



ANNUAL REPORT 2005



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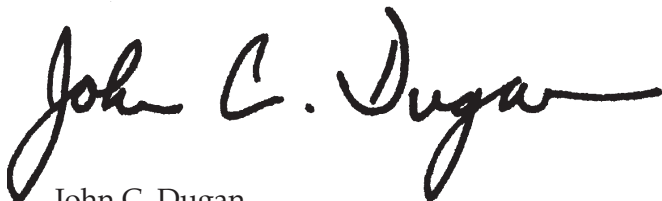
LETTER OF TRANSMITTAL

Federal Financial Institutions
Examination Council
Arlington, VA 22226
March 30, 2006

The President of the Senate
The Speaker of the House of Representatives

Pursuant to the provisions of section 1006(f) of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 USC 3305), I am pleased to submit the 2005 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,

A handwritten signature in black ink that reads "John C. Dugan". The signature is written in a cursive style with a long horizontal flourish at the end.

John C. Dugan
Chairman

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MESSAGE FROM THE CHAIRMAN



John C. Dugan

I am pleased to report that the FFIEC continued its high level of performance and productivity throughout 2005. We continued to work together to advance the Council's mission of promoting uniformity and consistency in the supervision of financial institutions. We also continued to foster communication, cooperation, and coordination among the member agencies that comprise the Council, its task forces, and the State Liaison Committee, an advisory committee comprised of five representatives of state agencies that supervise financial institutions. In addition, we continued our work with other outside agencies and with banking industry and trade group representatives on several significant FFIEC initiatives.

Specific details on the 2005 achievements are included in the Record of Council Activities and Activities of the Interagency Staff Task Forces sections of this report. I am pleased to mention here, however, some of the more significant initiatives undertaken by the Council, its task forces, and interagency working groups in 2005:

- Implementation of the Central Data Repository, which streamlined the collection of quarterly bank financial reports (Call Reports).
- Establishment of a working group, which includes representatives from all FFIEC member agencies and the State Liaison Committee, to enhance the agencies' coordination and communication, and supervisory responses to, issues facing the industry in the aftermath of the devastating hurricanes in Louisiana and Mississippi. As part of this effort, the FFIEC has established a page on its web site,

www.ffiec.gov, to provide bankers and consumers with answers to frequently asked questions and other information on hurricane-related issues.

- Extensive outreach activities with Federal and State examiners as well as with the banking industry on the release of the FFIEC's *Bank Secrecy Act/Anti-Money Laundering Examination Manual* and regulatory expectations. The Financial Crimes Enforcement Network (FinCEN) and the Office of Foreign Assets Control (OFAC) participated in the outreach activities. In total, these activities reached more than 23,000 bankers and examiners.
- Issuance of interagency guidance and rules related to numerous banking practices and activities, including:
 - a. Credit-risk management guidance for home equity lending.
 - b. Interpretive guidance on response programs for unauthorized access to customer information and customer notice and a small entity compliance guide for information security standards to help smaller institutions comply with the agencies' information security guidelines.
 - c. Joint guidance by the agencies and FinCEN on providing banking services to money services businesses.
 - d. An advisory on accounting and reporting for commitments to originate and sell mortgage loans.
 - e. Guidance on authentication in an Internet banking environment.
 - f. Supervisory guidance to assist

