger Transactions to receive "comments regarding the effectiveness of the existing framework in meeting the requirements of section 18(c) of the Federal Deposit Insurance Act (known as the Bank Merger Act)" including, among other things, the financial stability risks resulting from the merger of large banks. As noted by the OCC Acting Comptroller of the Currency, there is a resolvability gap for the very largest regional banks subject to the FDI Act. Should such a bank fail, the FDIC may face limited resolution options that could result in the FDIC selling the bank, or a large portion of its assets, to a systemically important financial company, thereby making the SIFC even larger and more systemic.

Preparing for an Orderly Liquidation

The FDIC has not been required to execute an OLA resolution; however, it is critical that the FDIC remain ready to do so. In our

evaluation report, The FDIC's Orderly Liquidation Authority, we determined that the FDIC has made progress in implementing elements of its OLA program, including progress in OLA resolution planning for global SIFCs based in the U.S. However, we found that in the more than 12 years since the enactment of the Dodd-Frank Act, the FDIC has not maintained a consistent focus on maturing the OLA program and has not fully established key elements to execute its OLA responsibilities. Specifically:

- **OLA Policies and Procedures.** The FDIC has made significant progress in developing high-level policies and procedures for the execution of an OLA resolution of a systemically important bank holding company. However, it has not completed operational-level policies and procedures, nor identified how it would need to adjust its policies and procedures for an OLA resolution of other types of SIFCs. In addition, the FDIC has not developed two regulations required by the Dodd-Frank Act or completed policies and procedures for ongoing OLA resolution planning activities.[5]

- **OLA Roles and Responsibilities.** The FDIC has not fully defined governance and individual practitioner-level roles and responsibilities related to the execution of an OLA resolution.

- **OLA Resources, Training, and Exercises.** The FDIC needs to obtain additional staff resources to plan for an OLA resolution, and to fully identify and document the staff and contractor resources necessary to execute an OLA resolution. In addition, the FDIC needs to enhance OLA-related training and exercises to regularly ensure that personnel have the skills needed to execute an OLA resolution.

- **Monitoring of OLA Activities.** The FDIC does not have adequate monitoring mechanisms in place to ensure it promptly implements the OLA program and consistently measures, monitors, and reports on the OLA program status and results.

- **Crisis Readiness-Related Planning.** The FDIC has not documented a readiness plan for executing OLA resolution authorities in a financial crisis scenario involving concurrent failures of multiple SIFCs.

Absent a consistent focus and fully established key elements for executing the OLA, the FDIC may not be able to readily meet the OLA requirements for every type of SIFC that the FDIC may be required to resolve. If the FDIC were unable to resolve a SIFC, the banking sector and the stability of the U.S. and global financial systems could be severely affected. The FDIC is addressing the 17 recommendations we made to improve key elements for executing the FDIC's OLA responsibilities.

Identifying Cybersecurity Risks in the Financial Sector

Key Areas of Concern

In addition to the Advanced and Intermediate IT examiner staffing challenges described in the Strategic Human Capital Management at the FDIC section of this Report, the primary areas of concern for this Challenge are:

- Examining for Bank Third-Party Service Provider Cybersecurity Risk
- Improving Bank IT Examination Processes
- Ensuring FDIC Staff Have Requisite Financial Technology Skills
- Continuing to Assess Risks Posed by Emerging Technology

In its Risk Review 2023, the FDIC recognized that the "banking industry's information technology infrastructure remains vulnerable to cyber attacks." Similarly, in its Semiannual Risk Perspective Spring 2023, the Office of the Comptroller of the Currency (OCC) found that risks to banks "continue[s] to be elevated as cyberattacks evolve and become more sophisticated and damaging to the U.S. economy." Both the FDIC and OCC have highlighted increased attacks against the banking industry through a particular variety of cyber attack known as ransomware. According to the OCC, ransomware attacks "have the potential to affect banks and market operations by rendering critical data inaccessible as well as by threatening the confidentiality of customer data through data leaks." In the 2023 Risk Management Association's survey of 100 community bank executives, 85 percent of executives stated that cybersecurity was their top risk.

Cybersecurity risks to banks include threats directed towards a bank's IT infrastructure and through attacks on banks' third-party service providers. In its Risk Review 2023, the FDIC found that "[c]yber threats to third-party providers of software, hardware, and computing services remain an important source of risk to the financial industry." For example, in August 2023, M&T Bank customer information—names, addresses, and account numbers—was compromised through a cybersecurity incident involving file transfer software used by one of the bank's third-party service providers.[6]

Examining for Bank Third-Party Service Provider Cybersecurity Risk

Banks routinely rely on third parties for numerous activities, including IT services, accounting, compliance, human resources, loan servicing, and document processing. In its Risk Review 2023, the FDIC identified multiple security risks to banks from the compromise of a third-party service provider, including "disclosure of credentials or confidential data, corruption of data, installation of malware, and application outages." In addition, multiple banks may rely on the same third-party service providers. FSOC has recognized that banks' "concentrated dependency on a limited number of service providers… [is] a potential risk to financial stability." Bank third-party risk becomes more complex when a bank's third party relies on other vendors, thereby introducing fourth-party risk to a bank.[7] In the Interagency Guidance on Third-Party Relationships: Risk Management, bank regulators noted that a bank's "use of third parties does not diminish or remove banking organizations' responsibilities to ensure that activities are performed in a safe and sound manner and in compliance with applicable laws and regulations."

The Bank Service Company Act (BSC Act) authorizes the FDIC to directly examine third-party service providers that offer services to supervised banks. The BSC Act also requires that banks notify their primary

regulator of third-party service provider relationships. Further, during bank IT examinations, the FDIC collects information regarding bank and third-party relationships.

Regulators have divided third-party service providers into two tiers based on the risks the service provider poses to the banking sector: Significant Service Providers (SSP) that serve large numbers of banks and pose a higher degree of systemic risk, and Regional Service Providers (RSP) that serve fewer banks and pose less risk. In 2012, banking regulators jointly developed guidance for risk-based examinations of service providers.[8]

In our memorandum, the FDIC's Regional Service Provider Examination Program, our objective was to assess the effectiveness of the FDIC's RSP examination program related to third-party risks to financial institutions. Overall, we found that the FDIC had not established performance goals, metrics, and indicators to measure overall program effectiveness and efficiency. As a result, we were unable to conclude on the program's effectiveness; however, we identified opportunities to improve the RSP examination program. We found that the FDIC should (1) monitor RSP examination distribution timeliness; (2) comply with examination frequency guidelines; (3) provide additional guidance on how to use RSP examinations in support of the FDIC's InTREx program (discussed in the next section below); and (4) establish a comprehensive inventory of FDIC-supervised bank service providers and the financial institutions serviced.

Significantly, our audit found that only 25 percent (18 of 71) of examinations were performed consistent with interagency guidance on examination frequency. Further, the FDIC has an opportunity to leverage available service provider information obtained through its InTREx and service provider examination programs to develop a comprehensive inventory of FDIC-supervised bank service providers.

We made one recommendation to the FDIC to conduct a formal assessment of the RSP examination program to establish program-level goals, metrics, and indicators and determine whether additional resources and controls are needed to improve program effectiveness.

A full picture of the interconnected nature of IT and cybersecurity risks among banks and third parties would be helpful for examiners to understand the full scope of cybersecurity risks—rather than risks solely for a single bank or third party. This information would also help FDIC policymakers to ensure that FDIC policies and examination procedures appropriately assess and address interconnected risks. Further, in the event of a cybersecurity incident, a mapping of bank and third-party relationships may allow the FDIC to quickly identify the parties at risk and may provide relevant threat information and supervisory guidance to mitigate such risk as well as prepare for potential resolutions.

Improving Bank IT Examination Processes

FDIC IT examinations identify areas in which a financial institution is exposed to IT and cyber-related risks and evaluate bank management's ability to identify these risks and maintain appropriate compensating controls. FDIC IT examiners follow an examination program that utilizes a risk-based approach to assess IT and cyber risks at financial institutions.

In our OIG evaluation, Implementation of the FDIC's Information Technology Risk Examination (InTREx) Program, we found weaknesses in the FDIC's InTREx program that limited FDIC examiners' ability to assess and address IT and cyber risks at financial institutions. For example, we found that examiners did not complete InTREx procedures and decision factors required to support their ratings. Without effective implementation of the InTREx

program, significant IT and cyber risks may not be identified by examiners and addressed by financial institutions. Further, an inaccurate assessment of IT risks could affect a bank's safety and soundness rating, which may require adjustments to the FDIC's supervisory strategies and examination planning for the bank and may also impact the insurance premium paid by a financial institution. The FDIC has addressed 10 of 19 recommendations we made to improve its InTREx examination processes and is working to implement the remaining 9 recommendations.

Ensuring FDIC Staff Have Requisite Financial Technology Skills

In its September 2023 report, Agencies Can Better Support Workforce Expertise and Measure the Performance of Innovation Offices, the GAO reviewed banking regulators' financial technology expertise. Financial technology includes a broad range of technology underlying bank products and services. The GAO found that the FDIC and other banking regulators "have not systematically or comprehensively collected data on their policymaking and oversight staff's technological skills related to financial technology or conducted assessments to determine the financial technology skills these staff need. The agencies also have not measured the effectiveness of their financial technology training in addressing their skill need."

Incorporating skillset assessments and measurements can help agencies ensure that staff have the skills needed to conduct effective policymaking and oversight of financial technology. The GAO made one recommendation to the FDIC to collect staff skillset data and determine the critical financial technology skills the Agency needs; develop targeted strategies to address financial technology-related skill gaps; and measure the effectiveness of its financial technology-related training in addressing skill needs.

Continuing to Assess Risks Posed by Emerging Technologies

In its 2023 Report on Cybersecurity and Resilience, the FDIC identified emerging financial sector cybersecurity threats from artificial intelligence (AI) and quantum computing. Specifically, the FDIC noted that AI may help bad actors create and refine malware that can be used to infect computer systems. AI may also be used to create malicious information, such as emails and voicemails, where the recipient—such as a bank customer—may be unable to distinguish AI-generated information from a trusted person or source—such as the bank. Further, AI may be used by malicious actors to commit synthetic fraud by creating a new person using stolen and AI-generated information.[9] It may be difficult for banks and regulators to identify such fraud.

The FDIC also noted that current data encryption methods may be vulnerable to the speed and power of quantum computing. For example, in May 2022, the Administration issued a National Security Memorandum, noting certain types of quantum computers could "defeat security protocols for most Internet-based financial transactions." The FDIC should continue to monitor risks posed by emerging technologies and ensure that necessary adjustments are made to policies, examinations, and examiner training to address such risks.

Assessing Crypto-Asset Risk

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Assessing the Impact of Crypto-Asset Risks to FDIC-Supervised Banks
- Clarifying Processes for Supervisory Feedback Regarding Bank Crypto-Asset-Related Activities

FSOC describes crypto assets as private-sector digital assets that depend primarily on the use of cryptography and distributed ledger or similar technologies. In its Report on Digital Asset Financial Stability Risks and Regulation 2022, FSOC noted that "[c]rypto-asset activities could pose risks to the stability of the U.S. financial system if their interconnections with the traditional financial system or their overall scale were to grow without adherence to or being paired with appropriate regulations, including the enforcement of the existing regulatory structure." In its Annual Report 2023, FSOC noted that "some traditional financial firms were affected by shocks in the crypto-asset market." As noted by the Congressional Research Service, the failures of Silvergate, Silicon Valley, and Signature Banks "demonstrate that volatility in crypto markets may expose banks to liquidity risks that could ultimately lead to fatal losses."

The total market capitalization of crypto assets fluctuated from about $132 billion in January 2019 rising to $3 trillion in November 2021. In September 2023, crypto-asset market capitalization fell to about $1 trillion. Further, on January 10, 2024, the Securities and Exchange Commission approved 11 applications for spot bitcoin exchange traded funds, which allow investors to purchase exposure to bitcoin without directly holding bitcoin. According to FDIC data, as of September 2023, a total of 42 FDIC-supervised banks engaged in crypto-asset-related activities. Crypto-asset-related activities included, for example, deposit services, crypto-asset collateralized lending, and facilitation of customer purchase and sale of crypto assets through a third party.

Assessing the Impact of Crypto-Asset Risks to FDIC-Supervised Banks

The March 2, 2022 Executive Order on Ensuring Responsible Development of Digital Assets stated, among other things, that three of the principal policy objectives of the Administration regarding digital assets were to protect consumers, investors, and businesses; protect U.S. and global financial stability and mitigate systemic risk; and mitigate illicit finance and national security risks posed by digital asset misuse. In the January 2023 Joint Statement on Crypto-Asset Risks to Banking Organizations and the February 2023 Joint Statement on Liquidity Risks to Banking Organizations Resulting from Crypto-Asset Market Vulnerabilities, banking regulators highlighted risks to banks from involvement with crypto assets and crypto-asset sector participants. In general, digital asset risks include:

- **Liquidity, Concentration, and Contagion Risk.** Banks face liquidity risks from crypto-asset market volatility and the resulting deposit flows associated with crypto-asset entity customers (such as a crypto exchange). For example, bank liquidity may be impacted by the size and timing of deposit inflows and outflows made by a crypto exchange on behalf of its customers. Further, deposits associated with crypto-asset reserves related to stable coins are susceptible to stable coin run risk, creating potential

deposit outflows for banks. Liquidity risk can be acute when a crypto-related entity's business represents a significant portion—or concentration—of a bank's capital, client, or business base. In addition, interconnections among crypto-asset participants—such as through lending, investing, funding, service, and operational arrangements—may cause losses for one participant to quickly flow to other participants.

- **Fraud, Illicit Finance, and Cybersecurity Risk.** Crypto-asset sector participants may not have mature and robust governance processes to manage risks. Absent oversight and governance processes, there is an increased risk of fraud, illicit activities, and cybersecurity vulnerabilities within the crypto-asset sector. Banks without effective due diligence processes may not have full insight into the activities of crypto-asset sector participants. Without effective due diligence and risk management, banks may face fines, reputational risks, and cybersecurity risks as a result of the banks' involvement with crypto-asset participant activities.

- **Consumer Protection Risks.** According to the Comprehensive Framework for Responsible Development of Digital Assets, 16 percent of American adults (approximately 53 million people) have purchased digital assets. Crypto-asset companies may make inaccurate or misleading representations and disclosures, including misrepresentations regarding Federal deposit insurance, and other practices that may be unfair, deceptive, or abusive, contributing to significant harm to retail and institutional investors, customers, and counterparties. For example, the bankruptcy filings from crypto-asset company Prime Trust detailed how the company locked itself out of its own cryptocurrency wallet and used fiat currencies from its client accounts to meet withdrawal requests. Banks engaged with crypto-asset sector participants may have exposure to these risks.

In our report, FDIC Strategies Related to Crypto-Asset Risks, we found that the FDIC has identified risks with banks' involvement with crypto-related activities; however, the FDIC has not assessed the significance and potential impact of these risks. Specifically, the FDIC has not conducted risk assessments to determine the significance of crypto-asset activity risks and the magnitude of the impact, likelihood of occurrence, and nature of the risks. Also, the FDIC has not developed mitigation strategies, such as issuing guidance to financial institutions, to ensure that risks are within defined risk tolerances. We recommended that the FDIC establish a plan with timeframes for assessing risks pertaining to crypto-related activities.

Until the FDIC assesses the risks of crypto activities and provides supervised institutions with effective guidance, the FDIC and some FDIC-supervised institutions may not take appropriate actions to address the most significant risks posed by crypto assets. Similarly, examiners may not have guidance concerning the safety and soundness and consumer protection risks of banks' involvement with crypto assets and crypto-asset participants. As a result, as banks continue to implement crypto-asset strategies, bank management and FDIC examiners may not identify and mitigate the most significant crypto-asset risks, which could lead to unsafe and unsound practices, consumer harm, or in severe instances, financial instability.

Clarifying Processes for Supervisory Feedback Regarding Bank Crypto-Asset-Related Activities

On April 7, 2022, the FDIC issued Financial Institution Letter, Notification and Supervisory Feedback Procedures for FDIC-Supervised Institutions Engaging in Crypto-Related Activities, requesting that FDIC-supervised institutions notify the FDIC if they intended to engage in, or were currently engaged in, crypto-related activities. The Letter stated that the FDIC would review the notification, request additional information as needed, and provide relevant supervisory feedback to the FDIC-supervised institution, as appropriate, in a timely manner.

In our report, FDIC Strategies Related to Crypto-Asset Risks, we found that the FDIC's process for providing supervisory feedback to FDIC-supervised institutions about their crypto-related activities is unclear. Between March 2022 and May 2023, the FDIC sent letters (pause letters) to certain FDIC-supervised institutions asking them to pause from proceeding with planned or expanded crypto activities and provide additional information. The FDIC asked the institutions to pause their activities in order to review the institutions' crypto-related activities before providing supervisory feedback.

For this pause letter process, the FDIC did not establish a timeframe for reviewing submitted information, responding to the institutions, and describing what constituted the end of the FDIC's review process. The FDIC's lack of clear procedures and timely feedback regarding crypto-asset activities causes uncertainty for supervised institutions in determining the appropriate actions to take. Absent timely feedback from the FDIC and clarity regarding the end of the FDIC's review process for paused crypto-related activities, the FDIC may be viewed as not being supportive of financial institutions engaging in crypto-related activities. We recommended that the FDIC update and clarify review timeframes and completion.

Protecting Consumer Interests and Promoting Economic Inclusion

Key Areas of Concern

In addition to the DCP examiner staffing challenges described in the Strategic Human Capital Management at the FDIC section of this Report, the primary areas of concern for this Challenge are:

- Assessing Risks in Bank Consumer Services Models
- Improving the FDIC's Ability to Increase Economic Inclusion
- Preparing to Examine for Changes to the Community Reinvestment Act
- Addressing Misuse of the FDIC Name and Misrepresentation of Deposit Insurance

According to the FDIC's 2021 National Survey of Unbanked and Underbanked Households, 96 percent of U.S. households (about 126 million in 2023) had bank accounts. In serving these households, banks must keep depositors' funds safe and treat consumers fairly, especially as banks introduce new technologies. For the 4 percent (about 5 million in 2023) of households without a bank account, the World Bank notes the importance of helping these households because access to a bank account is "a first step toward broader financial inclusion since a transaction account allows people to store money, and send and receive payments."

FDIC consumer programs and examinations seek to ensure that consumers with bank accounts are treated fairly in accordance with consumer laws and regulations. For those Americans without bank accounts, FDIC programs encourage inclusion of these individuals in the banking system to provide safe and affordable savings and credit solutions to improve household financial stability and resilience.

Assessing Risks in Bank Consumer Services Models

The Congressional Research Service has noted that banks are becoming increasingly reliant on new technology—especially AI and Machine Learning (ML). Such technology may benefit banks by allowing for "greater speed, accuracy, and confidence in loan decisions" but also introduce risks to consumers. In testimony to the U.S. House of Representatives, Committee on Financial Services, the OCC Deputy Comptroller of the Currency for Operational Risk Policy outlined key consumer risks for new technology, including:

- **Explainability.** Banks must be able to understand and explain AI decision-making processes. Absent explainability, banks may be unable to ensure compliance with laws and regulations, validate model outcomes, and ensure the absence of bias in the models' design.

- **Data management.** Banks should also understand data origins, use, and governance of analytic models to guard against unintended or illegal decision outcomes.

- **Privacy and security.** Banks must ensure the privacy and security of sensitive consumer data used by AI models.

- **Third-party risk.** Banks are also expected to have robust due diligence, effective contract management, and ongoing oversight of third parties based on the criticality of the services being provided.

On March 31, 2021, banking regulators issued a Request for Information and Comment on Financial Institutions' Use of AI, Including Machine Learning (AI RFI) to obtain information on banks' risk management processes for AI, challenges to AI adoption or use, and potential benefits to the banks for its use. Regulators are continuing to review information received from the AI RFI. Also, on October 30, 2023, the Administration issued the Executive Order on Safe, Secure, and Trustworthy Artificial Intelligence, which established standards for AI safety and security to promote innovation while protecting American consumers' privacy and civil rights.

The FDIC should ensure that its consumer protection examination procedures have processes to assess banks' use of AI and ML, and issue timely supervisory guidance to banks as needed. Further, the FDIC should ensure that its consumer compliance examination staff has sufficient skills to identify AI and ML model risk. DCP recently established a branch in the Washington Office to support DCP in assessing banks' use of emerging technologies and to monitor consumer protection risks of emerging technologies.

Improving the FDIC's Ability to Increase Economic Inclusion

In June 2019, the FDIC published its updated Economic Inclusion Strategic Plan (EISP) to guide its efforts to promote and expand economic inclusion. In our report, FDIC Efforts to Increase Consumer Participation in the Insured Banking System, we assessed whether the FDIC developed and implemented an effective EISP to increase participation in the insured banking system. We found that the FDIC's plan aligned with several strategic planning best practices. However, opportunities existed to strengthen the effectiveness of future EISPs by incorporating additional strategic planning best practices into the strategic planning process. These additional best practices included: performing a comprehensive assessment of the landscape; identifying strategies and developing outcome-based performance measures to assess progress towards desired goals; and identifying resources needed to achieve desired goals and address risks that could affect achievement of goals.

We also found that the FDIC can take steps to improve the implementation of future EISPs by aligning internal resources to achieve program objectives and measuring the outcomes of its economic inclusion efforts. Additionally, the FDIC's Enterprise Risk Management risk mitigation strategies to address economic inclusion efforts could more clearly address risks related to implementing strategic objectives, effective controls, and responsive programs to promote economic inclusion. Collectively, these actions would help management make the best use of Agency resources, ensure accountability, monitor progress, and make the EISP more effective in promoting economic inclusion. We made 14 recommendations to the FDIC to improve the development and implementation of EISPs, including the FDIC's new EISP that was under development at the time of our report.

Preparing to Examine for Changes to the Community Reinvestment Act

The FDIC must also ensure that it has required resources to devote towards changes to the Community Reinvestment Act (CRA). The purpose of the CRA is to encourage banks to help meet the credit needs of the communities in which they do business, including low- and moderate-income communities, consistent with safe and sound operations. On October 24, 2023, banking regulators issued a final rule that implements a revised regulatory framework based on a bank's asset size

and business model that uses performance tests to evaluate a bank's performance in meeting the credit needs of its entire community.

Implementation of new CRA regulations will require significant time and effort for the FDIC and the other banking agencies to revise examination policies and procedures; modify IT applications and systems; train examiners; and provide guidance and conduct bank outreach efforts. Given the staffing challenges discussed in the Strategic Human Capital Management at the FDIC section of this Report, DCP will need to ensure that it has sufficient staffing to address CRA-related changes.

Addressing Misuse of the FDIC Name and Misrepresentation of Deposit Insurance

The FDI Act prohibits any person from misusing the FDIC name or logo, or making misrepresentations about deposit insurance. The FDIC may investigate any claims under this section and may issue administrative enforcement actions, including cease and desist orders, and impose civil money penalties against perpetrators. Between July 2022 and June 2023, the FDIC issued 12 letters to non-banks requiring that the recipients stop making false and misleading statements regarding FDIC deposit insurance and take immediate action to address these misleading and false statements or to provide documentation that their claims were true and accurate.

In June 2022, the FDIC issued a final rule on its "procedures for identifying, investigating, and where necessary taking formal and informal action to address potential violations." In addition, in December 2023, the FDIC adopted a final rule to modernize its regulations governing use of the official FDIC signs and advertising statements, and to clarify the FDIC's regulations regarding false advertising, misrepresentations of deposit insurance coverage, and misuse of the FDIC's name or logo. Also, on January 19, 2024 the FDIC issued a press release stating that it demanded that five entities cease and desist from making false and misleading statements about FDIC insurance.

The FDIC obtains information on potential deposit insurance misrepresentations through various methods, including three public portals. Two portals are monitored by DCP, and the third portal is monitored by the Legal Division. The FDIC also scans websites for potential fraudulent use of the FDIC logo. We also receive information regarding potential deposit insurance misrepresentations through our OIG Hotline. The FDIC should ensure that identified potential misuse and misrepresentations are investigated and action is taken to address violations.

Fortifying IT Security at the FDIC

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Strengthening the FDIC's Information Security Profile
- Improving Information Security Controls
- Managing Systems Migration to the Cloud
- Protecting the FDIC's Wireless Network
- Assessing the FDIC's Ransomware Attack Readiness

The GAO continues to recognize cybersecurity as a high risk to Federal agencies, as it has since 1997. According to the Federal Information Security Modernization Act of 2014 Annual Report Fiscal Year 2022, there were 30,659 reported Federal Government cybersecurity incidents in Fiscal Year 2022, which is a 5.7 percent increase from Fiscal Year 2021.

The FDIC relies on information and systems to execute its mission. In 2023, the FDIC had five multi-year capital IT projects collectively totaling nearly $1 billion—the largest of which is the Chief Information Officer Organization's (CIOO) $862 million contract for data services. These systems contain sensitive information, such as names, Social Security Numbers, and bank account numbers for roughly 5,700 FDIC employees, about 4,300 contractors, and millions of depositors of failed financial institutions; confidential bank examination information, including supervisory ratings; and sensitive financial data. A cybersecurity incident could expose these FDIC-held data and impair FDIC mission capabilities, particularly during a crisis.

Strengthening the FDIC's Information Security Profile

The Federal Information Security Modernization Act of 2014 requires Federal agencies, including the FDIC, to conduct annual independent evaluations of their information security programs and practices. In our OIG report, The FDIC's Information Security Program – 2023 , we evaluated the effectiveness of the FDIC's information security program and practices. While the FDIC's overall information security program was operating at a Level 4 of 5, meaning managed and measurable, we found security control weaknesses that reduced the effectiveness of the FDIC's information security program and practices that could be improved:

- The FDIC needs to fully implement a software inventory automation program to manage security risks for software that is approaching or has reached its end-of-life or end-of-service.

- The FDIC's Supply Chain Risk Management program lacks maturity.

- The FDIC did not remove accounts belonging to separated personnel in a timely manner.

- The FDIC did not configure privileged accounts in accordance with the principle of "Least Privilege." We identified security risks in several instances where accounts were configured with elevated account settings that were not needed for administrators to perform their business roles, as well as other instances where users had elevated access longer than needed.

- The FDIC needs to enforce cybersecurity and privacy awareness training requirements.

The FDIC is working to implement the two recommendations we made in our report to address these control weaknesses.

Improving Information Security Controls

The FDIC should ensure that only individuals with a business need are allowed access to FDIC systems and information. The FDIC uses Active Directory to centrally manage user identification, authentication, and authorization for systems access. Active Directory infrastructure is an attractive target for attackers because the same functionality that grants legitimate users access to systems and data can be hijacked by malicious actors for nefarious purposes. Therefore, it is paramount for the FDIC to ensure that it is adequately protecting its Active Directory infrastructure.

In our OIG report, The FDIC's Security Controls Over Microsoft Windows Active Directory, we found that the FDIC had not fully established and implemented effective controls for securing and managing the Active Directory to protect the FDIC's network, systems, and data in 7 of 12 areas tested. These seven areas included password management, account configuration, access management, privileged account management, windows operating system maintenance, active directory policies and procedures, and audit logging and monitoring. The FDIC's ineffective Active Directory security controls could pose significant risks to FDIC data and systems. The FDIC has addressed 5 of the 15 recommendations we made to improve Active Directory security controls and is working to implement the remaining 10 recommendations.

In addition, in a memorandum to the FDIC during our audit, The FDIC's Information Security Program—2022, we noted potential information security and privacy issues concerning the FDIC's process to review emails flagged by certain automated tools used to detect and minimize exfiltration of information. This process presented security and privacy risks that FDIC employees and/or contractors could be inadvertently exposed to information that they would otherwise not be permitted to review, and safety risks that emails relevant to urgent law enforcement matters would not be received by the OIG in a timely manner.

In March 2023, the CIOO provided a plan to update systems and processes to ensure the confidential and timely receipt of OIG email from complainants, whistleblowers, and law enforcement partners. The FDIC has communicated that it has approved funding to further on-going efforts that the CIOO intends to take during 2024 to modernize the FDIC and OIG email infrastructure. Successful implementation, to include the resolution of technical challenges (including mail handling/data loss protection), is critical to meet the OIG's mission and maintain its independence.

Managing Systems Migration to the Cloud

The FDIC has been moving systems into a cloud environment and plans to have most of its mission essential and mission critical systems operating in the cloud by 2026. In our OIG report, The FDIC's Adoption of Cloud Computing Services, we assessed whether the FDIC has an effective strategy and governance processes to manage its cloud computing services. We found that overall, the FDIC had an effective strategy and governance processes to manage its cloud computing services. However, the FDIC did not adhere to several cloud-related practices recommended by the Office of Management and Budget (OMB),

National Institute of Standards and Technology (NIST), and FDIC guidance. As a result, controls over cloud computing posed increased risks to the FDIC, including security and privacy concerns due to the lack of visibility into cloud data, an inability to effectively move from one existing cloud services provider to another, not identifying and mitigating performance risks and vulnerabilities in cloud contracts, and increased potential for cyber attacks and costs from the lack of disposal strategies for legacy systems.

The FDIC addressed three of nine recommendations we made to address these deficiencies and continues to address the remaining six recommendations. We also have work ongoing to assess FDIC cloud security.

Protecting the FDIC's Wireless Network

The FDIC provides wireless access (WiFi) throughout its facilities. Absent effective security controls, WiFi access provides an avenue into FDIC systems that could compromise the confidentiality, availability, and integrity of FDIC data and systems.

In our OIG report, Security Controls Over the FDIC's Wireless Network, we found that the FDIC did not comply or partially complied with five practices recommended by NIST and guidance from the FDIC and other Federal agencies. As a result, the FDIC faced potential security risks based upon its then-current wireless practices and controls, including unauthorized access to the FDIC networks and insecure wireless devices broadcasting WiFi signals. The FDIC has addressed three of eight recommendations to strengthen FDIC wireless networks and is working to address the remaining five recommendations.

Assessing the FDIC's Ransomware Attack Readiness

Government agencies are being targeted by ransomware attacks involving malicious software that encrypts files, rendering them unusable until the victim pays a ransom to the perpetrator. For example, according to the GAO, in February 2023, the U.S. Marshals Service suffered a ransomware attack with perpetrators gaining access to sensitive information, including investigations and employees' personal data. In its 2023 Risk Review, the FDIC noted in particular that "[r]ansomware continues to pose a significant threat to U.S. critical infrastructure sectors, including finance and banking, as the number of attacks continues to increase."

In addition to information security safeguards, the FDIC should have effective processes to address a potential ransomware attack. A ransomware attack on the FDIC could hinder the FDIC's ability to resolve failed banks, issue deposit insurance payments to bank account holders, examine and supervise financial institutions, and manage receiverships. Disruption of any of these FDIC core functions could lead to financial system instability, including a loss of public confidence in the FDIC's ability to pay depositors.

Strengthening FDIC Contract and Supply Chain Management

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Improving Contract Management
- Addressing Supply Chain Risk Management
- Ensuring Contractors Are Appropriately Vetted and Are Not Performing Inherently Governmental Functions
- Ensuring Whistleblower Rights and Protections for Contractor Personnel

Agencies should effectively manage their acquisitions process in order to ensure that contract requirements are defined clearly and all aspects of contracts are fulfilled. Agencies are also required to ensure that contractor personnel are vetted and performing appropriate tasks. Further, agencies should assess the risks of their goods and services supply chains. According to NIST "adversaries are using the supply chain as an attack vector and [as an] effective means of penetrating [United States' public and private] systems, compromising the integrity of system elements, and gaining access to critical assets." For example, in June 2023, it was reported that several Federal agencies suffered a cyber intrusion where malicious actors exploited a vulnerability in a contracted software application.[10]

Improving Contract Management

In 2023, the FDIC awarded 634 contracts for a total of $1.3 billion. GAO reviews of FDIC financial statements and our OIG reports have demonstrated a need for the FDIC to improve its contract management. In its 2020, 2021, and 2022 audits of FDIC financial statements, the GAO identified deficiencies in the FDIC's internal controls over contract documentation and payment-review processes. These deficiencies increased the risk that improper payments could occur and FDIC operating expenses and accounts payable could be misstated. Collectively, these weaknesses represented a significant deficiency[11] in the FDIC's internal controls over its financial reporting. Notably, the FDIC has been working to improve its contracting internal controls and there was no contracting significant deficiency for the 2023 financial statement audit.

In three recent OIG reports, we have found shortcomings in the FDIC's contract management process and internal controls:

- **Lack of Change Management Resulted in Abandonment of a Nearly $10 Million Investment Towards a New Acquisition System.** In our evaluation The FDIC's Purchase and Deployment of the FDIC Acquisition Management System (FAMS), we found that the primary reason for the unsuccessful systems acquisition procurement was that the FDIC did not employ an effective change management process. The FDIC had initiated a contract to procure a new acquisition system, in part, to address weaknesses in its existing systems that were identified in our report, Contract Oversight Management. In June 2022, the FDIC began implementation of its new acquisition system but subsequently abandoned that system within 5 months. As a result, the FDIC incurred contract and labor-hour costs of nearly $10 million and had to revert to its legacy acquisition systems and manual reporting of some acquisition activities. We made three recommendations to the FDIC to

improve change management. We also identified $9.9 million of funds to be put to better use.

- **Internal Control Failures and an Unaccountable Culture Resulted in an Unauthorized Contractual Commitment of $4.2 Million and a Contract Price $1.5 Million Above Market Value.** In our report, FDIC Oversight of a Telecommunications Contract, we found that the FDIC did not authorize and pay AT&T for services to upgrade bandwidth in the FDIC Field Offices in accordance with its policies and procedures and existing telecommunications contract. The FDIC did not adhere to its acquisition policies and procedures for a number of reasons. The FDIC's former CIO had not established an accountable organizational culture nor an appropriate internal control environment to ensure compliance with FDIC acquisition policies and procedures. The FDIC CIOO and DOA did not implement proper internal controls for the AT&T contract. Additionally, the FDIC did not include risks related to the FDIC CIOO's reliance on contractor services and the need to maintain an effective internal control environment for its contract oversight management activities in the FDIC Enterprise Risk Management's Risk Inventory. Further, certain FDIC CIOO personnel did not fulfill their roles and responsibilities. As a result, the FDIC was subject to an unauthorized contractual commitment that cost the FDIC $4.2 million and a prolonged increase in operational, monetary, legal, and reputational risks. Further, we found that the FDIC incurred costs above the market price for similar services in the amount of at least $1.5 million. The FDIC has addressed 10 of 14 recommendations we made to improve organizational culture and establish internal controls.

- **Lack of Contract Management Plans to Ensure Inherent Performance Risks and Contract Vulnerabilities Were Managed Appropriately.** In our report, The FDIC's Adoption of Cloud Computing Services, we found that the FDIC did not develop Contract Management Plans (CMP) for any of our sampled 17 cloud computing-related contracts with a total value of over $546 million. We further assessed 93 active IT-related contracts and found that 91 of these 93 contracts had CMPs, but those 91 CMPs were not in place by required timeframes. CMPs are developed to document a common understanding of contractor and FDIC obligations and provide a strategy for managing key contract vulnerabilities or performance areas inherent in the contract, and any unique contract terms and conditions. Absent CMPs, the FDIC may not monitor performance measures, respond to missed metrics, and enforce contract penalties in a consistent manner, all of which could lead to inefficient use of resources and disruption to FDIC operations. The FDIC addressed three of nine recommendations we made to address these deficiencies and continues to work to address the remaining six recommendations.

The FDIC must also ensure that employees involved in contracting do not have conflicts of interest. According to the FDIC's Ethics Program Advisory, Conflicts of Interest, FDIC employees are trusted to make decisions and take actions to serve the public's interest and should not act to enrich their own personal interests. The Advisory also notes that criminal penalties—felony conviction, fines, or jail time—could result from conflicts of interest.

Addressing Supply Chain Risk Management

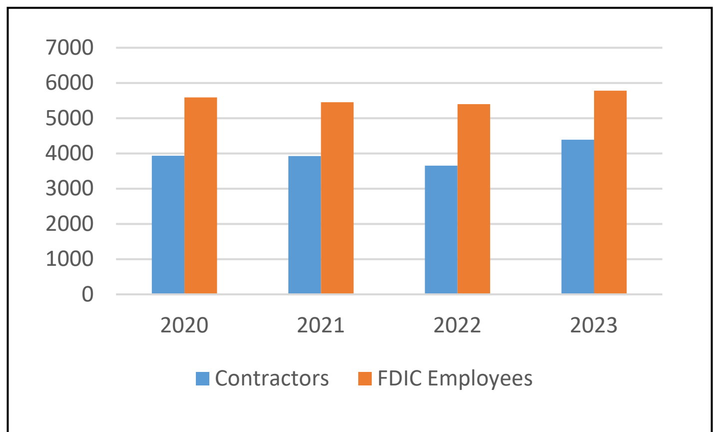
In our report, The FDIC's Implementation of Supply Chain Risk Management, we found that the FDIC has not implemented several objectives outlined in its Supply Chain Risk Management Implementation Project Charter and is not conducting supply chain risk assessments in accordance with best practices. In addition, we found that the FDIC has not integrated Agency-wide supply chain risks into its Enterprise Risk Management processes. The FDIC has addressed four of nine recommendations we made to improve the FDIC's supply chain risk management process and is working to address the remaining five recommendations.

As part of our later OIG report, The Federal Deposit Insurance Corporation's Information Security Program -2023, we found that the FDIC's supply chain risk management program lacked maturity because five of nine recommendations from our Supply Chain Risk Management report remained outstanding. Specifically, the FDIC had not completed development of policies and procedures to address supply chain risk and had not conducted supply chain risk assessments prior to entering into contracts with new suppliers or when substantive changes were made to contracts, such as renewals, extensions, or exercising option periods. Further, the FDIC had not established required metrics and indicators to monitor and evaluate supply chain risk and implement supply chain controls recommended by NIST.

Ensuring Contractors Are Appropriately Vetted and Are Not Performing Inherently Governmental Functions

The FDIC budget for 2023 included $458 million for outside services—which was the second highest budget category behind employee salary and benefit costs. As shown in Figure 6, the FDIC has consistently had about 4,000 contractors supporting the FDIC permanent staff of about 5,700. The FDIC increased contractor staffing in 2023 because of bank failure activity.

Figure 6: FDIC Employees and Contractors 2020 to 2023



Source: OIG Analysis of FDIC Data

Contractors must meet FDIC and Government-wide vetting standards before they may begin work at the FDIC. As part of our work reviewing the FDIC's IT security controls, we found that the FDIC did not have adequate controls to ensure that certain contractors and employees who required privileged access to FDIC information systems and data had background investigations commensurate with appropriate determinations of risk.

In our memorandum regarding these inadequate controls, Background Investigations for Privileged Account Holders, we alerted the FDIC that one contractor who met FDIC standards in February 2021 was granted access to a privileged account in April 2021. However, the Federal background investigation was not adjudicated until November 2021, and the adjudication was unfavorable at that time. Based on the adjudication, the FDIC ceased the privileged access and terminated the contractor, consistent with FDIC policies and procedures. The

contractor had access to privileged accounts for approximately 7 months while the background investigation was being adjudicated.

Also, certain functions cannot be performed by contractors. In OMB Policy letter 11-01, Performance of Inherently Governmental and Critical Functions, OMB defined these functions as inherently governmental functions. OMB also required that most agencies identify critical functions and ensure sufficient staffing and control over these functions.[12] OMB defined a Critical Function as "a function that is necessary to the agency being able to effectively perform and maintain control of its mission and operations. Typically, critical functions are recurring and long-term in duration."

In our OIG evaluation, Critical Functions in FDIC Contracts, we assessed whether an FDIC contractor performed Critical Functions and, if so, whether the FDIC retained sufficient management oversight of the contractor to maintain control of its mission and operations in accordance with best practices. We found that the FDIC did not have policies and procedures for identifying Critical Functions in its contracts. Therefore, while we determined that the contractor performed Critical Functions at the FDIC, the FDIC did not identify these services as Critical Functions during its procurement planning phase. As a result, the FDIC also did not implement heightened contract monitoring. The FDIC has addressed 11 of our 13 recommendations to strengthen the FDIC's identification and monitoring of contracts involving Critical Functions, and the FDIC is working to address the remaining 2 recommendations.

Ensuring Whistleblower Rights and Protections for Contractor Personnel

In our OIG report, Whistleblower Rights and Protections for FDIC Contractors, we found that the FDIC had not aligned its procedures and processes with laws, regulations, and policies designed to ensure notice to contractor and subcontractor employees about their whistleblower rights and protections. The FDIC also did not always comply with the requirements to notify contractors of their whistleblower rights and protections. The FDIC's Legal Division did not adopt any whistleblower rights notification provisions for contractors or include any whistleblower clauses in its contracts. The FDIC also did not verify that contractors and subcontractors notified employees of their whistleblower rights and protections.

The FDIC has implemented eight of our nine recommendations, including the Legal Division's adoption of whistleblower rights notifications and inclusion of whistleblower clauses. The FDIC is working to resolve the remaining recommendation to develop and implement procedures to ensure that contractors carry out their obligations to verify that all contractor and subcontractor personnel are notified of their whistleblower rights and that whistleblower clauses are included in subcontracts.

Fortifying Governance of FDIC Programs and Data

Key Areas of Concern

The primary areas of concern for this Challenge are:

- Strengthening Performance Goal Development and Monitoring
- Improving Internal Controls by Addressing Outstanding Recommendations
- Ensuring Data Quality to Assess Program Performance

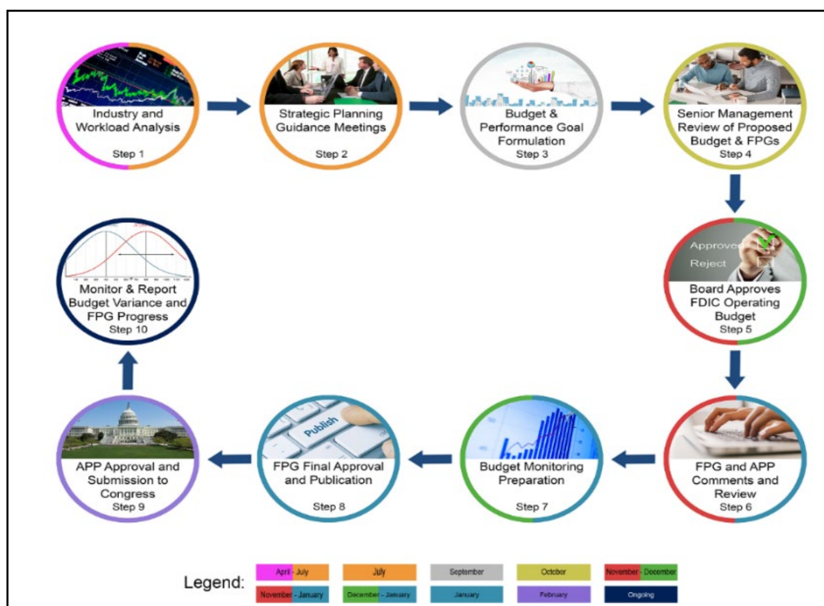
Effective governance is critical to ensure that the FDIC assesses and addresses risks—especially those identified in this Report. Governance refers to a management framework that incorporates operational, financial, risk management, and reporting processes, so that FDIC Board Members and senior officials can effectively plan, govern, and meet strategic objectives. This includes ensuring alignment of goals, budget, and risks to achieve the FDIC's mission. A governance framework should ensure strategic guidance, effective monitoring of management, and accountability to stakeholders.

Strengthening Performance Goal Development and Monitoring

The FDIC develops and monitors its performance goals as part of the FDIC's annual planning and budget process. The FDIC annual planning and budget process is key to providing resources—funding, staffing, goods, and services—for the FDIC to address and measure progress towards tackling identified challenges.

As shown in Figure 7, the FDIC's annual planning and budget process is continual and includes ten steps: (1) industry and workload analysis, (2) strategic planning, (3) budget and performance goal development, (4) senior management review of the budget and performance goals, (5) Board approval of the budget, (6) internal FDIC performance goal and annual performance goal review, (7) budget monitoring, (8) approval of internal FDIC performance goals, (9) approval of external annual performance goals and submission of these goals to Congress, and (10) monitoring and reporting budget variance and progress in achieving FDIC internal performance goals.

Figure 7: FDIC Annual Planning and Budget Process



Source: FDIC DOF Website

The FDIC's annual planning and budget process also considers risks identified through the FDIC's ERM process. According to the GAO, ERM "is a forward-looking approach that allows agencies to assess threats and opportunities that could affect achievement of its goals." OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, notes

that ERM should be part of an agency's strategic planning, performance management, and performance reporting.

In a number of our reports, we have found limitations in the FDIC's development and monitoring of FDIC performance goals and a misalignment between performance goals and FDIC strategic plans that impeded the FDIC from assessing and measuring progress towards goal achievement. For example:

- **Bank IT Examinations:** In our report, Implementation of the FDIC's Information Technology Examination (InTREx) Program, we found that the FDIC's performance goal focusing on improving its supervision program did not focus on IT supervision activities and did not address the performance of IT examinations or the effectiveness of the InTREx Program. Also, in the RMS Division Strategic Plan 2018-2022, RMS established the following performance goal: "RMS supervision is effective, forward-looking, and provides value-added risk management expertise to banks." However, this goal does not directly address the FDIC's InTREx program. Without establishing IT examination performance goals, objectives, and metrics, the FDIC is unable to measure the effectiveness of the InTREx program. Further, the FDIC is unable to determine whether its IT examination activities under the InTREx program are achieving their desired outcomes or results.

- **Regional Service Provider Examinations:** In our memorandum, The FDIC's Regional Service Provider Examination Program, we found that the FDIC has not established performance goals or metrics to measure the effectiveness of the RSP examination program. Establishing performance goals and metrics for the RSP examination program would allow the FDIC to define program expectations and measure overall program efficiency and effectiveness, which would identify areas for improvement.

- **Orderly Liquidation Readiness:** In our report, The FDIC's Orderly Liquidation Authority, we found limitations in the FDIC's monitoring and reporting of Division and Agency-level goals and objectives related to OLA. Specifically, we found that monitoring and reporting activities did not ensure OLA resolution planning activities had consistently and promptly progressed since the enactment of the Dodd-Frank Act nor did they provide a clear picture of the overall status of the OLA program. The FDIC had not developed long-term metrics and a clear definition of success that would facilitate consistent measuring, monitoring, and reporting on the overall status of the OLA program over time. Such metrics could address key readiness items such as the status of readiness plans, policies and procedures, training activities, processes subjected to exercises, and outstanding significant action items from exercises.

  Further, we found that in 2015, the FDIC had established an annual performance goal to "[e]nsure the FDIC's operational readiness to resolve a large, complex financial institution using the orderly liquidation authority in Title II of the DFA." A key target for reaching this goal, identified in the FDIC Annual Report 2015, was to "Update and refine firm-specific resolutions [sic] plans and strategies and develop operational procedures for the administration of a Title II

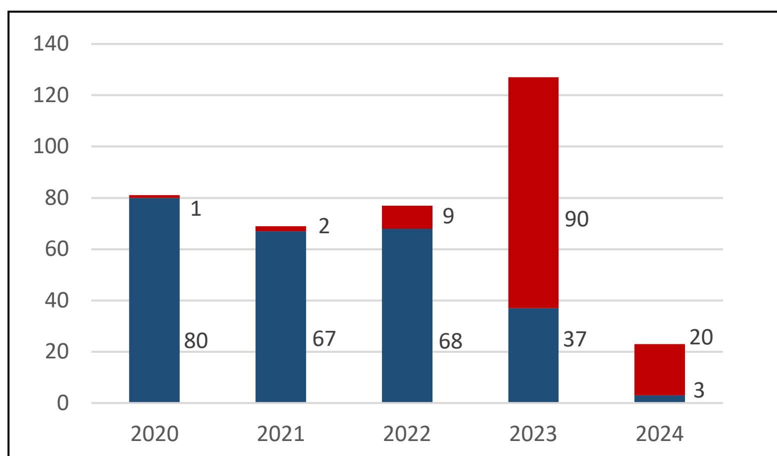
receivership." The FDIC reported this milestone as achieved, in part because the FDIC had developed its Systemic Resolution Framework. However, the 2015 annual report did not clearly reflect the overall status of the OLA program, which continues to lack the process-level procedures needed for the Systemic Resolution Framework and the resolution strategies needed for an OLA resolution of a systemically important non-bank financial company or Financial Market Utility.

- **Increasing Consumer Participation in Banking:** In our report, FDIC Efforts to Increase Consumer Participation in the Banking System, we found that the FDIC could strengthen connections between FDIC Annual Performance Goals and DCP's Economic Inclusion Strategic Plan (EISP) by ensuring that the expressed intent of annual goals related to DCP's economic inclusion efforts matched the goals and objectives articulated in the EISP. We also found that the FDIC could improve the implementation of future EISPs by aligning internal resources to achieve program objectives and measuring the outcomes of its economic inclusion efforts. Collectively, these actions would help management make the best use of Agency resources, ensure accountability, monitor progress, and make its strategic plan more effective in promoting economic inclusion.

Improving Internal Controls by Addressing Outstanding Recommendations

As shown in Figure 8, as of January 31, 2024 the FDIC had 122 OIG report recommendations that were unimplemented – meaning the OIG had not received and reviewed information from the Agency to indicate that a recommendation should be closed. A total of 90 percent (110 of 122) of unimplemented recommendations were for reports issued during Fiscal Year 2023 and 2024, while 10 percent (12 of 122) related to reports issued between Fiscal Year 2020 and 2022.

Figure 8: Unimplemented Recommendations by Fiscal Year



Source: FDIC OIG website

The longest outstanding recommendation is for our report, Contract Oversight Management. In 2019, we recommended that the FDIC provide enhanced contract portfolio reports to the FDIC Board of Directors, executives, and senior managers. Further, four recommendations remain outstanding from our 2021 report, Critical Functions in FDIC Contracts. As noted in the Strengthening FDIC Contract and Supply Chain Management section of this Report, contract management remains a significant challenge at the FDIC and has been identified by the FDIC as high risk in the FDIC's Risk Inventory. The FDIC Board and senior officials should ensure that program weaknesses are promptly resolved. If recommendations are not addressed expeditiously, the FDIC faces an increased likelihood that the underlying vulnerabilities or deficiencies will continue or recur until remediated by the FDIC.

Ensuring Data Quality to Assess Program Performance

Data is one of the most valuable FDIC assets. Analytical insights based on reliable data can support evidence-based decision making and help the FDIC build a performance-based culture. Reliable data requires effective governance of the data lifecycle from the point that data is entered into a system through the retirement of data records. Inadequate data governance can lead to higher costs, incorrect decisions, and reputational risks to the FDIC. Further, data quality is an important control in implementing effective use of artificial intelligence. Prior reports[13] and three recent reports highlight data reliability issues:

- **Bank-reported Computer Security Incidents:** In our report, Sharing of Threat and Vulnerability Information with Financial Institutions, we determined that the FDIC's controls were not effective to ensure that it maintained complete and accurate data in the Virtual Supervisory Information on the Net system on all computer-security incidents reported by banks and service providers. Inaccurate and incomplete incident information may limit the FDIC's ability to conduct critical research and trend analyses on threats and vulnerabilities and impede its ability to share accurate, complete, and relevant information internally with its examination staff and externally with financial institutions.

- **Human Capital Costs Related to Economic Inclusion Efforts:** In our report, FDIC Efforts to Increase Consumer Participation in the Insured Banking System, we identified data reliability issues with reports created out of the Community Affairs Reporting and Events System used to plan, monitor, and track outcomes of economic-inclusion related events and activities. As a result of data reliability issues, the FDIC cannot ensure it is allocating resources to its economic inclusion-related activities efficiently, effectively, or with accountability to achieve the Agency's goals.

- **RSP Bank Customer List:** In our memorandum, The FDIC's Regional Service Provider Examination Program, we noted that the RSP Uniform Customer List—the list showing the banks with whom the RSP has contractual obligations for services—was found by the FDIC to be unreliable. As a result, the FDIC and other Federal banking regulators were unable to distribute their reports of examination for RSPs to the banks that received the RSP's services.

The FDIC should have an Agency-wide approach to data quality. Each FDIC Division and Office should ensure that the data they gather and enter into systems is adequate, appropriately controlled, and used effectively to improve operations. FDIC Divisions and Offices should also partner with the FDIC's Division of Information Technology to use technology to assess and test for data quality issues. The FDIC's cloud migration effort includes data quality reviews to identify unreliable data prior to cloud migration, and Divisions and Offices should ensure that they have resources to address data issues as they are identified.

[1] Informal actions are voluntary commitments made by a bank's Board of Directors that are not legally enforceable and are not publicly disclosed or published. Examples of informal enforcement actions are a Bank Board Resolution or a Memorandum of Understanding. Formal actions are legally enforceable and published on the FDIC website. Examples of formal enforcement actions are Consent Orders or Cease and Desist Orders.

[2] According to the FDIC RMS Manual, RMS examination staff assess and rate six financial and operational components - **C**apital adequacy, **A**sset quality, **M**anagement capabilities, **E**arnings sufficiency, **L**iquidity position, and **S**ensitivity to market risk - commonly referred to as CAMELS ratings. Examiners assign the component and composite ratings based on a numerical scale from 1 to 5, with 1 indicating the strongest performance and risk management practices. A 5 rating indicates the highest degree of supervisory concern.

[3] *See* OIG report, Offsite Reviews of 1- and 2-Rated Institutions (December 2019), for a description of the Offsite Review Program.

[4] The process is based on generally accepted accounting principles.

[5] The FDIC has not yet completed the following OLA requirements to prescribe correlating rules or regulations for: (1) 12 U.S.C. § 5390(o)(6) that requires the FDIC, in consultation with the Secretary, to prescribe regulations to implement assessments of U.S. financial companies, if such assessments are needed, to pay in full obligations issued by the FDIC to the Treasury, and (2) 12 U.S.C. § 5393(d) that requires the FDIC and the FRB, in consultation with FSOC, to jointly prescribe rules or regulations to administer and carry out a ban on activities by senior executives and directors of failed SIFCs if they have violated a law, regulation, or certain agency orders; or participated in "any unsafe or unsound practice" in connection with a financial company; or breached their fiduciary duties. Specifically, the DFA authorizes the FDIC or FRB, as applicable, to "prohibit any further participation by such person, in any manner, in the conduct of the affairs of any financial company for a period of time determined by the appropriate agency to be commensurate with such violation, practice, or breach, provided such period shall be not less than 2 years."

[6] NBC, Some M&T Bank Customer Information Hacked in Massive Data Breach (August 30, 2023).

[7] American Banker, This is the Sleeping Giant, Banks Zero in on Fourth-Party Risk (August 4, 2023).

[8] *See* FFIEC, Financial Regulators Release Guidance for the Supervision of Technology Service Providers (October 31, 2012) and current guidance Supervision of Technology Service Providers.

[9] American Banker, AI Is About To Make Synthetic Fraud A Much Bigger Problem (July 4, 2023).

[10] CNN, Exclusive: US Government Agencies Hit in Global Cyberattack (June 15, 2023).

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

[12] The FDIC found that Policy Letter 11-01 was not binding on the FDIC, but the FDIC has viewed the policy as instructive.

[13] *See* our reports: The FDIC's Personnel Security and Suitability Program, where we found that contractor position risk levels recorded in FDIC systems were unreliable. As a result, the FDIC could not determine whether these contractors received background investigations commensurate with their positions. Termination of Bank Secrecy Act/Anti-Money Laundering Consent Orders, where we found that the FDIC did not consistently track Consent Order termination data in its system of record. As a result, the FDIC provided nine incorrect reports to the FDIC Board of Directors concerning enforcement actions and did not report three BSA/AML Consent Order terminations in a quarterly report to FinCEN. Reliability of Data in the FDIC Virtual Supervisory Information on the Net System, where we found that two of the four key data elements we tested in the FDIC's ViSION system were not reliable. Errors in these data elements increase the risk of inaccurate reporting of examination performance metrics to FDIC management.

D. Acronyms

(INCLUDES ACRONYMS IN THE FINANCIAL STATEMENTS)

AEI	Alliances for Economic Inclusion
AFS	Available-For-Sale
AHDP	Affordable Housing Disposition Program
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
ANPR	Advance Notice of Proposed Rulemaking
APBO	Accumulated Postretirement Benefit Obligation
ARRC	Alternative Reference Rates Committee
ASBA	Association of Supervisors of Banks of the Americas
ASC	Accounting Standards Codification
BCBS	Basel Committee on Banking Supervision
BDC	Backup Data Center
BIF	Bank Insurance Fund
BIPOC	Black, Indigenous, and People of Color
BoA	Bank of America
BOA	Basic Ordering Agreement
BPM	Business Process Modernization
Call Report	Consolidated Reports of Condition and Income
CAMELS	Capital adequacy; Asset quality; Management capabilites; Earnings sufficiency; Liquidity position; Sensitivity to market risk
CBAC	Advisory Committee on Community Banking
CCPs	Central Counterparties
CDFI	Community Development Financial Institution
CECL	Current Expected Credit Losses
CEO	Chief Executive Officer
CFO Act	Chief Financial Officers Act
CFPB	Consumer Financial Protection Bureau

CFR	Center for Financial Research
CFT	Countering the Financing of Terrorism
CFTC	Commodity Futures Trading Commission
CIO	Chief Information Officer
CIOO	Chief Information Officer Organization
CISR	Division of Complex Institution Supervision and Resolution
CMG	Crisis Management Group
CMP	Civil Money Penalty
ComE-IN	Advisory Committee on Economic Inclusion
COVID-19	Coronavirus Disease 2019
CRA	Community Reinvestment Act
CRC	Consumer Response Center
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
CSRS	Civil Service Retirement System
DCP	Division of Depositor and Consumer Protection
DEIA	Diversity, Equity, Inclusion, and Accessibility
DIF	Deposit Insurance Fund
DIR	Division of Insurance and Research
DOA	Division of Administration
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DRR	Division of Resolutions and Receiverships
EDIE	Electronic Deposit Insurance Estimator
ERM	Enterprise Risk Management
EU	European Union
FASB	Financial Accounting Standards Board
FBO	Foreign Banking Organization
FCB	First Citizens Bank & Trust Company
FDI Act	Federal Deposit Insurance Act

FDIC	Federal Deposit Insurance Corporation
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
FFIEC	Federal Financial Institutions Examination Council
FFMIA	Federal Financial Management Improvement Act
FHFA	Federal Housing Finance Agency
FID	Financial Institution Diversity
FIL	Financial Institution Letter
FinCEN	Financial Crimes Enforcement Network
Fintech	Financial Technology Company
FIRREA	Financial Institutions Reform, Recovery and Enforcement Act
FISs	Financial Institution Specialists
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act
FOCUS	Framework for Oversight of Compliance and CRA Activities User Suite
FRB	Board of Governors of the Federal Reserve System
FRF	FSLIC Resolution Fund
FSB	Financial Stability Board
FS-ISAC	Financial Services Information Sharing and Analysis Center
FSLIC	Federal Savings and Loan Insurance Corporation
FSOC	Financial Stability Oversight Council
FTC	Federal Trade Commission
FTE	Full-Time Equivalent
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GPRA	Government Performance and Results Act
G-SIBs	Global Systemically Important Banks
G-SIFIs	Global Systemically Important Financial Institutions

HBCU	Historically Black Colleges and Universities
IADI	International Association of Deposit Insurers
IDI	Insured Depository Institution
IMF	International Monetary Fund
IT	Information Technology
LCFI	Large Complex Financial Institution
LIBOR	London Inter-bank Offered Rate
LIDI	Large Insured Depository Institution
LMF	Labor Management Forum
LMI	Low- and Moderate-Income
LURAs	Land Use Restriction Agreements
ME/MC	Mission Essential/Mission Critical
MDI	Minority Depository Institutions
MOL	Maximum Obligation Limitation
MOU	Memorandum of Understanding
MRBA	Matters Requiring Board Attention
MSSP	Managed Security Services Provider
MWOB	Minority- and Women-Owned Business
MWOLF	Minority-and Women-Owned Law Firms
N.A.	National Association
NAMWOLF	National Association of Minority-and Women-Owned Law Firms
NCDA	National Center for Consumer and Depositor Assistance
NCUA	National Credit Union Administration
NIM	Net Interest Margin
NPR	Notice of Proposed Rulemaking
NSFR	Net Stable Funding Ratio
NTEU	National Treasury Employees Union
OCC	Office of the Comptroller of the Currency
OIG	Office of Inspector General

OLA	Orderly Liquidation Authority
OMB	U.S. Office of Management and Budget
OMWI	Office of Minority and Women Inclusion
OO	Office of the Ombudsman
OPM	Office of Personnel Management
ORMIC	Office of Risk Management and Internal Controls
OTS	Office of Thrift Supervision
PAVE	Property Appraisal and Valuation Equity
PMN	Purchase Money Note
PPE	Primary Purpose Exception
QFC	Qualified Financial Contract
REFCORP	Resolution Funding Corporation
ResG	Financial Stability Board’s Resolution Steering Committee
RFI	Request For Information
RMS	Division of Risk Management Supervision
ROE	Reports of Examination
ROU	Right-of-Use
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SARC	Supervision Appeals Review Committee
SEC	Securities and Exchange Commission
SIFI	Systemically Important Financial Institution
SLA	Shared-Loss Agreement
SNC	Shared National Credit
SPPS	Security and Privacy Professional Services
SRAC	Systemic Resolution Advisory Committee
SRR	SIFI Risk Report
SSGN	Structured Sale Of Guaranteed Note
SVB	Silicon Valley Bank

SVBB	Silicon Valley Bridge Bank, N.A.
TAG	Transaction Account Guarantee Program
TDR	Troubled Debt Restructuring
TSP	Federal Thrift Savings Plan
UDAA	Unclaimed Deposits Amendments Act of 1993
UFIRS	Uniform Financial Institutions Rating System
UK	United Kingdom
U.S.	United States
USD	U.S. Dollar
Treasury	U.S. Treasury
VIE	Variable Interest Entity

2023

Federal Deposit Insurance Corporation

This 2023 Annual Report is dedicated to Bret D. Edwards, CFO, for his 35 ½ years of public service. We express our sincere gratitude and thanks for all the hard work and many accomplishments over the years. Thank you for your service! Congratulations and best wishes in retirement.

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