



Federal Financial Institutions  
Examination Council

# ANNUAL REPORT 2016

Board of Governors of the Federal Reserve System

Consumer Financial Protection Bureau

Federal Deposit Insurance Corporation

National Credit Union Administration

Office of the Comptroller of the Currency

State Liaison Committee



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## MEMBERS OF THE COUNCIL



*Rick Metsger, Chairman, National Credit Union Administration; Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency; Martin J. Gruenberg, FFIEC Vice Chairman, Chairman, Federal Deposit Insurance Corporation; Daniel K. Tarullo, FFIEC Chairman, Member, Board of Governors of the Federal Reserve System; Richard Cordray, Director, Consumer Financial Protection Bureau; Karen Lawson, State Liaison Committee Chairman, Director, Office of Banking, Michigan Department of Insurance and Financial Services.*



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# LETTER OF TRANSMITTAL

Federal Financial Institutions Examination Council

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3501 Fairfax Drive • Room B7081a • Arlington, VA 22226-3550 • (703) 516-5588 • FAX (703) 562-6446 • [www.ffiec.gov](http://www.ffiec.gov)

March 30, 2017

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 U.S.C. § 3305), I am pleased to submit the 2016 Annual Report of the Federal Financial Institutions Examination Council.

Respectfully,

Daniel K. Tarullo  
*Chairman*

Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation,  
National Credit Union Administration, Office of the Comptroller of the Currency, State Liaison Committee



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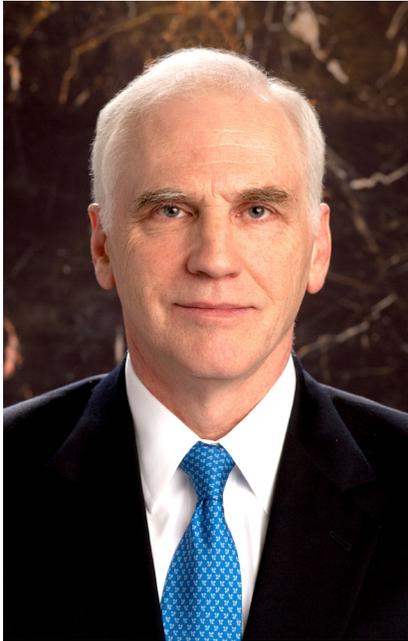
## CHART OF SELECTED ABBREVIATIONS

ACSSS .....	American Council of State Savings Supervisors	FIRREA .....	Financial Institutions Reform, Recovery, and Enforcement Act of 1989
ALG .....	Agency Liaison Group	FRB .....	Board of Governors of the Federal Reserve System
AML .....	Anti-Money Laundering	FSOC .....	Financial Stability Oversight Council
ASC .....	Appraisal Subcommittee	HMDA .....	Home Mortgage Disclosure Act of 1975
Assessment.....	Cybersecurity Assessment Tool	IBA.....	International Banking Act of 1978
BHC.....	Bank Holding Company	IRR.....	Interest Rate Risk
BSA.....	Bank Secrecy Act	IT.....	Information Technology
Call Report .....	Consolidated Reports of Condition and Income	IT Handbook.....	Information Technology Examination Handbook
CCIWG .....	Cybersecurity and Critical Infrastructure Working Group	LAG.....	Legal Advisory Group
CDR.....	Central Data Repository	NASCUS .....	National Association of State Credit Union Supervisors
CFPB.....	Consumer Financial Protection Bureau	NCUA .....	National Credit Union Administration
Council.....	Federal Financial Institutions Examination Council	NCUSIF.....	National Credit Union Share Insurance Fund
CRA.....	Community Reinvestment Act of 1977	OCC.....	Office of the Comptroller of the Currency
CSBS .....	Conference of State Bank Supervisors	OMB .....	Office of Management and Budget
DIF .....	Deposit Insurance Fund	PRA .....	Paperwork Reduction Act of 1995
Dodd-Frank Act...	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	SDRWG.....	Structure Data Reconciliation Working Group
EEO.....	Examiner Education Office	SIFI.....	Systemically Important Financial Institution
EGRPRA .....	Economic Growth and Regulatory Paperwork Reduction Act of 1996	SLC .....	State Liaison Committee
FDIC .....	Federal Deposit Insurance Corporation	SLHC.....	Savings and Loan Holding Company
FDICIA.....	Federal Deposit Insurance Corporation Improvement Act of 1991	SLR .....	Supplementary Leverage Ratio
FFIEC .....	Federal Financial Institutions Examination Council	SOD .....	Summary of Deposits
FFIEC 101 .....	Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework	TFCC .....	Task Force on Consumer Compliance
FFIEC 102 .....	Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule	TFEE.....	Task Force on Examiner Education
FHC .....	Financial Holding Company	TFIS .....	Task Force on Information Sharing
FinCEN .....	Financial Crimes Enforcement Network	TFOR .....	Task Force on Reports
FIRIRCA .....	Financial Institutions Regulatory and Interest Rate Control Act of 1978	TFOS.....	Task Force on Supervision
		TFSS.....	Task Force on Surveillance Systems
		TSP.....	Technology Service Provider
		TWG.....	Technology Working Group
		UBPR.....	Uniform Bank Performance Report



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## MESSAGE FROM THE CHAIRMAN



*FFIEC Chairman Daniel K. Tarullo*

As the chairman of the Federal Financial Institutions Examination Council (FFIEC or Council), I am pleased to present the following report outlining the Council's work over 2016 to further its mission of promoting uniformity and consistency in the supervision and examination of financial institutions.

One of the Council's primary efforts this past year was its continued work on the second decennial interagency review of regulations mandated by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA). While the EGRPRA review aims to identify outdated, unnecessary, or unduly burdensome regulations as they apply to all insured depository

institutions (IDIs), this cycle's review was especially focused on the burden imposed on smaller depository institutions.

The final report, which will be issued by the agencies to Congress very shortly, will describe the regulatory and other initiatives already undertaken or planned by the agencies to address regulatory burden. Highlights of these initiatives include:

- **Simplifying Capital Rules.** The agencies strive to ensure that regulatory requirements and supervisory expectations of banking organizations are commensurate with banking organizations' size, risk profile, condition, and complexity. The agencies understand the concerns of community banks with regard to the complexity in certain areas of the existing capital rules. As a result, the agencies are developing potential simplifications to the regulatory capital rules that would be applicable to community banks and will be seeking industry comment on these proposed changes.
- **Community Bank Call Report.** The agencies have adopted a new, streamlined Call Report for institutions that do not have foreign offices and hold total assets of less than \$1 billion. This new Call Report is expected to take effect on March 31, 2017, and will significantly reduce the length of the Call Report for eligible small institutions.
- **Reduced Examination Frequency for Certain Qualifying Institutions.** The agencies have adopted a rule to raise the asset threshold that, in general, makes qualifying IDIs with less than \$1 billion in total assets eligible for an 18-month (rather than a 12-month) examination cycle. As a result, over 600 more institutions qualify for an extended 18-month exam cycle, increasing the total number of qualifying institutions to over 4,900, or about 83 percent of IDIs.

In addition to the EGRPRA-related efforts, the Council and its task forces and subcommittees have been engaged in many other important initiatives throughout 2016, as described in the following report.

I appreciate the Council's efforts this past year and the work of the FFIEC staff, the constituent member agencies, and the State Liaison Committee. In April, the chairmanship will pass to Martin Gruenberg of the Federal Deposit Insurance Corporation, and I trust that under his leadership, the FFIEC will continue its goal of promoting uniformity and consistency in the supervision of financial institutions. In particular, I look forward to the results of the project the FFIEC and the federal banking agencies will be undertaking in 2017 to streamline the supervision of community banks by making their examination processes more effective and efficient.



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# OVERVIEW OF THE FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL OPERATIONS

The Federal Financial Institutions Examination Council (FFIEC or Council) was established on March 10, 1979, pursuant to title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRIRCA), Public Law 95-630. The purpose of title X, cited as the Federal Financial Institutions Examination Council Act of 1978, was to create a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the constituent agencies, and to make recommendations to promote uniformity in the supervision of financial institutions. The Council is responsible for developing uniform reporting systems for federally supervised financial institutions, their holding companies, and the nonfinancial institution subsidiaries of those institutions and holding companies. It conducts schools for examiners employed by the five federal member agencies represented on the Council and makes those schools available to employees of state agencies that supervise financial institutions.

To encourage the application of uniform examination principles and standards by the state and federal supervisory authorities, the Council established, in accordance with the requirement of FIRIRCA, the State Liaison Committee (SLC).

## **Membership, Organization, and Administration of the Council**

### **Members of the Council**

By statute, the Council has six voting members. The most recent revision to the membership occurred in 2010 through a provision in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Thus, since 2011 the Council Members are:

- a member of the Board of Governors of the Federal Reserve System (FRB), appointed by the Chairman of the Board;
- the Chairman of the Federal Deposit Insurance Corporation (FDIC);
- the Chairman of the National Credit Union Administration (NCUA);
- the Comptroller of the Currency of the Office of the Comptroller of the Currency (OCC);
- the Director of the Consumer Financial Protection Bureau (CFPB); and
- the Chairman of the State Liaison Committee (SLC).

### **Interagency Task Forces and Liaisons**

Six staff task forces effectively administer the full spectrum

of projects in the Council's functional areas, including but not limited to researching future enhancements for reporting, examiner training products, and examiner guidance. The task forces are each composed of six senior officials, one drawn from each of the five federal member agencies and one drawn from the SLC. Each is tasked with one of the following subject matters:

- Consumer Compliance
- Examiner Education
- Information Sharing
- Reports
- Supervision
- Surveillance Systems

The Council also has a Legal Advisory Group (LAG), composed of the general or chief counsel from each of the member entities, to provide advice and other support on legal matters of interest to the Council. The task forces and the LAG provide research and develop analytical papers and proposals on the issues that the Council addresses. In addition, the Council has an Agency Liaison Group (ALG), composed of senior officials responsible for coordinating the FFIEC work of their respective members' staff.

### **Administration of the Council**

The Chairmanship of the Council

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rotates among the federal members for two-year terms in the following order: OCC, FRB, FDIC, CFPB, and NCUA. The Council holds regular meetings at least twice a year. Other Council meetings may be convened whenever called by the Chairman or four or more Council members. Most of the Council's funds are derived from assessments on its five federal member agencies. Additionally, it receives tuition fees from non-FFIEC member agency attendees to cover some of the costs associated with its examiner education program. The Council also receives funding from the U.S. Department of Housing and Urban Development for collecting, processing, and reporting data under the Home Mortgage Disclosure Act of 1975 (HMDA).

The FRB provides administrative, budget, and accounting services to the Council. The Council is supported by a small, full-time administrative staff in its operations office and in its examiner education program, which are located at the FDIC's L. William Seidman Center in Arlington, Virginia. Each Council staff is detailed (some permanently) from one of the five federal member agencies represented on the Council.

### **A Brief Statutory History of the Council**

#### **The Financial Institutions Regulatory and Interest Rate Control Act of 1978**

Upon passage of FIRIRCA,

the constituent agencies each designated personnel to study title X, analyze the agencies' responsibilities, and prepare recommendations for performing the required duties. The heads of the constituent agencies, acting through the Interagency Coordinating Committee, then established a task force composed of representatives from each agency to develop the necessary mechanism to establish the Council. The task force prepared option papers and legal opinions for the Council on organization structure, rules of operation, funding, priorities, and other necessary matters pertinent to the establishment of a functioning Council. The Council organized and held its first meeting on March 16, 1979. At the first meeting of the Council, the organizations were represented by John G. Heimann, Comptroller of the Currency; Irvine H. Sprague, Chairman of the FDIC; J. Charles Partee, Governor of the FRB; Robert H. McKinney, Chairman of the Federal Home Loan Bank Board (Bank Board); and Lawrence Connell, Administrator of the NCUA.

#### **The Housing and Community Development Act of 1980**

The Council was given additional statutory responsibilities by section 340 of the Housing and Community Development Act of 1980, Public Law 96-399. Among these responsibilities are the implementation of a system to facilitate public access to data that depository institutions must disclose under the HMDA and

the aggregation of annual HMDA data, by census tract, for each metropolitan statistical area.

#### **The Financial Institutions Reform, Recovery, and Enforcement Act of 1989**

In 1989, the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) abolished the Bank Board and established the Office of Thrift Supervision (OTS). Accordingly, the Director of the OTS assumed the Council seat previously held by the Bank Board representative.

Title XI of FIRREA established the Appraisal Subcommittee (ASC) within the Council. The ASC's mission statement is "to provide federal oversight of State appraiser regulatory programs and a monitoring framework for the Appraisal Foundation and the Federal Financial Institutions Regulatory Agencies in their roles to protect federal financial and public policy interests in real estate appraisals utilized in federally related transactions." The ASC consists of seven individuals appointed by the heads of the five federal regulatory agencies represented on the Council and the Federal Housing Finance Agency and the U.S. Department of Housing and Urban Development. The ASC is largely autonomous and performs its duties independently of the direct supervision and oversight of the Council. The Council's responsibilities with respect to the ASC include (1) selection of the chairman of the ASC, (2) approval of any adjustment of the amount of the ASC's

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annual registry fee for appraisers that exceeds the statutorily defined amount, (3) approval of any determination by the ASC to waive any certification or licensing requirement based on a scarcity of appraisers in connection with federally related transactions within a state, and (4) approval of any proposal by the ASC to grant extensions to states to comply with new regulations governing establishment of appraisal management company registration and supervision systems.

### **The Economic Growth and Regulatory Paperwork Reduction Act of 1996**

The EGRPRA requires that not less frequently than once every 10 years, the Council and each appropriate Federal banking agency represented on the Council shall conduct a review of all regulations prescribed by the Council or by any such appropriate Federal banking agency, respectively, in order to identify outdated or otherwise unnecessary regulatory requirements imposed on insured depository institutions.

Additional responsibility was given to the Council by the EGRPRA to submit reports to Congress on the regulatory reviews that the appropriate Federal banking agencies conduct in accordance with EGRPRA. Although not required, the NCUA elects to participate in the decennial review process. The CFPB is required to complete a review of each significant rule five years after it takes effect, in a process separate from EGRPRA.

### **The Financial Services Regulatory Relief Act of 2006**

Congress passed the Financial Services Regulatory Relief Act of 2006 that provided for the election of a Chairman for the SLC from among the five SLC members and for the addition of the SLC Chairman as a voting member of the Council in October 2006.

### **The Secure and Fair Enforcement for Mortgage Licensing Act of 2008**

The Secure and Fair Enforcement for Mortgage Licensing Act of

2008, enacted as title V of the Housing and Economic Recovery Act of 2008, established the responsibility for the federal banking agencies, through the Council and in conjunction with the Farm Credit Administration, to develop and maintain a system for registering employees of depository institutions and certain of their subsidiaries' loan originators with the Nationwide Mortgage Licensing System and Registry. On July 21, 2011, pursuant to the Dodd-Frank Act, the authority for rulemaking and the development and maintenance of the licensing system generally was transferred to the CFPB.

### **The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010**

In 2010, Congress enacted the Dodd-Frank Act, providing for the addition of the Director of the CFPB as a voting member of the Council, effective July 2011. The Director of the former OTS was removed from the Council, and the agency's functions were transferred to the OCC, FRB, FDIC, and CFPB.



# RECORD OF COUNCIL ACTIVITIES

The following section is a chronological record of the official actions taken by the FFIEC during 2016, pursuant to the FIRIRCA, as amended, and the HMDA, as amended.

## February 10, 2016

*Action.* Approved the issuance of the Council's annual interagency awards.

*Explanation.* The Council has an interagency awards program that recognizes staff of the FFIEC members who have provided outstanding service to the Council on interagency projects and programs during the previous year.

## February 29, 2016

*Action.* Approved the appointment of six task force chairs.

*Explanation.* The chairs for all six standing task forces are approved annually and are drawn from management and staff of the FFIEC members. Their terms run April 1, 2016, through March 31, 2017.

## March 9, 2016

*Action.* Approved the Council's 2015 annual report to the Congress.

*Explanation.* The legislation establishing the Council requires that, not later than April 1 of each year, the Council publish

an annual report covering its activities during the preceding year.

## March 14, 2016

*Action.* Approved the Central Data Repository (CDR) Steering Committee's Task Order #7.

*Explanation.* The Council is required to approve task orders that exceed a specific dollar amount. Task Order #7 provides funding for CDR enhancements to improve Consolidated Reports of Condition and Income (Call Reports) processing, Public Data Distribution (PDD), and Uniform Bank Performance Report (UBPR) processing.

## March 15, 2016

*Action.* Approved selection of the Appraisal Subcommittee (ASC) Chair, Arthur Lindo, FRB.

*Explanation.* In accordance with 12 USC 3333, the Council is required to approve the selection of the ASC Chairman, who serves a two-year term. On March 31, 2016, Mr. Lindo concluded serving his first full term as ASC Chairman, as approved by the Council in March 2014. The ASC nominated Mr. Lindo as their Chairman for the two-year term commencing April 1, 2016, through March 31, 2018.

## April 6, 2016

*Action.* Approved the replacement of the Chairman for the Task Force on Supervision (TFOS) due to the retirement of the current Chairman.

*Explanation.* The chairs for all six standing task forces are approved annually and are drawn from management and staff of the FFIEC members. Their terms run April 1, 2016, through March 31, 2017. The Council approves



The Federal Financial Institutions Examination Council in session.



FFIEC Vice Chairman Gruenburg and Chairman Tarullo during a presentation at a 2016 Council meeting.

changes to the task force chairs should the need arise at any time during the term.

#### April 6, 2016

*Action.* Approved appointment of new SLC member, Edward Joseph Face, Commissioner of Financial Institutions for the Virginia State Corporation Commission’s Bureau of Financial Institutions.

*Explanation.* The Council appoints two of the SLC members. The remaining three members are designated by the Conference of State Bank Supervisors (CSBS), the American Council of State Savings Supervisors (ACSSS), and the National Association of State Credit Union Supervisors (NASCUS). Mr. Face’s first term on the SLC runs May 1, 2016, through April 30, 2018.

#### May 2, 2016

*Action.* Approved the replacement of the Chairman for the Task Force on Consumer Compliance (TFCC) due to the promotion of the current Chairman.

*Explanation.* The chairs for all six standing task forces are approved annually and are drawn from management and staff of the FFIEC members. Their terms run April 1, 2016, through March 31, 2017. The Council approves changes to the task force chairs should the need arise at any time during the term.

#### May 2, 2016

*Action.* Approved the creation of a proposed Call Report (FFIEC 051) for eligible small institutions.

*Explanation.* Under the Council’s community bank Call Report burden-reduction initiative, the Council’s Task Force on Reports (TFOR) recommended to the Council the creation of a separate, more streamlined, and noticeably shorter Call Report to be completed by eligible institutions. The TFOR’s recommendation reflects its consideration of the feedback from community bank outreach activities from the third quarter of 2015 through February 2016 and comments received as part of the regulatory review being conducted under EGRPRA. The TFOR’s initial proposal addresses the industry’s concerns about the regulatory reporting burden imposed on institutions by the Call Report and signals more to come. In addressing these concerns, the TFOR aims to balance institutions’ requests for a less burdensome regulatory reporting process against FFIEC member entities’ need for sufficient data to monitor and ensure the safety and soundness of financial institutions and carry out agency-specific missions.

#### December 1, 2016

*Action.* Approved moving forward with the proposal to create a new Call Report (FFIEC 051) for eligible small institutions and implementing other burden-reducing changes to the existing FFIEC 031 and FFIEC 041 Call Reports.

*Explanation.* These proposed Call Report changes were published for comment in the *Federal Register* on August 15, 2016, jointly by the three banking agencies following

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approval by the Council. After considering the comments received, the TFOR recommended that the Council proceed with the proposed Call Report revisions, with certain modifications in response to comments. The TFOR also recommended that the reporting changes take effect March 31, 2017, subject to OMB approval pursuant to the Paperwork Reduction Act (PRA). For the new FFIEC 051 Call Report, eligible small institutions would be the approximately 5,200 banks and savings associations with domestic offices and less than \$1 billion in total assets. This action is consistent with the objectives of EGRPRA.

### **December 1, 2016**

*Action.* Approved the 2017 Council budget.

*Explanation.* The Council is required to approve the annual budget that funds the Council's staff, programs, and activities.

### **December 7, 2016**

*Action.* Approved revisions to the FFIEC Freedom of Information Act (FOIA) regulations to implement requirements under the FOIA Improvement Act of 2016.

*Explanation.* The Council's regulations at 12 CFR part 1101 implement the FOIA. On June 30, 2016, President Obama signed into law the FOIA Improvement Act of 2016, which mandates several substantive and procedural amendments to the FOIA, as well as new reporting requirements for federal agencies. The FOIA Improvement Act of 2016 directs that changes to each agency's FOIA regulations be implemented by December 27, 2016. The Council's final interim rule implementing the mandated changes to 12 CFR part 1101 was published in the *Federal Register* on December 27, 2016, with a 60-day comment period.



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## STATE LIAISON COMMITTEE REPORT



*State Liaison Committee (from left to right): Greg Gonzales (TN), Caroline Jones (TX), Karen Lawson (MI), Mary Hughes (ID), and Edward Joseph Face (VA).*

The SLC consists of five representatives from state regulatory agencies that supervise financial institutions. The representatives are appointed for two-year terms. An SLC member's two-year term may be extended by the appointing organization for an additional, consecutive two-year term. The Council elects two of the

five members of the SLC. The ACSSS, the CSBS, and the NASCUS each designate a member. The members of the SLC serve as an important conduit to their state colleagues and represent state supervisory interests before the Council. Each year, the SLC elects one of its members to serve as chairman for 12 months,

commencing May 1.

The five members serving on the SLC in 2016 were

- Karen Lawson  
*SLC Chairman*  
Director, Office of Banking,  
Michigan Department of  
Insurance and Financial  
Services

- 
- Edward Joseph Face  
Commissioner of Financial Institutions,  
Bureau of Financial Institutions,  
Virginia State Corporation Commission
  - Greg Gonzales  
Commissioner, Tennessee  
Department of Financial Institutions
  - Mary Hughes  
Financial Institutions Bureau  
Chief, Idaho Department of Finance
  - Caroline Jones  
Commissioner, Texas  
Department of Savings and Mortgage Lending

The SLC is represented on the Council’s task forces and working groups by state supervisors from around the country. The CSBS provides staff support to the SLC representatives and serves as the primary liaison to the FFIEC staff for all administrative matters.

In connection with its role on the Council, the SLC meets in person before each Council meeting to discuss the agenda, task force projects, and topics of interest that may come before the Council. The SLC invites leadership and policymakers from the other FFIEC members and the FFIEC Executive Secretary’s office to meet with them during these briefings to engage in informal dialogue. Such meetings allow the

SLC members to bring a focused and impactful dialogue to the Council meetings, reflecting the diverse views from regulators nationwide.

State bank regulators, represented by the SLC, charter approximately 4,713 banks with \$5.3 trillion assets under supervision. In addition to commercial banks, state regulators supervise other depository institutions including credit unions, savings banks, savings and loan institutions, bankers’ banks, credit card banks, industrial loan companies, foreign banking organizations, and non-depository trust companies. A total of 51 state regulatory agencies supervise 392 non-depository trust companies.

# ACTIVITIES OF THE INTERAGENCY STAFF TASK FORCES

## Task Force on Consumer Compliance

The TFCC promotes policy coordination, a common supervisory approach, and uniform enforcement of consumer protection laws and regulations. The TFCC identifies and analyzes emerging consumer compliance issues and develops proposed policies and procedures to foster consistency among the agencies. Additionally, the TFCC reviews legislation, regulations, and policies at the state and federal level that may have a bearing on the consumer compliance supervision responsibilities of the member agencies.

During 2016, the TFCC relied on the HMDA/Community Reinvestment Act (CRA) Data Collection Subcommittee (HMDA/CRA Subcommittee) and several ad hoc working groups to carry out its mission. The TFCC meets monthly to address and resolve common issues in consumer compliance supervision. Although significant issues or recommendations are referred to the Council for action, the Council has delegated to the TFCC the authority to make certain decisions and recommendations.

### Initiatives Addressed in 2016

#### *HMDA/CRA Data Collection Subcommittee Activities*

In 2016, the subcommittee continued to work toward numerous changes as a result of the CFPB's final rule amending the HMDA regulation,



*Task Force on Consumer Compliance meeting.*

effective January 1, 2018. The subcommittee will oversee the transfer from the FRB to the CFPB of HMDA responsibilities beginning in 2017. This includes the new data submission process beginning with HMDA data collected by financial institutions in or after 2017.

During 2016, the HMDA Subcommittee commented on and provided guidance for various efforts related to the implementation of the changes to Regulation C, implementing HMDA, which will take effect generally on January 1, 2018, including the review of a new Filing Instruction Guide and other materials for HMDA filers.

In 2016, the HMDA/CRA Subcommittee coordinated with the FRB's Information Technology

(IT) staff to collect, aggregate, and publish the 2015 CRA data and the 2015 HMDA data. The CRA data, published on August 18, 2016, are available on the FFIEC website at [www.ffiec.gov/press/pr081816.htm](http://www.ffiec.gov/press/pr081816.htm). The HMDA data, published on September 29, 2016, are also available on the FFIEC website at [www.ffiec.gov/press/pr092916.htm](http://www.ffiec.gov/press/pr092916.htm).

#### *Uniform Interagency Consumer Compliance Rating System*

In 2016, the TFCC member agencies issued the revised Uniform Interagency Consumer Compliance Rating System (Consumer Compliance Rating System) to reflect regulatory, supervisory, technological, and market changes since the original rating system was established in 1980. The revisions are designed to better reflect

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current consumer compliance supervisory approaches and to more fully align the Consumer Compliance Rating System with current risk-based, tailored examination processes. The revised Consumer Compliance Rating System reflects risk-based expectations commensurate with the size, complexity, and risk profile of institutions and incents institutions to prevent, self-identify, and address compliance issues. The revisions were not developed to set new or higher supervisory expectations for financial institutions and their adoption does not represent additional regulatory burden. The revised Consumer Compliance Rating System was issued after consideration of comments received from the public. It is effective for consumer compliance examinations that begin on or after March 31, 2017.

The Consumer Compliance Rating System provides a general framework for evaluating compliance assessment factors in order to assign a consumer compliance rating to each federally regulated financial institution. The primary purpose of the Consumer Compliance Rating System is to ensure that regulated financial institutions are evaluated in a comprehensive and consistent manner and that supervisory resources are appropriately focused on areas exhibiting risk of consumer harm and on institutions that warrant elevated supervisory attention. The revised Consumer Compliance Rating System emphasizes the importance of institutions' compliance management systems, with emphasis on compliance risk-

management practices designed to manage consumer compliance risk, support compliance, and prevent consumer harm.

#### *Consumer Compliance Conference*

In 2016, the TFCC continued to collaborate with the Task Force on Examiner Education (TFEE) and the FFIEC Examiner Education Office (EEO) to develop, plan, and deliver the Consumer Compliance Conference. The conference addresses supervisory updates and emerging issues for experienced examiners. The program was originally offered in January 2013, and, after positive feedback, was offered again in October 2013, April 2014, September 2015, and September 2016. Planning is currently ongoing for an October 2017 session.

#### *Regulation P Examination Procedures*

Section 75001 of the Fixing America's Surface Transportation Act amended section 503 of the Gramm-Leach-Bliley Act (GLBA). GLBA section 503, which is implemented by Regulation P, generally requires a financial institution to provide annual notice to its customers of its policies and practices with respect to disclosing and protecting nonpublic personal information. Section 75001 was effective upon enactment on December 4, 2015, and established an exception to the annual privacy notice requirement. The TFCC convened an interagency effort to draft corresponding updates to the Regulation P examination procedures. On May 26, 2016,

the TFCC approved the updated examination procedures.

#### *Flood Disaster Protection Act Examination Procedures*

The requirements of the Flood Disaster Protection Act (FDPA) applicable to regulated lending institutions were significantly amended with the passage of the Biggert-Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014. These statutes made changes to the FDPA provisions pertaining to force placement of flood insurance, escrowing of flood insurance premiums and fees, exemptions to the mandatory flood insurance purchase requirement, and civil money penalties. The TFCC member agencies with authority to implement rules under the FDPA (FDIC, FRB, NCUA, and OCC), along with the Farm Credit Administration, jointly issued rules addressing the provisions on force placement and escrow, as well as the exemption to the mandatory purchase requirement for detached structures on July 21, 2015. The TFCC convened an interagency effort to draft corresponding updates to the FDPA examination procedures. The TFCC approved the updated examination procedures in February 2016.

#### *Military Lending Act Examination Procedures*

The Military Lending Act (MLA), enacted in 2006 and implemented by the Department of Defense (DoD), protects active duty members of the military, their

spouses, and their dependents from certain lending practices that may pose risks to those individuals, as well as to military readiness and service member retention. The DoD regulation implementing the MLA contains limitations on and requirements for certain types of consumer credit extended to active duty service members and their spouses, children under age 21 (or in some cases 23 if enrolled full-time at an approved institution of higher learning) and certain other dependents (collectively, the covered borrowers). For covered transactions, the MLA and the implementing regulation limit the amount a creditor may charge, and provide other consumer protections, such as a ban on the use of mandatory arbitration clauses.

In July 2015, the DoD published significant amendments to the MLA implementing regulation. Previously, the MLA regulation only applied to certain types of credit, namely, narrowly defined payday loans, motor vehicle title loans, and tax refund anticipation loans with particular terms. The amended regulation extended the MLA's protections to a broader range of credit products including credit cards, deposit advance products, overdraft lines of credit, and certain installment loans. In addition, the amended regulation made other significant changes to the MLA implementing regulation, including modification of the disclosures creditors are required to provide to covered borrowers, modification of the Military Annual Percentage Rate to include certain additional fees and charges, and alteration of

the provisions of the optional safe harbor available to creditors for identification of covered borrowers.

The TFCC convened an interagency effort to comprehensively revise the interagency MLA examination procedures to reflect the 2015 DoD regulatory amendments, as well as the DoD interpretive rule issued in August 2016 that addressed questions the DoD had received regarding compliance with the 2015 rule. The TFCC approved the updated examination procedures on September 7, 2016.

In December 2016, staff from the TFCC member agencies held a webinar for agency examiners on compliance with the MLA regulation. Over 500 agency examiners registered for the training. In addition, a separate webinar on the regulatory amendments to the MLA was held in December 2016 and over 5,600

participants registered for this webinar. The webinar addressed the history of and recent updates to the MLA regulation and focused particularly on the amended regulation's scope, its optional safe harbor processes for covered borrower checks, the cost of credit limitations, and other required disclosures and limitations.

### **Task Force on Examiner Education**

The TFEE oversees the FFIEC's examiner education program on behalf of the Council. The TFEE promotes interagency education through timely, cost-efficient, state-of-the-art training programs for federal and state examiners and agency staff. The TFEE develops programs on its own initiative and in response to requests from the Council, Council task forces, and suggestions brought forth by the EEO staff. The EEO also maintains development groups



*Task Force on Examiner Education meeting.*

2016 Participation in FFIEC Training by Program and Entity-Actual as of December 31, 2016

Program Title	FRB	FRB State Sponsored	FDIC	FDIC State Sponsored	NCUA	NCUA State Sponsored	OCC	CFPB	FCA	FHFA	Other	Total
Advanced BSA/AML Specialists Conference	32	28	46	16	5	3	35	0	0	1	16	182
Advanced Cash Flow Concepts and Analysis: Beyond the Numbers	38	18	51	11	3	0	19	0	2	0	4	146
Advanced Commercial Credit Analysis	25	21	48	7	8	0	18	0	2	0	1	130
Agricultural Lending	11	10	52	3	6	3	2	0	3	0	1	91
Anti-Money Laundering Workshop	25	39	77	7	3	5	0	0	0	0	6	162
Asset Management Forum	40	9	65	16	0	0	14	0	0	0	0	144
Capital Markets Conference	44	19	84	4	14	3	9	0	1	0	0	178
Capital Markets Specialists Conference	30	3	81	7	8	1	10	0	14	4	7	165
Cash Flow Construction and Analysis from Federal Tax Returns	39	17	66	16	12	1	25	0	1	0	1	178
Commercial Real Estate Analysis	51	26	89	17	5	10	18	0	0	1	1	218
Consumer Compliance Specialists Conference	24	18	77	2	8	0	29	52	2	0	0	212
Distressed Commercial Real Estate	24	8	57	6	3	2	9	0	0	0	2	111
Financial Crimes Seminar	36	55	109	7	10	5	18	6	2	0	14	262
Fraud Identification Training Self Study	2	0	32	0	1	0	10	0	0	0	1	46
Fraud Investigation Techniques for Examiners	4	15	13	3	5	2	3	0	2	1	1	49
Fundamentals of Fraud	11	24	108	5	3	3	17	2	2	3	8	186
Information Technology Conference	44	24	55	10	6	5	36	9	13	8	0	210
Information Technology Symposium	3	0	5	0	2	0	6	2	0	0	3	21
Instructor Training School	28	0	0	0	1	0	9	11	9	0	0	58
Interest Rate Risk Workshop	40	25	67	31	3	0	28	0	2	0	6	202
International Banking Self-Study	3	0	28	0	0	0	9	1	1	0	9	51
International Banking Conference	20	0	18	0	0	0	17	3	0	0	0	58
International Banking School	5	10	18	3	0	0	8	0	0	1	0	45
Payment Systems Risk Conference	37	35	43	7	6	2	24	6	1	1	9	171
Real Estate Appraisal Review Self Study	4	0	8	0	2	0	0	0	0	0	0	14
Real Estate Appraisal Review School	20	18	54	6	0	2	8	0	1	0	2	111
Structured Finance: Investment Analysis & Risk Management	41	1	53	2	3	2	6	0	1	3	1	113
Supervisory Updates & Emerging Issues for Community Financial Institutions	73	36	169	22	9	8	32	1	0	0	3	353
Supervisory Updates & Emerging Issues for Large, Complex Financial Institutions	53	18	160	14	5	1	31	1	0	0	5	288
Testifying School	0	6	6	0	0	0	8	0	0	0	0	20
<i>Grand Total</i>	807	483	1,739	222	131	58	458	94	59	23	101	4,175
Percentage	19.33%	11.57%	41.65%	5.32%	3.14%	1.39%	10.97%	2.25%	1.41%	0.55%	2.42%	100%
Combined Agency and Sponsored Percentage	30.90%	NA	46.97%	NA	4.53%	NA	10.97%	2.25%	1.41%	0.55%	2.42%	100%

that have been established to provide ongoing content guidance for classes and conferences. Development group members consist of subject matter experts from each FFIEC member entity designated by their TFEE members. Development group members help the EEO ensure that the course content is relevant, current, and meets the agencies' examiner training needs.

Each fall, EEO staff establishes a training schedule based on demand from the FFIEC member entities and state financial institution regulators, which is then approved by the TFEE. The EEO staff schedules, delivers, and evaluates training programs throughout the year.

### Initiatives Addressed in 2016

The TFEE has continued to ensure that the FFIEC's educational programs meet the needs of agency

personnel, are cost-effective, and are widely available. The TFEE meets monthly with the EEO staff to discuss emerging topics, to review feedback from each course and conference, and to develop a framework for future courses and conferences. The solid partnership between the TFEE members and the EEO staff promotes open and regular communication that continues to result in high-quality, well-received training.

### *In-Person Training Programs*

In 2016, the EEO administered 109 task force-sponsored training sessions, with a total of 4,175 attendees (see table on page 14 for attendee participation by program and entity). Highlights from this year's training initiatives include the following:

#### *Cybersecurity*

While cybersecurity has been a

standing topic covered in several training programs for many years, specific efforts in 2016 ensured that all IT, Payment Systems Risk, and Supervisory Updates Conference programs included speakers from the Task Force on Supervision's (TFOS) Cybersecurity and Critical Infrastructure Working Group (CCIWG), IT Subcommittee, or industry experts on cybersecurity to ensure that attendees are informed of the latest developments in this rapidly changing area.

#### *Interest Rate Risk*

An intermediate-level course on interest rate risk (IRR) assessment and management for examiners, the IRR Workshop, was developed by subject matter experts selected by the TFOS in coordination with the EEO. The IRR Workshop pilot was offered in 2015, eight sessions were scheduled in 2016, and nine are planned for 2017. In addition to this new course offering, two conferences that focus on capital markets issues included industry perspectives on IRR management and modeling techniques for community financial institutions. Further, the Supervisory Updates and Emerging Issues for Community Financial Institutions Conference included an IRR presentation from an agency capital markets specialist. Among the topics addressed were industry trends, measurement systems, exposure limits and mitigation strategies, independent reviews, and regulatory guidance.

#### *Annual Specialists Conferences*

In addition to the classes and conferences designed to meet the needs of generalist commissioned



*Interest Rate Risk Workshop at FDIC's L. William Seidman Center, Arlington, VA.*

examiners, the EEO curriculum also includes several annual specialists conferences designed to address important emerging topics and regulatory updates. These specialist conferences address such topics as the Bank Secrecy Act (BSA), consumer compliance, IT, capital markets and liquidity risk management, and asset management. These conferences provide agency-designated subject matter experts with the opportunity to network and share their observations and industry developments with others in their specialty area, including those from other agencies and other parts of the country. The specialists' conferences feature knowledgeable and influential speakers, including senior level officials from member agencies, policymakers, and industry experts.

#### *Educational InfoBases*

In addition to classroom training, the TFEE implements and annually approves the maintenance of two InfoBases: (1) BSA/Anti-Money Laundering (AML) and (2) IT Handbook. These two InfoBases are online products that efficiently and effectively centralize and facilitate prompt access to examination procedures, agency resources, and reference materials on topics of interest to both financial institution regulators and the industry. The electronic delivery medium enables the content to be readily updated as needed in coordination with TFOS working groups and subcommittees.

The BSA/AML InfoBase contains the FFIEC BSA/AML Examination Manual and links to relevant laws, regulations, forms, and



*Agricultural Lending course at FDIC's L. William Seidman Center, Arlington, VA.*

supervisory guidance. The BSA/AML InfoBase can be found at [www.ffiec.gov/bsa\\_aml\\_infobase/default.htm](http://www.ffiec.gov/bsa_aml_infobase/default.htm).

The IT Handbook InfoBase contains the current set of IT examination booklets, agency resource materials, reference materials, a glossary, and master table of contents. The InfoBase content is updated on an as-needed basis. In 2016, updates were made to both the "Retail Payment Systems" and "Information Security" booklets of the IT Handbook. The IT Handbook InfoBase can be found at <http://ithandbook.ffiec.gov/it-booklets.aspx>.

#### *Alternative Delivery Training*

Alternative delivery training is offered on an as-needed basis. Currently, the FFIEC EEO offers three alternative delivery courses. The Basic International Banking Self-Study Course is available

to the public, in addition to the FFIEC members. The Real Estate Appraisal Review Self-Study Course and the Fraud Identification Self-Study Course are available to examiners and bankers through collaboration with the CSBS.

In addition, in late 2015 the FFIEC entered into an agreement with the Center for Learning Innovation of the Federal Reserve Bank of St. Louis to provide the FFIEC task forces, through the FFIEC EEO, the opportunity to provide webinars and/or live broadcasts, branded either FFIEC Examiner Exchange or FFIEC Industry Outreach. Since mid-2016, there have been two live broadcasts and six webinars.

#### *Continuing Education Credits*

Several FFIEC courses are assessed and approved annually for continuing education credits,

evidencing the high-quality content of the EEO's programming. Accreditation of EEO training events provides examiners the opportunity to maintain their certifications, as they would by attending industry-sponsored training, while still being able to hear from subject matter experts on topics of interest to examiners. Through a collaborative relationship between the FDIC and an FFIEC program sponsor, a number of classes and conferences are reviewed and approved for Continuing Professional Education credits, which are required for those examiners who are Certified Public Accountants. Other EEO accreditations are also available to examiners with industry-recognized designations, such as Certified AML Specialist, Certified Fraud Examiner, Certified Regulatory Compliance Manager, Certified Trust and Financial Advisor, and Chartered Financial Analyst. EEO classes enable examiners to better perform their examination duties as well as meet their greater professional development needs.

### Facilities

The FFIEC rents office space, classrooms, and lodging facilities at the FDIC's L. William Seidman Center in Arlington, Virginia. This facility offers convenient access to two auditoriums and numerous classrooms. Regional sessions are provided on an as-needed basis as requested by the agencies.

### Course Catalogue and Schedule

The course catalogue and schedule are available online at [www.ffiec.gov/exam/education](http://www.ffiec.gov/exam/education).

[htm](#).

To obtain a copy, contact:

Karen Smith, Manager  
FFIEC Examiner Education  
Office  
3501 Fairfax Drive  
Room B-3030  
Arlington, VA 22226-3550  
Phone: (703) 516-5588

### Task Force on Information Sharing

The Task Force on Information Sharing (TFIS) promotes and facilitates the sharing (collection, exchange, and access) of electronic information among the FFIEC members in support of the supervision, regulation, and deposit insurance responsibilities of financial institution regulators. The TFIS provides a forum for FFIEC members to discuss and address issues affecting the

quality, consistency, efficiency, and security of interagency information sharing. Provided all TFIS members agree, the Council has delegated to the TFIS the authority to facilitate among the FFIEC members the sharing of electronic information to supervise, regulate, or insure depository institutions.

To the extent possible, the members build on each other's information databases to minimize duplication of effort and promote consistency. In accordance with each member's policy, the members participate in a program to share electronic versions of their examination and inspection reports, and other communications with financial institutions. The members also provide each other with access to their regulated entities' structure, financial data, and supervisory information. The TFIS and its working groups use



*Task Force on Information Sharing meeting.*

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a collaborative website to share information among the Council members. The TFIS maintains the “Data Exchange Summary,” which lists the data files exchanged among the Council members and a repository of communications and documents critical to information sharing.

The TFIS has three working groups that address data sharing, interagency reconciliation of financial institution structure data, and interagency identity management. In addition, the TFIS receives demonstrations and reports on agency, financial industry, and other Council initiatives pertaining to technology development (including the production and development status of the interagency CDR).

## Initiatives Addressed in 2016

### *Data Sharing*

The mission of the TFIS is to identify and implement technologies to make sharing interagency data more efficient and to accommodate changes in agency databases and technologies. The TFIS’s Technology Working Group (TWG) meets monthly to develop technological solutions that enhance data sharing and to coordinate the automated transfer of data files between the members. The group tracks weekly developments to provide timely resolutions of data exchange issues.

The TWG continues to develop necessary links and processes to exchange electronic documents, develop an inventory of future technology projects, and upload

information to the collaborative website where documents and critical materials pertaining to interagency information exchanges are stored.

### *Structure Data Reconciliation*

Structure data is non-financial in nature and encompasses the financial institution’s profile, including, but not limited to, its charter type, holding company information, address, and contact information. This non-financial data is used in FDIC, FRB, and OCC databases for business analyses, processing, and reporting purposes. As a result, the accuracy and consistency of this data must be assured. The Structure Data Reconciliation Working Group (SDRWG) compares and reconciles data discrepancies between the FDIC, FRB, and OCC databases quarterly to ensure their reliability. The SDRWG’s quarterly efforts have greatly resolved structure data discrepancies among the members.

### *Coordination with Other Interagency Information-Sharing Entities*

The TFIS continues to coordinate with interagency information-sharing entities including the Financial Stability Oversight Council (FSOC) and the Office of Financial Research. These coordination efforts enable the TFIS to keep apprised of emerging issues and to monitor progress on projects, such as the Global Legal Entity Identifier initiative and those identified by the Data Sharing Working Group. This latter group focuses on identifying best practices for data and

information sharing among the FFIEC agencies.

### *Collaboration Tools*

The TFIS continues to coordinate with the Federal Reserve System’s Interagency Collaboration Program to encourage knowledge sharing and collaboration capabilities among FFIEC members.

## Task Force on Reports

The law establishing the Council and defining its functions requires the Council to develop uniform reporting systems for federally supervised financial institutions and their holding companies and subsidiaries. To meet this objective, the Council established the TFOR. The TFOR helps to develop interagency uniformity in the reporting of periodic information that is needed for effective supervision and other public policy purposes. As a consequence, the TFOR is concerned with issues such as the review and implementation of proposed revisions to reporting requirements; the development and interpretation of reporting instructions, including responding to inquiries about the instructions from reporting institutions and the public; the application of accounting standards to specific transactions; the development and application of processing standards; the monitoring of data quality; and the assessment of reporting burden. In addition, the TFOR works with other organizations, including the Securities and Exchange Commission, the Financial Accounting Standards Board, and



*Task Force on Reports.*

the American Institute of Certified Public Accountants. The TFOR also is responsible for any special projects related to these subjects that the Council may assign.

To help the TFOR carry out its responsibilities, working groups are organized as needed to handle specialized or technical accounting, reporting, instructional, and processing matters. In this regard, the TFOR has established a CDR Steering Committee to make business decisions needed to ensure the continued success of the CDR system, monitor its ongoing performance, and report on its status. The CDR is a secure, shared application for collecting, managing, validating, and distributing data reported in the quarterly Call Reports filed by insured banks and savings associations and the FDIC's annual Summary of Deposits (SOD) survey submitted by insured institutions with branch offices. The CDR also processes and distributes the UBPR

under the oversight of the Task Force on Surveillance Systems (TFSS).

### **Initiatives Addressed in 2016**

#### *Community Bank Call Report Burden Reduction*

During 2016, the TFOR continued to focus its efforts on the actions comprising the Council's formal initiative to identify potential opportunities to reduce burden associated with Call Report requirements for community banks, which had been launched in December 2014.

As one action under the Call Report burden-reduction initiative, the banking agencies had published an initial PRA *Federal Register* notice in September 2015 requesting comment on their first set of proposed burden-reducing changes to the FFIEC 031 and FFIEC 041 versions of the Call

Report and on certain other proposed revisions to these reports, all of which had been approved by the Council. The FFIEC 031 is applicable to institutions with domestic and foreign offices and the FFIEC 041 is applicable to institutions with domestic offices only. The comment period for the proposal ended in November 2015. After considering the comments received on the proposal, the TFOR completed its evaluation of the proposed changes in the second quarter of 2016 and recommended moving forward with most of the proposed reporting revisions, with some modifications. The TFOR also recommended that some of the Call Report changes be implemented as of the September 30, 2016, report date and that the remaining changes take effect as of March 31, 2017. After approving the proposed revisions, as modified, the Council notified reporting institutions about the Call Report changes in a Financial Institution Letter issued on July 1, 2016. The banking agencies published the final PRA *Federal Register* notice for the proposed changes on July 13, 2016. In September 2016, the U.S. Office of Management and Budget (OMB) approved these Call Report changes and their two-step implementation schedule, which the banking agencies are following.

As a second action under this burden-reduction initiative, the TFOR and FFIEC member entities have conducted and participated in several outreach efforts directed primarily toward community institutions to better understand,

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through industry dialogue, the aspects of reporting institutions' Call Report processes that are significant sources of reporting burden, including where manual intervention by an institution's staff is necessary to report particular information. As an initial step toward improving this understanding, representatives from the FFIEC member entities visited nine community institutions during the third quarter of 2015. In the first quarter of 2016, two bank trade groups, the Independent Community Bankers of America and the American Bankers Association, each organized a number of conference call meetings with small groups of community bankers in which representatives from the FFIEC member entities participated. During the visits to banks and the conference call meetings, the community bankers explained how they prepare their Call Reports, identified which schedules or data items take a significant amount of time and/or manual processes to complete, and described the reasons for this. The bankers also offered suggestions for streamlining the Call Report.

As a third action, the banking agencies, under the auspices of the TFOR, accelerated the start of the next statutorily mandated review of the existing Call Report data items, which they are required to perform by section 604 of the Financial Services Regulatory Relief Act of 2006 and otherwise would have commenced in 2017. Users of Call Report data items at the FFIEC member entities are participating in a series of nine surveys

conducted over a 19-month period that began in mid-July 2015. As an integral part of these surveys, users are asked to fully explain the need for each Call Report data item they deem essential, how the data item is used, the frequency with which it is needed, and the population of institutions from which it is needed. Call Report schedules have been placed into nine groups and prioritized for review, generally based on level of burden cited by banking industry representatives. Six of the surveys took place during 2016. Based on the results of the surveys, a working group established by the TFOR is identifying data items that the TFOR has considered, and continues to consider, for elimination, less frequent collection, or new or upwardly revised reporting thresholds. Recommended burden-reducing changes resulting from the responses to the first three surveys were incorporated into the Call Report proposal discussed below.

As a fourth action, the TFOR considered the feasibility and merits of creating a less burdensome version of the Call Report for institutions that meet certain criteria. The TFOR reviewed the feedback from the banker outreach efforts conducted in 2015 and 2016 as one of the inputs for developing such a proposed new Call Report that would address industry concerns about the reporting burden imposed on institutions by the Call Report. In May 2016, the TFOR recommended, and the Council approved, the creation of a separate, more streamlined, and noticeably shorter Call Report to be completed by eligible small

institutions. This new Call Report, which has been designated the FFIEC 051, generally would be applicable to institutions with domestic offices only and total assets less than \$1 billion. Such institutions represent more than 87 percent of all institutions required to file Call Reports.

Consistent with the Council-approved framework for this proposed new Call Report, the TFOR reviewed the data items currently collected in the FFIEC 041 version of the Call Report, including individual schedules, to determine how the existing reporting requirements could be modified to make the information in the Call Report more applicable to and less burdensome for smaller, noncomplex institutions without adversely affecting FFIEC member entities' data needs. As a result of this review, the TFOR made the following changes to the FFIEC 041 report form to create the proposed FFIEC 051:

- Added a supplemental schedule to collect indicator questions and indicator data items on certain complex and specialized activities as a basis for removing all or significant portions of six schedules (and other related items) currently included in the FFIEC 041;
- Eliminated data items identified as no longer necessary for collection from eligible small institutions during the completed portions of the statutorily mandated review of existing Call Report data items or during a separate interagency review that focused on data items infrequently reported by institutions

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of this size;

- Reduced the frequency of data collection for certain items identified as needed less often than quarterly from eligible small institutions; and
- Removed all data items for which a \$1 billion asset-size reporting threshold currently exists.

Based on the results of the completed portions of the statutorily mandated Call Report review, the TFOR also developed proposed burden-reducing revisions to the existing FFIEC 031 and FFIEC 041 Call Reports.

Following Council approval of the proposed new FFIEC 051 Call Report, the proposed revisions to the other versions of the Call Report, and the initial PRA *Federal Register* notice for these reporting changes on August 5, 2016, the Council issued a press release announcing this proposal and inviting public comment on it. As proposed, these Call Report revisions would take effect March 31, 2017. On August 15, 2016, the banking agencies published the notice in the *Federal Register* for its required 60-day comment period and the Council advised reporting institutions about the proposal through the issuance of a Financial Institution Letter.

The banking agencies collectively received approximately 100 unique letters and 1,000 form letters on the proposal. The TFOR evaluated these comments and considered additional burden-reducing changes it could recommend making to

the proposed FFIEC 051 Call Report. Its most substantive recommended modification to the original proposal was to reduce the reporting frequency of the Call Report schedule on loans to small businesses and small farms from quarterly to semiannually for all institutions filing the FFIEC 051. On December 1, 2016, the Council approved the TFOR's recommendation to move forward with the proposed FFIEC 051 Call Report for eligible small institutions and the other proposed burden-reducing changes to the existing FFIEC 031 and FFIEC 041 Call Reports effective March 31, 2017, including the modifications recommended in response to comments. The TFOR then finalized these new and revised reporting requirements and completed the related final PRA *Federal Register* notice for the proposed Call Report changes, which were approved by the Council and announced in a press release on December 30, 2016. The Council's Financial Institution Letter notifying reporting institutions about the finalization of these reporting requirements was issued the same day. To assist eligible small institutions in understanding the new Call Report, the Council posted on its website a prototype of the FFIEC 051 report form, a redlined copy of the FFIEC 041 report form showing the changes made to it in creating the FFIEC 051, and a draft of a separate, shorter instruction book for the FFIEC 051. Drafts of the FFIEC 031 and FFIEC 041 report forms reflecting the burden-reducing changes to these reports were also made available on the Council's

website. The banking agencies' final PRA *Federal Register* notice for this proposal was published on January 9, 2017. OMB approval is pending.

The TFOR anticipates that further Call Report streamlining will be included in future proposals based on reviews of the results of the portions of the statutorily mandated Call Report review that had not been completed when the August 2016 proposal discussed above was issued.

#### *Supplementary Leverage Ratio Data*

In the first quarter of 2016, capital policy experts from the banking agencies and the TFOR completed proposed modifications to the reporting of supplementary leverage ratio (SLR) data in the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101), in response to the banking agencies' September 2014 final rule revising the definition of the denominator of the SLR. The modifications consisted of a proposed template to be used by top-tier holding companies for reporting SLR data in a manner that would be aligned with the international leverage ratio common disclosure template adopted by the Basel Committee on Banking Supervision and also conform to the revised U.S. denominator definition. The proposal also called for an advanced approaches institution to report its Legal Entity Identifier (LEI) if the institution already has an LEI. In addition, the proposed reporting of SLR data would apply to U.S. intermediate holding companies (IHCs) that

are advanced approaches banking organizations.

OMB approved these proposed revisions to the FFIEC 101 in September 2016 following the banking agencies' publication of initial and final PRA *Federal Register* notices, which had been approved by the Council, in April and August 2016, respectively. As had been proposed, implementation of the SLR template and LEI reporting took effect September 30, 2016, and SLR data reporting by advanced approaches IHCs will take effect March 31, 2018.

#### *Central Data Repository*

In July 2016, the FDIC began using the CDR to collect the annual SOD survey. This additional data collection in the CDR was made possible as a result of enhancements to the CDR implemented in December 2015, which were funded by the

FDIC.

In December 2016, the banking agencies successfully deployed additional enhancements to the CDR. The 2016 CDR enhancement release included improvements to Call Report processing and publication through the CDR's Public Data Distribution website, thereby enhancing the agencies' ability to implement changes in shorter timeframes while offering a Section 508 compliant HTML version of the Call Report.

In the fourth quarter of 2016, the CDR team began planning for the implementation of the FFIEC 051 Call Report, which is targeted to take effect in March 2017. The CDR team also started analyzing and prioritizing open issues and requested modifications for inclusion in a planned December 2017 CDR enhancement release. This release would include enhancements to be shared by

the banking agencies along with FDIC-funded enhancements for the SOD data series.

#### *Other Activities*

In September and December 2016, OMB approved proposed revisions to the Country Exposure Reports (FFIEC 009 and FFIEC 009a) and the Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule (FFIEC 102), respectively. In both cases, the revisions were limited to having each reporting institution provide its LEI on these reports, only if the institution already has an LEI, and adding U.S. IHCs to the FRB's respondent panel for these reports. No changes were made to the financial data collected in these reports. These approvals followed the banking agencies' publication of initial and final PRA *Federal Register* notices, which had been approved by the Council.

#### *Instructional Guidance*

The TFOR continued to conduct monthly interagency conference calls during 2015 to discuss instructional matters pertaining to FFIEC reports and related accounting issues to reach uniform interagency positions on these issues.

#### **Task Force on Supervision**

The TFOS coordinates and oversees matters relating to safety-and-soundness supervision and examination of depository institutions. It provides a forum for Council members to promote quality, consistency, and effective-



*Task Force on Supervision.*

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ness in examination and other supervisory practices. While significant issues and recommendations are referred to the Council for action, the Council has delegated to the TFOS the authority to make certain decisions and recommendations, provided no TFOS member dissents or requests review by the Council. Meetings are held monthly to address and resolve common supervisory issues. The TFOS also maintains supervisory communication protocols to be used in emergencies. These protocols, established by the TFOS, are periodically tested through exercises with TFOS members and key supervisory personnel.

The TFOS has one subcommittee and two permanent working groups. It also establishes ad hoc working groups to handle individual projects and assignments, as needed.

- The IT Subcommittee serves as a forum to address information systems and technology policy issues as they relate to financial institutions and their technology service providers (TSPs). The IT Subcommittee develops and maintains the FFIEC IT Handbook, which consists of a series of topical booklets addressing issues such as information security, management, and audit. This resource is available through an InfoBase on the FFIEC website. In conjunction with the TFEE, the IT Subcommittee sponsors an annual FFIEC IT Conference for examiners and periodically holds symposia on emerging information technology and related risks. The IT Subcom-

mittee specifically coordinates with the TFOS's CCIWG.

- The CCIWG was formed in June 2013 in response to the increasing sophistication and volume of cyberthreats that pose significant risks to financial institutions and their service providers. The CCIWG promotes coordination across the FFIEC member entities on cybersecurity and critical infrastructure issues. The group provides a forum for addressing policy issues relating to cybersecurity and critical infrastructure security and the resilience of financial institutions and TSPs. Working group coordination includes ongoing communications with the intelligence community, law enforcement, and homeland security agencies. The CCIWG also serves as a forum to build on existing efforts to support and strengthen the activities of other interagency and private sector groups that promote financial services sector cybersecurity and critical infrastructure security and resilience. The working group's activities include information sharing, enhancing financial institutions' awareness of risk issues, and examiner training.
- The BSA/AML Working Group seeks to enhance coordination of BSA/AML guidance, policy, and other issues related to consistency of BSA/AML supervision. Working group coordination includes ongoing communication among representatives from federal and state banking agencies, the FinCEN, and periodically with

other federal agencies that have BSA responsibility. The group's responsibilities include maintaining the FFIEC's BSA/AML Manual available through an InfoBase on the FFIEC website.

## Initiatives Addressed in 2016

### *Cybersecurity Priorities*

In 2016, the FFIEC continued work on cybersecurity priorities included in seven work streams that were identified during the FFIEC's 2014 pilot assessment of cybersecurity readiness at more than 500 financial institutions.

### *Cybersecurity Assessment Tool Frequently Asked Questions Guide*

In October 2016, the FFIEC issued a frequently asked questions guide that answers questions and clarifies points in the Cybersecurity Assessment Tool (Assessment) and supporting materials based on questions received by the FFIEC members over the course of the last year. The Assessment provides a repeatable and measurable process that financial institutions' management may use to measure their cybersecurity preparedness over time. Use of the tool is voluntary, and financial institution management may choose to use the Assessment, another framework, or another risk-assessment process to identify inherent risk and cybersecurity preparedness.

### *Crisis Communication Protocols Exercise*

In May 2016, the FFIEC conducted a cybersecurity exercise to test its Crisis Communication Protocols.

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The scenario sought to explore the coordination and communications around a significant cyberattack against the financial sector that impacted institutions under the supervision of the members. During the exercise, CCIWG, IT Subcommittee, and TFOS representatives convened virtually to assess the severity and determine the appropriate actions in response to the events. The CCIWG has updated the protocols based on the exercise.

### *Cybersecurity Statements*

In June 2016, the FFIEC released a statement on safeguarding the cybersecurity of interbank messaging and wholesale payment networks. The statement reminded financial institutions of the need to actively manage the risks associated with interbank messaging and wholesale payment networks. The statement noted that financial institutions should review their risk-management practices and controls over information technology and wholesale payment systems networks, including authentication, authorization, fraud detection, and response management systems and processes, and emphasized that participants in interbank messaging and wholesale payment networks should conduct ongoing assessments of their ability to mitigate risks related to information security, business continuity, and reliance on third-party service provider relationships.

### *Cybersecurity Webinars*

In October 2016, the FFIEC hosted two webinars for financial

institutions. The first webinar provided an overview of “Appendix E, Mobile Financial Services,” of the “Retail Payment Systems” booklet of the IT Handbook and addressed financial institutions’ use of new and emerging technologies (described below). The second webinar, “Getting the Most Out of Your Financial Services-Information Sharing and Analysis Center (FS-ISAC) Membership,” provided financial institutions with a better understanding of how to filter and utilize information they receive through the FS-ISAC member portal. Additionally, in November 2016, the FFIEC hosted an examiner-focused webinar to introduce the topic of threat intelligence.

### *Information Technology*

A major effort of the IT Subcommittee is maintaining the IT Handbook and providing information to the industry on emerging IT issues and risks. In April 2016, the FFIEC released a revised “Retail Payment Systems” booklet of the IT Handbook. The update consists of a new appendix, entitled “Mobile Financial Services.” Mobile financial services are the products and services that a financial institution provides to its customers through mobile devices. The new appendix focuses on the risks associated with mobile financial services and emphasizes an enterprise-wide risk-management approach to effectively manage and mitigate those risks. It also contains a separate set of work-program objectives to assist the examiner in determining the state of risk and controls at an institution or third party provid-

ing mobile financial services.

In September 2016, the FFIEC issued a revised “Information Security” booklet of the IT Handbook that contains guidance for examiners and addresses the factors necessary to assess the level of security risks to a financial institution’s information systems. The updated booklet also incorporates cybersecurity concepts, such as threats, controls, and resources for preparedness.

### *Information Technology Conference*

In August 2016, the IT Subcommittee sponsored its annual FFIEC IT Conference for examiners, which highlighted current and emerging technology issues affecting insured financial institutions and their service providers. The conference included presentations on a range of topics, such as monitoring third-party cyber risk, a framework for improving critical infrastructure cybersecurity, how internal audit keeps pace with technology, and block chain technologies.

### *Cyber Insurance Workshop*

In August 2016, the IT Subcommittee sponsored a workshop focusing on cyber insurance products in the financial industry. The workshop hosted presentations by insurance, banking, and other industry experts on the role cyber insurance can play in a financial institution’s cybersecurity framework. Based on the discussion and research, a core team of participants from the FFIEC members developed recommendations for guidance on assessing cyber insurance.

### *Information Technology Symposium*

In December 2016, the IT Subcommittee sponsored a symposium focused on cloud computing in the financial industry. The two-week symposium included presentations from experts in the technology, financial, and regulatory sectors on the implications of financial institutions leveraging cloud-based technologies. A core team of participants from the FFIEC members developed recommendations for guidance regarding development, implementation, and use of cloud-based systems and infrastructure.

### *BSA/AML*

Throughout 2016, the BSA/AML Working Group continued ongoing efforts to enhance coordination of BSA/AML training, guidance, and policy. The Working Group sponsored its 10th FFIEC Advanced BSA/AML Specialists Conference in July 2016, which included presentations on a range of topics, such as terrorist financing, cyber threats, money services businesses, AML monitoring systems, human trafficking, virtual currencies, trade-based money laundering, and FinCEN's final rule addressing customer due diligence/beneficial owners. The working group continues to share information with FinCEN and the Office of Foreign Assets Control.

### *Interest Rate Risk*

In 2016, the first sessions of a new FFIEC-sponsored interest rate risk workshop for examiners were held. Developed by the TFOS's IRR Project Group, the workshop provided non-specialist examiners

with additional training on IRR, including the types of risks, modeling issues, and management oversight considerations.

### **Task Force on Surveillance Systems**

The TFSS oversees the development and implementation of uniform interagency surveillance and monitoring systems. It provides a forum for the members to discuss best practices to be used in those systems and to consider the development of new financial analysis tools. The TFSS's principal objective is to develop and produce the UBPR. UBPRs present financial data of individual financial institutions and peer group statistics for current and historical periods. These reports are important tools for completing supervisory evaluations of a financial institution's condition

and performance, as well as for planning onsite examinations. The federal and state banking agencies also use the data from these reports in their automated monitoring systems to identify potential or emerging risks in insured financial institutions.

A UBPR is produced for each insured bank and savings association in the United States that is supervised by the FRB, FDIC, or OCC. While the UBPR is principally designed to meet the examination and surveillance needs of the federal and state banking agencies, the TFSS also makes the UBPR available to financial institutions and the public through a public website, [www.ffiec.gov/UBPR.htm](http://www.ffiec.gov/UBPR.htm).

The TFSS has established three working groups to assist with carrying out its responsibilities. The Content Working Group reviews the



*Task Force on Surveillance Systems meeting.*

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content of the UBPR and makes recommendations to the TFSS for potential enhancements. The Supplementary Analysis Working Group provides a forum for exchanging information about various analytical tools and datasets currently used at the respective agencies. Once the tools and datasets are identified, the group explores the potential for them to be shared, maintained, or further developed under the purview of the TFSS to enhance the UBPR or create a new FFIEC analytical tool. The Technology Working Group explores ways to improve the usability of the UBPR including the development of various presentation options (i.e., graphs, charts).

## Initiatives Addressed in 2016

### *Content Working Group*

The Content Working Group recommended modifications to the UBPR credit pages that the TFSS approved and implemented in 2016. In addition, the working group reviewed existing UBPR peer groups and expects to make a recommendation for peer group modifications to the TFSS in early 2017. The working group also assisted the TFSS in reviewing customer questions to develop definitive answers or necessary changes to UBPR ratios.

In response to a request by the TFOR, the working group identified Call Report data used in the production of the UBPR as part of an initiative to reduce Call Report burden. The working group continued its project activities in this area by identifying Call Report data

used in the UBPR and UBPR data used in downstream surveillance systems of the various agencies. Additionally, the working group has identified necessary CDR system changes needed for implementation of the proposed FFIEC 051 Call Report in March 2017.

### *Supplementary Analysis Working Group*

The Supplementary Analysis Working Group worked with agency staff to discuss several agency surveillance systems and to coordinate demonstrations to the TFSS, including a demonstration of the NCUA's use of SNL financial data and the OCC's iProfile system based on the National Information Center's structure data<sup>1</sup>. The group has created a list of other agency analytical tools and datasets, which will be demonstrated in 2017.

### *Technology Working Group*

The efforts of the Technology Working Group led to TFSS discussions about the benefits of UBPR data presentations on the FFIEC website to assist industry and general public users in gaining further value from UBPR ratio data. Several options were reviewed and studied, including presentations from private companies. In late 2016, in response to a proposal from the TFSS, the CDR Steering Committee agreed to fund development of UBPR data visualization features (i.e., graphs, charts, etc.) by the CDR. These features have been approved for the 2017 CDR enhancement release.

### *UBPR Production and Delivery*

During 2016, UBPRs for December 31, 2015; March 31, 2016; June 30, 2016; and September 30, 2016, were produced and delivered to federal and state banking agencies. Additionally, the UBPR section of the FFIEC website was utilized to deliver the same data to financial institutions and the general public. The TFSS strives to deliver the most up-to-date UBPR data to all users. Thus, the data for the current quarter are updated nightly and the data for previous quarters are updated regularly. Frequent updating allows the UBPR to remain synchronized with new Call Report data as it is being submitted by financial institutions.

### *UBPR Information on the FFIEC Website*

#### *UBPR Availability*

To provide broad industry and public access to information about the financial condition of insured financial institutions, the TFSS publishes UBPR data for each institution shortly after the underlying Call Report is filed in the CDR. The UBPR is frequently refreshed to reflect amendments to underlying Call Report data and to incorporate any content-

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<sup>1</sup> SNL is a major source for data, commentary, news, and analysis on the banking and thrift industry. SNL Financial is now S&P Global Market Intelligence, a division of S&P Global as listed at this URL: <http://marketintelligence.spglobal.com/>. The National Information Center (NIC) is a repository of financial data and institution characteristics collected by the Federal Reserve System. The NIC can be found at this URL: [www.ffiec.gov/nicpubweb/nicweb/nichome.aspx](http://www.ffiec.gov/nicpubweb/nicweb/nichome.aspx).

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based changes agreed to by the TFSS. The online UBPR is a dynamic report that is closely synchronized with the underlying Call Report.

#### *Other UBPR Reports*

Web-based statistical reports supporting UBPR analysis are available and are updated nightly with the data for the current quarter and regularly for previous quarters. These reports (1) summarize the performance of all UBPR peer groups (determined by size, location, and business line); (2) detail the distribution of UBPR performance ratios for financial institutions in each of these peer groups; (3) list the individual financial institutions included in each peer group; and (4) compare a financial institution to the performance of a

user-defined custom peer group.

#### *Custom Peer Group Tool*

The Custom Peer Group Tool allows industry professionals, regulators, and the general public to create custom peer groups based on financial and geographical criteria. The tool can then display all UBPR pages with peer group statistics and percentile rankings derived from the custom peer group. The Custom Peer Group Tool can recompute the entire UBPR using a custom peer group of up to 2,000 financial institutions and deliver the results usually within seconds.

#### *Bulk Data Download*

The UBPR database within the CDR, which contains all data

appearing on report pages for all financial institutions, may be downloaded as either a delimited file or in XBRL format. The service is free, and downloads are typically fast.

Additional information about the UBPR, including status, descriptions of changes, and the UBPR User's Guide, can be found at [www.ffiec.gov/UBPR.htm](http://www.ffiec.gov/UBPR.htm). The site also provides access to the reports described above. For questions about the UBPR, contact support by calling 1-888-237-3111, e-mailing [cdr.help@ffiec.gov](mailto:cdr.help@ffiec.gov), or writing the Council at:

FFIEC  
3501 Fairfax Drive  
Room B7081a  
Arlington, VA 22226-3550



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# THE FEDERAL FINANCIAL INSTITUTION REGULATORY AGENCIES AND THEIR SUPERVISED INSTITUTIONS



The FRB, FDIC, OCC, and NCUA have primary federal supervisory jurisdiction over 11,958 domestically chartered banks, savings associations, and federally insured credit unions. On December 31, 2016, these financial institutions held total assets of more than \$20.3 trillion. The FRB has primary federal supervisory responsibility for commercial bank holding companies (BHCs) and for savings and loan holding companies (SLHCs).

Three banking agencies on the Council have authority to oversee the operations of U.S. branches and agencies of foreign banks. The International Banking Act of 1978 (IBA) authorizes the OCC to license federal branches and agencies of foreign banks and authorizes the FRB to approve applications for both federal and state branches and agencies. Prior to the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), foreign banks could also have established federal and state branches that accepted retail deposits and were insured by the FDIC. However, after FDICIA, foreign banks

that wish to operate entities in the United States that accept retail deposits must organize under separate insured U.S. subsidiaries. Existing insured retail branches may continue to operate as branches. The IBA also subjects those U.S. offices of foreign banks to many provisions of the Federal Reserve Act of 1913. The IBA gives primary examining authority to the OCC for federal branches and agencies and to the FRB in conjunction with state authorities for state branches and agencies. The FDIC also has authority, along with the OCC and FRB, as appropriate, over those few remaining insured branches of foreign banks. The IBA also gives the FRB residual examining authority over all U.S. banking operations of foreign banks.

The Dodd-Frank Act provides statutory authority to the CFPB to conduct examinations of insured depository entities with total assets over \$10 billion and their affiliates (in addition to certain nonbank entities) to ensure consumer financial products and services conform to certain federal consumer financial laws.



## Board of Governors of the Federal Reserve System

The FRB was established in 1913. It is headed by a seven-member Board of Governors; each member is appointed by the President, with the advice and consent of the Senate, for a 14-year term, unless completing an unexpired term of a departing member. Subject to confirmation by the Senate, the President selects one Board member to serve a four-year term as Chairperson and two members to serve as Vice Chairs; one serves in the absence of the Chairperson and the other is designated as Vice Chair for Supervision. The Chairperson also serves as a voting member of the FSOC. One member of the Board of Governors serves as the Board's representative to the FFIEC. The FRB's activities most relevant to the work of the Council are the following:

- overseeing the quality and efficiency of the examination and supervision function of the 12 Federal Reserve Banks;
- developing, issuing, implementing, and communicating regulations, supervisory policies, and guidance, and taking appropriate enforcement actions applicable to those organizations that are within the FRB's supervisory oversight authority;
- approving or denying applications for mergers, acquisitions, and changes in control by state member banks, SLHCs, and BHCs (including financial holding companies (FHCs)); applications for foreign operations of

member banks and Edge Act and agreement corporations; and applications by foreign banks to establish or acquire U.S. banks and to establish U.S. branches, agencies, or representative offices; and

- supervising and regulating:
  - State member banks (i.e., state-chartered banks that are members of the Federal Reserve System);
  - BHCs and SLHCs, including FHCs<sup>1</sup>;
  - Edge Act and agreement corporations; select nonbank financial firms;
  - International operations of banking organizations headquartered in the United States and the domestic activities of foreign banking organizations, in conjunction with the responsible licensing authorities; as well as,
  - Nonbank financial firms designated as systemically important by FSOC.

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<sup>1</sup> The FRB's role as supervisor of BHCs, FHCs, and SLHCs is to review and assess the consolidated organization's operations, risk-management systems, and capital adequacy to ensure that the holding company and its nonbank subsidiaries do not threaten the viability of the company's depository institutions. In this role, the FRB serves as the "umbrella supervisor" of the consolidated organization. In fulfilling this role, the FRB relies, to the fullest extent possible, on information and analysis provided by the appropriate supervisory authority of the company's depository institutions, securities, or insurance subsidiaries.

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Other supervisory and regulatory responsibilities of the FRB include monitoring compliance by entities under the Board's jurisdiction with other statutes (e.g., the AML provisions of the BSA), monitoring compliance with certain statutes that protect consumers in credit and deposit transactions, regulating margin requirements on securities transactions, and regulating transactions between banking affiliates.

Policy decisions are implemented by the FRB or under delegated authority to the Director of the Division of Supervision and Regulation, the Director of the Division of Consumer and Community Affairs, and to the 12 Federal Reserve Banks—each of which has operational responsibility within a specific geographical area. The Reserve Bank Districts are headquartered in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. Each Reserve Bank has a president (chief executive officer) who serves for five years and is appointed by the

Reserve Bank's class B and class C directors, and other executive officers who report directly to the president. Among other responsibilities, a Reserve Bank employs a staff of examiners who examine state member banks and Edge Act and agreement corporations, conduct BHC and SLHC inspections, and examine the international operations of foreign banks—whose head offices are usually located within the Reserve Bank's District. When appropriate, examiners also visit the overseas offices of U.S. banking organizations to obtain financial and operating information to evaluate adherence to safe and sound banking practices.

National banks, which must be members of the Federal Reserve System, are chartered, regulated, and supervised by the OCC. State-chartered banks may apply to and be accepted for membership in the Federal Reserve System, after which they are subject to the supervision and regulation of the FRB, which is coordinated with a state's banking authority. Insured

state-chartered banks that are not members of the Federal Reserve System are regulated and supervised by the FDIC. The FRB also has overall responsibility for the supervision of foreign banking operations, including both U.S. banks operating abroad and foreign banks operating branches within the United States.

The Dodd-Frank Act directs the FRB to collect assessments, fees, and other charges that are equal to the expenses incurred by the Federal Reserve to carry out its responsibilities with respect to supervision of (1) BHCs and SLHCs with assets equal to or greater than \$50 billion and (2) all nonbank financial companies supervised by the FRB.

Additionally, the Dodd-Frank Act created an independent CFPB within the Federal Reserve System.

The FRB covers the expenses of the CFPB's operations with revenue it generates principally from assessments on the 12 Federal Reserve Banks.



Consumer Financial  
Protection Bureau

## Consumer Financial Protection Bureau

The CFPB was created in 2010 by the Dodd-Frank Act and assumed transferred authorities from other federal agencies, and other new authorities, on July 21, 2011. The CFPB is an independent agency and is funded principally by transfers from the FRB up to a limit set forth in the statute. The CFPB requests transfers from the FRB in amounts that are reasonably necessary to carry out its mission. Since 2014, funding caps have been adjusted annually, based on the percentage increase in the employment cost index for the total compensation for state and local government workers, which is published by the Federal Government. The Director of the CFPB serves on the FDIC Board of Directors and the FSOC.

The CFPB seeks to foster a consumer financial marketplace where customers can see prices and risks up front and can easily make product comparisons; in which no one can build a business model around unfair, deceptive, or abusive practices; and that works for American consumers, responsible providers, and the economy as a whole. To accomplish this, the CFPB works to help consumer financial markets operate by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

To create a single point of accountability in the federal government for consumer financial protection, the Dodd-

Frank Act consolidated many of the consumer financial protection authorities previously shared by seven federal agencies into the CFPB and provided the Bureau with additional authorities to:

- Conduct rulemaking, supervision and enforcement with respect to the Federal consumer financial laws;
- Handle consumer complaints and inquiries;
- Promote financial education;
- Research consumer behavior; and,
- Monitor financial markets for risks to consumers.

The CFPB has statutory authority to, among other things, conduct examinations of and require reports from entities subject to its supervisory authority. The CFPB has supervisory authority over:

- Insured depository institutions and credit unions with total assets over \$10 billion and their affiliates. These institutions collectively hold more than 75 percent of the banking industry's assets.
- Certain nondepository entities regardless of size—mortgage companies (originators, brokers, and servicers, as well as related loan modification or foreclosure relief services firms), payday lenders, and private education lenders. The CFPB can also supervise the larger players, or “larger participants,” as defined by rule, in consumer financial

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markets, and certain nondepository entities that it determines are posing a risk to consumers in connection with the offering or provision of consumer financial products or services. To date, the CFPB has published final rules that allow it to supervise larger participants in the

- consumer reporting market (these entities have more than \$7 million in annual receipts resulting from consumer reporting);
- consumer debt collection

market (these entities have annual receipts of more than \$10 million resulting from consumer debt collection);

- student loan servicing market (these entities have account volume that exceeds one million);
- international money transfer market (these entities have at least one million aggregate annual international money transfers); and
- automobile financing market

(these entities have at least ten thousand aggregate annual originations).

The CFPB’s supervisory and enforcement activities are conducted by the Division of Supervision, Enforcement, Fair Lending and Equal Opportunity. The Division is headquartered in Washington, D.C., with regional offices in San Francisco (West), Chicago (Midwest), New York (Northeast), and Washington, D.C. (Southeast). Examination staff is assigned to each of the four regions.



## Federal Deposit Insurance Corporation

Congress created the FDIC in 1933 to promote stability and public confidence in our nation's banking system. The FDIC accomplishes its mission 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. In its unique role as deposit insurer, the FDIC works in cooperation with other federal and state regulatory agencies to identify, monitor, and address risks to the Deposit Insurance Fund (DIF) posed by insured depository institutions.

Management of the FDIC is vested in a five-member Board of Directors. No more than three board members may be of the same political party. Three of the directors are appointed by the President, with the advice and consent of the Senate, for six-year terms. One of the three appointed directors is designated by the President as Chairman for a five-year term and another is designated as Vice Chairman. The other two board members are the Comptroller of the Currency and the Director of the CFPB. The Chairman also serves as a member of the FSOC.

### Operational Structure

The FDIC's operations are organized into three major program areas: insurance, supervision, and receivership management. A description of each of these areas follows:

**Insurance:** The FDIC maintains stability and public confidence in our nation's financial system by providing deposit insurance. As insurer, the FDIC continually evaluates and effectively manages how changes in the economy, financial markets, and banking system affect the adequacy and viability of the DIF. When an insured depository institution fails, the FDIC ensures that the financial institution's customers have timely access to their insured deposits.

The FDIC, through its Division of Insurance and Research (DIR), provides the public with a sound deposit insurance system by publishing comprehensive statistical information on banking; identifying and analyzing emerging risks; conducting research that supports deposit insurance, banking policy, and risk assessment; assessing the adequacy of the DIF; and maintaining a risk-based premium system.

The Dodd-Frank Act revised the statutory authorities governing the FDIC's management of the DIF. As a result, the FDIC has developed a comprehensive, long-term management plan for the DIF to reduce the effects of cyclicity and achieve moderate, steady assessment rates throughout economic and credit cycles, while also maintaining a positive fund balance, even during a banking crisis. The plan sets an appropriate target fund size and a strategy for setting assessment rates and dividends. The FDIC has also adopted a Restoration Plan to ensure that the reserve ratio reaches the

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statutorily mandated level of 1.35 percent by September 30, 2020, as required by the Dodd-Frank Act.

**Supervision:** The FDIC has primary federal supervisory authority over insured state-chartered banks that are not members of the Federal Reserve System and for state-chartered savings associations. The FDIC's supervisory activities for risk management and consumer protection are primarily organized into two divisions: the Division of Risk Management Supervision (RMS) and the Division of Depositor and Consumer Protection (DCP). RMS oversees the safety and soundness of FDIC-supervised institutions and carries out the FDIC's backup examination and enforcement authorities. DCP administers the FDIC's consumer protection supervisory functions, including its examination and enforcement programs for FDIC-supervised institutions with assets of \$10 billion or less. Under the Dodd-Frank Act, the FDIC also retains examination and supervisory authority for several laws and regulations, including the CRA, without regard to the size of an institution.

As deposit insurer, the FDIC has backup examination and enforcement authority over all FDIC-insured institutions. Accordingly, the FDIC can examine for insurance purposes any insured financial institution, either independently or in cooperation with state or other federal supervisory authorities. The FDIC can also recommend that the appropriate federal banking agency take enforcement

action against an insured institution and may do so itself if it deems necessary. The Dodd-Frank Act expanded the FDIC's responsibilities pertaining to systemically important financial institutions (SIFIs) and non-bank financial companies designated by the FSOC. RMS's Complex Financial Institutions (CFI) Group conducts activities relating to ongoing risk monitoring of the largest, most complex banking organizations and backup supervision of their insured depository institutions, as well as ongoing risk monitoring of certain nonbank financial companies. RMS's Supervisory Examinations Branch also conducts reviews of resolution plans.

RMS and DCP are further organized into six regional offices located in Atlanta, Chicago, Dallas, Kansas City, New York, and San Francisco. There are two area offices located in Boston (reporting to New York) and Memphis (reporting to Dallas). In addition to the regional and area offices, the FDIC maintains 86 field offices for risk management and 76 field offices for compliance.

**Receivership Management:** Bank resolutions are handled by the FDIC's Division of Resolutions and Receiverships (DRR). In protecting insured depositors, the FDIC is statutorily charged with resolving failed depository institutions at the least possible cost to the DIF. In carrying out this responsibility, the FDIC has several methods to resolve banks, including arranging the purchase of assets and assumption of liabilities of failed institutions,

paying off depositors, and creating and operating temporary bridge banks until a resolution can be accomplished. DRR maintains personnel in its field operations branch in Dallas; it also maintains staff in FDIC regional offices.

In addition, the Office of Complex Financial Institutions (OCFI) oversees the FDIC's systemic risk responsibilities under the Dodd-Frank Act, including resolution plan reviews, matters related to the FDIC's Orderly Liquidation Authority, and promoting cross-border cooperation and coordination with respect to Global-SIFIs. OCFI coordinates with DRR and RMS in reviewing resolution plans.

As a general matter, all insolvent bank holding companies are expected to file for reorganization or liquidation under the U.S. Bankruptcy Code, just as any failed non-financial company would. The Orderly Liquidation Authority gives the FDIC an alternative to resolve a failing financial company when bankruptcy would have serious adverse effects on U.S. financial stability. This authority is triggered after recommendations by the appropriate federal agencies and a determination by the Secretary of the Treasury in consultation with the President. The Orderly Liquidation Authority imposes accountability on shareholders, creditors, and the management of the failed company, while mitigating systemic risk and imposing no cost on taxpayers.



## National Credit Union Administration

The NCUA, established by Congress in 1970 through section 1752a of the Federal Credit Union Act, is the independent federal agency that supervises the nation's federal credit union system. A three-member bipartisan board, appointed by the President for six-year terms, manages the NCUA. The President also selects one board member to serve as the Chairman. The Chairman also serves as a member of FSOC.

The NCUA's main responsibilities are as follows:

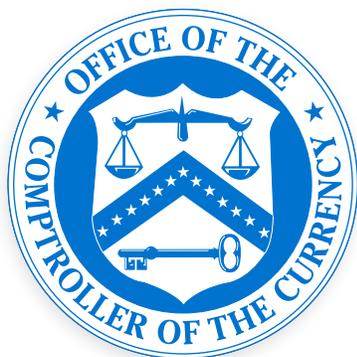
- charter, regulate, and supervise more than 3,600 federal credit unions in the United States and its territories;
- administer the National Credit Union Share Insurance Fund (NCUSIF), which insures member share accounts in almost 5,800 federal and state-chartered credit unions;
- administer the Temporary Corporate Credit Union Stabilization Fund, which has

borrowing authority from the U.S. Treasury and assessment authority to resolve corporate credit union issues; and

- manage the Central Liquidity Facility, created to improve the financial stability of credit unions by providing liquidity to the credit union system.

The NCUA also has statutory authority to examine and supervise NCUSIF-insured, state-chartered credit unions in coordination with state regulators.

The NCUA is headquartered in Alexandria, Virginia, and has five regional offices across the United States to administer its responsibilities for chartering and supervising credit unions. Additionally, the Asset Management and Assistance Center located in Austin, Texas, manages the recovery of assets for liquidated credit unions. NCUA examiners conduct on-site examinations and supervision of each federal credit union and selected state-chartered credit unions. The NCUA is funded by the credit unions it regulates and insures.



## Office of the Comptroller of the Currency

The OCC is the oldest federal bank regulatory agency, established as a bureau of the Treasury Department by the National Currency Act of 1863. It is headed by the Comptroller of the Currency, who is appointed to a five-year term by the President with the advice and consent of the Senate. The Comptroller is also a director of the FDIC and NeighborWorks America, and a member of the FSOC.

The OCC was created by Congress to charter, regulate, and supervise national banks. On July 21, 2011, pursuant to the Dodd-Frank Act, the OCC assumed supervisory responsibility for federal savings associations, as well as rulemaking authority relating to all savings associations. The OCC regulates and supervises 997 national banks and trust companies, 384 federal savings associations, and 48 federal branches of foreign banks—accounting for approximately 68 percent of the total assets of all U.S. commercial banks, savings associations, and branches of foreign banks. The OCC seeks to ensure that national banks and federal savings associations (collectively “banks”) safely and soundly manage their risks, comply with applicable laws, compete effectively with other providers of financial services, offer products and services that meet the needs of customers, and provide fair access to financial services and fair treatment of their customers.

The OCC’s mission-critical

programs include:

- chartering banks and issuing interpretations related to permissible banking activities;
- establishing and communicating regulations, policies, and operating guidance applicable to banks; and
- supervising the national system of banks and savings associations through on-site examinations, off-site monitoring, systemic risk analyses, and appropriate enforcement activities.

To meet its objectives, the OCC maintains a nationwide staff of bank examiners and other professional and support personnel. Headquartered in Washington, DC, the OCC has four district offices, which are located in Chicago, Dallas, Denver, and New York. In addition, the OCC maintains a network of field offices and 19 satellite locations in cities throughout the United States, as well as core examiner teams in 23 of the largest national banking companies and an examining office in London, England.

The Comptroller receives advice on policy and operational issues from an Executive Committee comprised of senior agency officials who lead major business units.

The OCC is funded primarily by semiannual assessments on banks, interest revenue from its investment in U.S. Treasury securities, and other fees. The OCC does not receive congressional appropriations for any of its operations.

**ASSETS, LIABILITIES, AND NET WORTH of U.S. Commercial Banks, Savings Institutions, and Credit Unions**  
as of December 31, 2016<sup>1</sup>  
Billions of dollars

Item	Total	U.S. Commercial Banks <sup>2</sup>			U.S. Branches and Agencies of Foreign Banks <sup>6</sup>	Savings Institutions <sup>4</sup>		Credit Unions <sup>3</sup>	
		National	State Member <sup>5</sup>	State Non-Member		OCC Regulated Federal Charter	FDIC Regulated State Charter <sup>7</sup>	Federal Charter	State Charter
<i>Total assets</i>	20,343	10,660	2,580	2,424	2,261	742	384	670	622
Total loans and receivables (net)	10,793	5,510	1,330	1,673	742	392	279	443	424
Loans secured by real estate <sup>8</sup>	5,104	2,417	681	1,053	67	216	237	219	214
Consumer loans <sup>9</sup>	2,023	1,033	126	290	–	132	9	225	208
Commercial and industrial loans	2,423	1,345	353	243	405	39	31	3	4
All other loans and lease receivables <sup>10</sup>	1,371	790	184	109	270	12	5	0	1
LESS: Allowance for loan and lease losses	128	75	14	22	–	7	3	4	3
Federal funds sold and securities purchased under agreements to resell	595	352	38	8	193	0	2	1	1
Cash and due from depository institutions <sup>11</sup>	1,442	136	380	160	599	5	17	74	71
Securities and other obligations <sup>12</sup>	3,989	2,228	575	425	214	269	62	120	96
U.S. government obligations <sup>13</sup>	2,194	1,515	115	79	102	153	47	100	83
Obligations of state and local governments <sup>14</sup>	369	195	57	98	–	7	7	3	2
Other securities	1,426	518	403	248	112	109	8	17	11
Other assets <sup>15</sup>	3,524	2,434	257	158	513	76	24	32	30
<i>Total liabilities</i>	18,329	9,485	2,286	2,139	2,261	666	338	598	556
Total deposits and shares <sup>16</sup>	14,952	8,012	2,061	1,930	964	603	289	560	533
Federal funds purchased and securities sold under agreements to repurchase	710	171	29	25	476	4	4	1	0
Other borrowings <sup>17</sup>	1,451	740	124	154	298	47	41	31	16
Other liabilities <sup>18</sup>	1,216	562	72	30	523	12	4	6	7
<i>Net worth<sup>19</sup></i>	2,014	1,175	294	285	–	76	46	72	66
Memorandum: Number of institutions reporting	11,958	973	831	3,397	209	373	390	3,608	2,177

*Footnotes to Tables*

1. The table covers institutions, including those in Puerto Rico and U.S. territories and possessions, insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration. All branches and agencies of foreign banks in the United States, but excluding any in Puerto Rico and U.S. territories and possessions, are covered whether or not insured. Excludes Edge Act and Agreement corporations that are not subsidiaries of U.S. commercial banks.
2. Reflects fully consolidated statements of FDIC-insured U.S. commercial banks—including their foreign branches, foreign subsidiaries, branches in Puerto Rico and U.S. territories and possessions, and FDIC insured banks in Puerto Rico and U.S. territories and possessions. Excludes bank holding companies.

3. Data are for federally insured natural person credit unions only.
4. Reflects fully consolidated statements of Savings Institutions—including Stock Savings Banks, Mutual Savings Banks, Stock Savings & Loan Associations, and Mutual Savings & Loan Associations that are Federally Chartered or that are State Chartered and not Federal Reserve Members.
5. Includes State Member Savings Banks and State Member Cooperative Banks.
6. These institutions are not required to file reports of income.
7. Includes State Chartered Savings Associations formerly regulated by the Office of Thrift Supervision.
8. Includes loans secured by residential

- property, commercial property, farmland (including improvements), and unimproved land; and construction loans secured by real estate.
9. Includes loans, except those secured by real estate, to individuals for household, family, and other personal expenditures including both installment and single payment loans. Net of unearned income on installment loans.
  10. Includes loans to financial institutions, for purchasing or carrying securities, to finance agricultural production and other loans to farmers (except those secured by real estate), to states and political subdivisions and public authorities, and miscellaneous types of loans.

*Notes continue on the next page*

INCOME AND EXPENSES of U.S. Commercial Banks, Savings Institutions, and Credit Unions for the Twelve Months Ending December 31, 2016<sup>1</sup>

Billions of dollars

Item	Total	U.S. Commercial Banks <sup>2</sup>			Savings Institutions <sup>4</sup>		Credit Unions <sup>3</sup>	
		National	State Member <sup>5</sup>	State Non-Member	OCC Regulated Federal Charter	FDIC Regulated State Charter <sup>7</sup>	Federal Charter	State Charter
Operating income:	832	472	109	127	49	15	32	28
Interest and fees on loans	450	240	50	86	25	11	20	18
Other interest and dividend income	108	70	15	11	5	2	3	2
All other operating income	274	162	44	30	19	2	9	8
Operating expenses:	576	319	75	88	33	11	27	23
Salaries and benefits	219	123	32	33	7	5	10	9
Interest on deposits and shares	39	17	5	7	3	1	3	3
Interest on other borrowed money	21	14	2	3	0	1	1	0
Provision for loan and lease losses	53	30	4	9	5	0	3	2
All other operating expenses	244	135	32	36	18	4	10	9
<i>Net operating income</i>	256	153	34	39	16	4	5	5
Securities gains and losses	4	3	0	1	0	0	0	0
Discontinued operations	0	0	0	0	0	0	–	–
Income taxes	80	51	10	12	6	1	–	–
<i>Net income</i>	180	105	24	28	10	3	5	5
Memorandum: Number of institutions reporting	11,749	973	831	3,397	373	390	3,608	2,177

11. Includes vault cash, cash items in process of collection, and balances with U.S. and foreign banks and other depository institutions (including demand and time deposits and certificates of deposit for all categories of institutions).

12. Includes government and corporate securities, including mortgage-backed securities and obligations of states and political subdivisions and of U.S. government agencies and corporations.

13. U.S. Treasury securities and securities of, and loans to, U.S. government agencies and corporations.

14. Securities issued by states and political subdivisions and public authorities, except for U.S. branches and agencies of foreign banks that do not report these securities separately. Loans to states and political subdivisions and public authorities are included in "All other loans and lease receivables."

15. Customers' liabilities on acceptances, real property owned, various accrual accounts, and miscellaneous assets. For U.S. branches and agencies of foreign banks, also includes net due from head office and other related institutions.

16. Includes demand, savings, and time deposits, (including certificates of deposit at commercial banks, U.S. branches and agencies of foreign banks, and savings banks), credit balances at U.S. agencies of foreign banks and share balances at credit unions (including certificates of deposit, NOW accounts, and share draft accounts). For U.S. commercial banks, includes deposits in foreign offices, branches in U.S. territories and possessions, and Edge Act and Agreement corporation subsidiaries.

17. Includes interest-bearing demand notes issued to the U.S. Treasury, borrowing from Federal Reserve Banks and Fed-

eral Home Loan Banks, subordinated debt, limited life preferred stock, and other nondeposit borrowing.

18. Includes depository institutions' own mortgage borrowing, liability for capitalized leases, liability on acceptances executed, various accrual accounts, and miscellaneous liabilities. For U.S. branches and agencies of foreign banks, also includes net owed to head office and other related institutions.

19. Includes capital stock, surplus, capital reserves, and undivided profits.

NOTE: Data are rounded to nearest billion. Consequently some information may not reconcile precisely. Additionally, balances less than \$500 million will show as zero. Dashes will be used for items not requiring reporting.



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## APPENDIX A: RELEVANT STATUTES

### Federal Financial Institutions Examination Council Act

#### *12 U.S.C. § 3301. Declaration of purpose*

It is the purpose of this chapter to establish a Financial Institutions Examination Council which shall prescribe uniform principles and standards for the Federal examination of financial institutions by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Federal Home Loan Bank Board, and the National Credit Union Administration and make recommendations to promote uniformity in the supervision of these financial institutions. The Council's actions shall be designed to promote consistency in such examination and to insure progressive and vigilant supervision.

#### *12 U.S.C. § 3302. Definitions*

As used in this chapter—

(1) the term “Federal financial institutions regulatory agencies” means the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration;

(2) the term “Council” means the Financial Institutions Examination Council; and

(3) the term “financial institution” means a commercial bank, a savings bank, a trust company, a savings association, a building and loan association, a homestead association, a cooperative bank, or a credit union.

#### *12 U.S.C. § 3303. Financial Institutions Examination Council*

##### (a) Establishment; composition

There is established the Financial Institutions Examination Council which shall consist of—

(1) the Comptroller of the Currency,

(2) the Chairman of the Board of Directors of the Federal Deposit Insurance Corporation,

(3) a Governor of the Board of Governors of the Federal Reserve System designated by the Chairman of the Board,

(4) the Director of the Consumer Financial Protection Bureau,

(5) the Chairman of the National Credit Union Administration Board; and

(6) the Chairman of the State Liaison Committee.

##### (b) Chairmanship

The members of the Council shall select the first chairman

of the Council. Thereafter the chairmanship shall rotate among the members of the Council.

##### (c) Term of office

The term of the Chairman of the Council shall be two years.

(d) Designation of officers and employees

The members of the Council may, from time to time, designate other officers or employees of their respective agencies to carry out their duties on the Council.

##### (e) Compensation and expenses

Each member of the Council shall serve without additional compensation but shall be entitled to reasonable expenses incurred while carrying out his official duties as such a member.

#### *12 U.S.C. § 3304. Costs and expenses of Council*

One-fifth of the costs and expenses of the Council, including the salaries of its employees, shall be paid by each of the Federal financial institutions regulatory agencies. Annual assessments for such share shall be levied by the Council based upon its projected budget for the year, and additional assessments may be made during the year if necessary.

#### *12 U.S.C. § 3305. Functions of Council*

(a) Establishment of principles and standards

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The Council shall establish uniform principles and standards and report forms for the examination of financial institutions which shall be applied by the Federal financial institutions regulatory agencies.

(b) Making recommendations regarding supervisory matters and adequacy of supervisory tools

(1) The Council shall make recommendations for uniformity in other supervisory matters, such as, but not limited to, classifying loans subject to country risk, identifying financial institutions in need of special supervisory attention, and evaluating the soundness of large loans that are shared by two or more financial institutions. In addition, the Council shall make recommendations regarding the adequacy of supervisory tools for determining the impact of holding company operations on the financial institutions within the holding company and shall consider the ability of supervisory agencies to discover possible fraud or questionable and illegal payments and practices which might occur in the operation of financial institutions or their holding companies.

(2) When a recommendation of the Council is found unacceptable by one or more of the applicable Federal financial institutions regulatory agencies, the agency or

agencies shall submit to the Council, within a time period specified by the Council, a written statement of the reasons the recommendation is unacceptable.

(c) Development of uniform reporting system

The Council shall develop uniform reporting systems for federally supervised financial institutions, their holding companies, and nonfinancial institution subsidiaries of such institutions or holding companies. The authority to develop uniform reporting systems shall not restrict or amend the requirements of section 781(i) of Title 15.

(d) Conducting schools for examiners and assistant examiners

The Council shall conduct schools for examiners and assistant examiners employed by the Federal financial institutions regulatory agencies. Such schools shall be open to enrollment by employees of State financial institutions supervisory agencies and employees of the Federal Housing Finance Board under conditions specified by the Council.

(e) Affect on Federal regulatory agency research and development of new financial institutions supervisory agencies

Nothing in this chapter shall be construed to limit or discourage Federal regulatory agency research and development of new financial institutions supervisory methods and tools, nor to preclude the field testing

of any innovation devised by any Federal regulatory agency.

(f) Annual report

Not later than April 1 of each year, the Council shall prepare an annual report covering its activities during the preceding year.

(g) Flood insurance

The Council shall consult with and assist the Federal entities for lending regulation, as such term is defined in section 4121(a) of Title 42, in developing and coordinating uniform standards and requirements for use by regulated lending institutions under the national flood insurance program.

*12 U.S.C. § 3306. State liaison*

To encourage the application of uniform examination principles and standards by State and Federal supervisory agencies, the Council shall establish a liaison committee composed of five representatives of State agencies which supervise financial institutions which shall meet at least twice a year with the Council. Members of the liaison committee shall receive a reasonable allowance for necessary expenses incurred in attending meetings. Members of the Liaison Committee shall elect a chairperson from among the members serving on the committee.

*12 U.S.C. § 3307. Administration*

(a) Authority of Chairman of Council

The Chairman of the Council is authorized to carry out and to delegate the authority to carry out the internal administration of the Council, including the appointment and supervision of employees and the distribution of business among members, employees, and administrative units.

(b) Use of personnel, services, and facilities of Federal financial institutions regulatory agencies, Federal Reserve banks, and Federal Home Loan Banks.

In addition to any other authority conferred upon it by this chapter, in carrying out its functions under this chapter, the Council may utilize, with their consent and to the extent practical, the personnel, services, and facilities of the Federal financial institutions regulatory agencies, Federal Reserve banks, and Federal Home Loan Banks, with or without reimbursement therefore.

(c) Compensation, authority, and duties of officers and employees; experts and consultants

In addition, the Council may —

(1) subject to the provisions of Title 5 relating to the competitive service, classification, and General Schedule pay rates, appoint and fix the compensation of such officers and employees as are necessary to carry out the provisions of this chapter, and to prescribe the authority and duties of such officers and employees; and

(2) obtain the services of

such experts and consultants as are necessary to carry out the provisions of this chapter.

*12 U.S.C. § 3308. Access to books, accounts, records, etc., by Council*

For the purpose of carrying out this chapter, the Council shall have access to all books, accounts, records, reports, files, memorandums, papers, things, and property belonging to or in use by Federal financial institutions regulatory agencies, including reports of examination of financial institutions or their holding companies from whatever source, together with workpapers and correspondence files related to such reports, whether or not a part of the report, and all without any deletions.

*12 U.S.C. § 3309. Risk management training*

(a) Seminars

The Council shall develop and administer training seminars in risk management for its employees and the employees of insured financial institutions.

(b) Study of risk management training program

Not later than end of the 1-year period beginning on August 9, 1989, the Council shall —

(1) conduct a study on the feasibility and appropriateness of establishing a formalized risk management training program designed to lead to the certification of Risk Management Analysts; and

(2) report to the Congress

the results of such study.

*12 U.S.C. § 3310. Establishment of Appraisal Subcommittee*

There shall be within the Council a subcommittee to be known as the “Appraisal Subcommittee” which shall consist of the designees of the heads of the Federal financial institutions regulatory agencies, the Bureau of Consumer Financial Protection, and the Federal Housing Finance Agency. Each such designee shall be a person who has demonstrated knowledge and competence concerning the appraisal profession. At all times at least one member of the Appraisal Subcommittee shall have demonstrated knowledge and competence through licensure, certification, or professional designation within the appraisal profession.

*12 U.S.C. § 3311. Required review of regulations*

(a) In general

Not less frequently than once every 10 years, the Council and each appropriate Federal banking agency represented on the Council shall conduct a review of all regulations prescribed by the Council or by any such appropriate Federal banking agency, respectively, in order to identify outdated or otherwise unnecessary regulatory requirements imposed on insured depository institutions.

(b) Process

In conducting the review under subsection (a) of this section, the Council or the appropriate

Federal banking agency shall—

(1) categorize the regulations described in subsection (a) of this section by type (such as consumer regulations, safety and soundness regulations, or such other designations as determined by the Council, or the appropriate Federal banking agency); and

(2) at regular intervals, provide notice and solicit public comment on a particular category or categories of regulations, requesting commentators to identify areas of the regulations that are outdated, unnecessary, or unduly burdensome.

(c) Complete review

The Council or the appropriate Federal banking agency shall ensure that the notice and comment period described in subsection (b)(2) of this section is conducted with respect to all regulations described in subsection (a) of this section not less frequently than once every 10 years.

(d) Regulatory response

The Council or the appropriate Federal banking agency shall—

(1) publish in the *Federal Register* a summary of the comments received under this section, identifying significant issues raised and providing comment on such issues; and

(2) eliminate unnecessary regulations to the extent that

such action is appropriate.

(e) Report to Congress

Not later than 30 days after carrying out subsection (d)(1) of this section, the Council shall submit to the Congress a report, which shall include—

(1) a summary of any significant issues raised by public comments received by the Council and the appropriate Federal banking agencies under this section and the relative merits of such issues; and

(2) an analysis of whether the appropriate Federal banking agency involved is able to address the regulatory burdens associated with such issues by regulation, or whether such burdens must be addressed by legislative action.

### Excerpts from Statute Governing Appraisal Subcommittee

*12 U.S.C. § 3332. Functions of Appraisal Subcommittee*

(a) In general

The Appraisal Subcommittee shall—

(1) monitor the requirements established by States—

(A) for the certification and licensing of individuals who are qualified to perform appraisals in connection with

federally related transactions, including a code of professional responsibility; and

(B) for the registration and supervision of the operations and activities of an appraisal management company;

(2) monitor the requirements established by the Federal financial institutions regulatory agencies with respect to—

(A) appraisal standards for federally related transactions under their jurisdiction, and

(B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser;

(3) maintain a national registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions; and

(4) Omitted.

(5) transmit an annual report to the Congress not later than June 15 of each year that describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year. The report shall also detail the activities of the Appraisal Subcommittee, including the results of all audits of State

appraiser regulatory agencies, and provide an accounting of disapproved actions and warnings taken in the previous year, including a description of the conditions causing the disapproval and actions taken to achieve compliance.

(6) maintain a national registry of appraisal management companies that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution.

(b) Monitoring and reviewing Foundation

The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

*12 U.S.C. § 3333. Chairperson of Appraisal Subcommittee; term of Chairperson; meetings*

(a) Chairperson

The Council shall select the Chairperson of the subcommittee. The term of the Chairperson shall be two years.

(b) Meetings; quorum; voting

The Appraisal Subcommittee shall meet in public session after notice in the *Federal Register*, but may close certain portions of these meetings related to personnel and review of preliminary State audit reports, at the call of the Chairper-

son or a majority of its members when there is business to be conducted. A majority of members of the Appraisal Subcommittee shall constitute a quorum but 2 or more members may hold hearings. Decisions of the Appraisal Subcommittee shall be made by the vote of a majority of its members. The subject matter discussed in any closed or executive session shall be described in the *Federal Register* notice of the meeting.

**Excerpts from Home Mortgage Disclosure Act**

*12 U.S.C. § 2801. Congressional findings and declaration of purpose*

(a) Findings of Congress

The Congress finds that some depository institutions have sometimes contributed to the decline of certain geographic areas by their failure pursuant to their chartering responsibilities to provide adequate home financing to qualified applicants on reasonable terms and conditions.

(b) Purpose of chapter

The purpose of this chapter is to provide the citizens and public officials of the United States with sufficient information to enable them to determine whether depository institutions are fulfilling their obligations to serve the housing needs of the communities and neighborhoods in which they are located and to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment

environment.

(c) Construction of chapter

Nothing in this chapter is intended to, nor shall it be construed to, encourage unsound lending practices or the allocation of credit.

\* \* \* \* \*

*12 U.S.C. § 2803. Maintenance of records and public disclosure*

\* \* \*

(f) Data disclosure system; operation, etc.

The Federal Financial Institutions Examination Council, in consultation with the Secretary, shall implement a system to facilitate access to data required to be disclosed under this section. Such system shall include arrangements for a central depository of data in each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not comprised of designated primary metropolitan statistical areas. Disclosure statements shall be made available to the public for inspection and copying at such central depository of data for all depository institutions which are required to disclose information under this section (or which are exempted pursuant to section 2805(b) of this title) and which have a home office or branch office within such primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan

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statistical area that is not comprised of designated primary metropolitan statistical areas.

\*\*\*\*\*

*12 U.S.C. § 2809. Compilation of aggregate data*

(a) Commencement; scope of data and tables

Beginning with data for calendar year 1980, the Federal Financial Institutions Examination Council shall compile each year, for each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not

comprised of designated primary metropolitan statistical areas, aggregate data by census tract for all depository institutions which are required to disclose data under section 2803 of this title or which are exempt pursuant to section 2805(b) of this title. The Council shall also produce tables indicating, for each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not comprised of designated primary metropolitan statistical areas, aggregate lending patterns for various categories of census tracts grouped according to location, age of housing stock, income

level, and racial characteristics.

(b) Staff and data processing resources

The Board shall provide staff and data processing resources to the Council to enable it to carry out the provisions of subsection (a) of this section.

(c) Availability to public

The data and tables required pursuant to subsection (a) of this section shall be made available to the public no later than December 31 of the year following the calendar year on which the data is based.

# APPENDIX B: 2016 AUDIT REPORT



## OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
CONSUMER FINANCIAL PROTECTION BUREAU  
WASHINGTON, DC 20551

March 1, 2017

Federal Financial Institutions Examination Council  
3501 Fairfax Drive, B-7081a  
Arlington, VA 22226-3550

Dear Members of the Federal Financial Institutions Examination Council:

This letter transmits the Independent Auditors' Report prepared by KPMG LLP (KPMG) on the Federal Financial Institutions Examination Council's (FFIEC) financial statements. The Office of Inspector General contracted with KPMG to audit the financial statements of the FFIEC as of and for the years ended December 31, 2016 and 2015.

The contract requires the audit to be performed in accordance with the auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Office of Inspector General reviews and monitors the work of KPMG to ensure compliance with the contract. KPMG is responsible for the accompanying Independent Auditors' Report, the Report on Internal Control Over Financial Reporting, and the Report on Compliance and Other Matters, all dated February 28, 2017.

We do not express an opinion on the FFIEC's financial statements. In addition, we do not draw conclusions on the Report on Internal Control Over Financial Reporting or the Report on Compliance and Other Matters.

Sincerely,

Mark Bialek  
Inspector General

cc: Judith Dupre, Executive Secretary, FFIEC  
Scott G. Alvarez, Chairman, FFIEC Legal Advisory Group, and General Counsel, Legal  
Division, Board of Governors of the Federal Reserve System  
William Mitchell, Chief Financial Officer and Director, Division of Financial Management,  
Board of Governors of the Federal Reserve System





KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Auditors' Report

The Federal Financial Institutions Examination Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Financial Institutions Examination Council (the Council), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Financial Institutions Examination Council as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

KPMG LLP

Washington, DC  
February 28, 2017

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
Balance Sheets

	As of December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash	\$ 734,379	\$ 532,824
Accounts receivable from member agencies	743,949	1,299,861
Accounts receivable from non-members agencies—net	21,029	61,042
Prepaid Expense	—	735,000
Total current assets	<u>1,499,357</u>	<u>2,628,727</u>
NONCURRENT ASSETS:		
Equipment leased—net	101,403	148,205
Central Data Repository software—net	502,897	710,992
Home Mortgage Disclosure Act software—net	<u>115,195</u>	<u>230,389</u>
Total noncurrent assets	<u>719,495</u>	<u>1,089,586</u>
TOTAL ASSETS	<u>\$ 2,218,852</u>	<u>\$ 3,718,313</u>
LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities payable to member agencies	\$ 406,984	\$ 503,599
Accounts payable and accrued liabilities payable to non-member agencies	306,038	771,419
Accrued annual leave	63,888	63,783
Capital lease payable	52,416	48,290
Deferred revenue	<u>323,290</u>	<u>1,058,290</u>
Total current liabilities	<u>1,152,616</u>	<u>2,445,381</u>
LONG-TERM LIABILITIES:		
Capital lease payable	58,737	107,998
Deferred revenue	294,802	618,090
Deferred rent	<u>8,654</u>	<u>(99)</u>
Total long-term liabilities	<u>362,193</u>	<u>725,989</u>
Total liabilities	1,514,809	3,171,370
CUMULATIVE RESULTS OF OPERATIONS	<u>704,043</u>	<u>546,943</u>
TOTAL LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS	<u>\$ 2,218,852</u>	<u>\$ 3,718,313</u>

See notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
 Statements of Operations

	For the years ended December 31,	
	2016	2015
REVENUES:		
Assessments on member agencies	\$ 1,062,996	\$ 819,935
Central Data Repository	3,578,869	4,966,292
Home Mortgage Disclosure Act	3,183,808	3,357,402
Tuition	4,199,827	4,171,070
Community Reinvestment Act	915,573	1,012,801
Uniform Bank Performance Report	599,745	566,982
Total revenues	<u>13,540,818</u>	<u>14,894,482</u>
EXPENSES:		
Data processing	3,984,186	3,997,421
Professional fees	4,989,083	6,511,069
Salaries and related benefits	2,736,341	2,497,502
Depreciation, amortization, and net gains or losses on disposals	370,091	705,771
Rental of office space	320,416	322,205
Administration fees	552,000	303,000
Travel	269,462	306,995
Other seminar expenses	56,740	49,326
Rental and maintenance of office equipment	40,850	38,518
Office and other supplies	37,628	36,443
Printing	22,832	31,943
Miscellaneous	4,089	3,380
Total expenses	<u>13,383,718</u>	<u>14,803,573</u>
RESULTS OF OPERATIONS	157,100	90,909
CUMULATIVE RESULTS OF OPERATIONS—Beginning of year	546,943	456,034
CUMULATIVE RESULTS OF OPERATIONS—End of year	<u>\$ 704,043</u>	<u>\$ 546,943</u>

See notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
 Statements of Cash Flows

	For the years ended December 31,	
	2016	2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Results of operations	\$ 157,100	\$ 90,909
Adjustments to reconcile results of operations to net cash provided by operating activities:		
Depreciation	370,091	627,679
Net loss (gain) on disposal of property and equipment	—	78,091
(Increase) decrease in assets:		
Accounts receivable from member agencies	555,912	(594,521)
Accounts receivable from non-member agencies	40,013	55,865
Prepaid expenses and other assets	735,000	(735,000)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities payable to member agencies	(96,615)	(60,600)
Other accounts payable and accrued liabilities payable to non-member agencies	(462,305)	333,288
Accrued annual leave	105	7,368
Deferred revenue (current and non-current)	(1,058,289)	76,031
Deferred rent	8,753	(99)
Net cash from (used in) operating activities	249,765	(120,989)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Capital lease payments	(48,210)	(47,271)
NET INCREASE (DECREASE) IN CASH	201,555	(168,260)
CASH BALANCE—Beginning of year	532,824	701,084
CASH BALANCE—End of year	\$ 734,379	\$ 532,824

See notes to financial statements.

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## FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

*Notes to Financial Statements as of and for the Years Ended December 31, 2016 and 2015*

### 1. Organization and Purpose

The Federal Financial Institutions Examination Council (the Council) was established under Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The purpose of the Council is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions. The Council has six voting members. The five federal agencies represented on the Council during 2016, referred to collectively as Member Agencies, are as follows:

- Board of Governors of the Federal Reserve System (FRB)
- Consumer Financial Protection Bureau (CFPB)
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)
- Office of the Comptroller of the Currency (OCC)

In accordance with the Financial Services Regulatory Relief Act of 2006, a representative state regulator was added as a full voting member of the Council in October 2006.

The Council was given additional statutory responsibilities by Section 340 of the Housing and Community Development Act of 1980, Public Law 96-399. Among these responsibilities is the implementation of a system in consultation with the Secretary of the Department of Housing and Urban Development (HUD) to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data, by census tract, for each metropolitan statistical area.

On July 21, 2010, the Dodd-Frank Wall Street

Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) was signed into law. This legislation gave the CFPB general rule-writing responsibility for federal consumer financial laws and the HMDA supervisory and enforcement authority. The CFPB, as part of these responsibilities, is developing a new HMDA processing system which will replace the current HMDA processing system maintained by the FRB.

The Council's financial statements do not include financial data for the Council's Appraisal Subcommittee (the Subcommittee). The Subcommittee was created pursuant to Public Law 101-73, Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Although it is a subcommittee of the Council, the Appraisal Subcommittee maintains separate financial records and administrative processes. The Council is not responsible for any debts incurred by the Appraisal Subcommittee, nor are Appraisal Subcommittee funds available for use by the Council.

### 2. Significant Accounting Policies

*Basis of Accounting*—The Council prepares its financial statements in accordance with accounting principles generally accepted in the United States (GAAP).

*Revenues*—Assessments are made on member organizations to fund the Council's operations based on expected cash needs and are recognized as revenue in the period in which they are assessed. Amounts over- or under-assessed due to differences between assessments and actual expenses are presented in the "Cumulative Results of Operations" line item during the year and then may be used to offset or increase the next year's assessment. Deficits in "Cumulative Results of Operations" can be recouped in the following year's assessments.

The Council provides training seminars in the Washington, D.C. area and at locations throughout the country for member organiza-

tions, other federal agencies, and state organizations. The Council recognizes revenue from member agencies for the production and distribution of the Uniform Bank Performance Reports (UBPR) through the FDIC. Tuition and UBPR revenue are adjusted at year-end to match expenses incurred as a result of providing education classes and UBPR services. For differences between revenues and expenses, member agencies are assessed an additional amount or credited a refund based on each member's proportional cost for the Examiner Education and UBPR budget. The Council recognizes revenue from member agencies for expenses incurred related to the Central Data Repository Processing System (CDR), the Community Reinvestment Act (CRA) processing system, and the HMDA processing system maintained by the FRB.

*Transfers from Members to the Bureau*—The Council is performing the collection and billing activity for the new HMDA processing system developed by the CFPB. The activity includes the Member Agencies and HUD. As a collecting entity, the Council does not recognize the transfers from Member Agencies as revenue nor does the Council use the collections to fund Council expenses; the funds are transferred to the Bureau.

*Property, Equipment, & Software Assets*—Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. Upon the sale or other disposition of a depreciable asset, the cost and related accumulated depreciation are removed and any gain or loss is recognized. The HMDA processing system maintained by the FRB and CDR, which are internally developed software projects, are recorded at cost less accumulated depreciation; unique useful lives are applied to these assets as appropriate.

*Deferred Revenue*—Deferred revenue includes cash collected and accounts receivable from member organizations to fund the HMDA processing system maintained by the FRB and

*Notes continue on the following page.*

the CDR. Revenue is recognized over the useful life of the software.

*Deferred Rent*—The lease for office and classroom space contains scheduled rent increases over the term of the lease. Scheduled rent increases must be considered in determining the annual rent expense to be recognized. The deferred rent represents the difference between the actual lease payments and the rent expense recognized.

*Estimates*—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include useful lives of CDR and the HMDA processing system maintained by the FRB.

*Allowance for Doubtful Accounts*—Accounts receivable for non-members are shown net of the allowance for doubtful accounts. Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance for doubtful accounts is adjusted monthly, based upon a review of outstanding receivables..

*Prepaid Expenses* —The Council books expenses as prepaid for costs paid in advance that will be expensed with the passage of time or upon the occurrence of a triggering event in future periods.

*Commitments and contingencies* — Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is probable that a liability has been incurred and an amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

*Tax Exempt Status* — The Council is not subject to state or local income taxes, and federal law does not impose tax on the Council's income.

*Recently Issued Accounting Standards* —In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-05, *Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40)*. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. Consequently, all software licenses within the scope of subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. This update is effective for the Council for the year ended December 31, 2016, and does not have a material effect on the Council's financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This update revises the model to assess how a lease should be classified and provides guidance for lessees, requiring lessees to present right-of-use assets and lease liabilities on the balance sheet. The update is effective no later than the year ended December 31, 2020, although earlier adoption is permitted. The Council is continuing to evaluate the effect of this new guidance on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update was issued to create common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The guidance is applicable to all contracts for the transfer of goods or services regardless of industry or type of transaction. This update requires

recognition of revenue in a manner that reflects the consideration that the entity expects to receive in return for the transfer of goods or services to customers. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delayed the required effective date of this accounting by one year. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principle versus Agent Considerations (Reporting Revenue Gross versus Net)*, which provided clarity regarding what constitutes the transfer of a good or service. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. This update provides further criteria to help identify whether goods or services within a contract are separately identifiable and, consequently, should be deemed distinct revenue streams. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which provides guidance on assessing collectability, noncash consideration, and how contract modifications and completed contracts should be treated during the transition to new accounting guidance. This revenue recognition accounting guidance is effective for the Council for the year ending December 31, 2019, and is not expected to have a material effect on the Council's financial statements since the Council reports annually and satisfies all material performance obligations prior to year-end.

In August 2016, the FASB issued ASU Update 2016-15, *Statement of Cash Flows (Topic 230)*. The update unifies in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows by requiring eight specific cash flow rule-based changes that need to be considered and applied. This guidance is effective for the Council for the year ending December 31, 2017. This update is not expected to have a material effect on the Council's finan-

*Notes continue on the following page.*

cial statements since the Council is rarely involved with the eight specific cash flow classification changes.

### 3. Selected Transactions with Member Agencies

	2016	2015
<i>Accounts receivable:</i>		
Board of Governors of the Federal Reserve System	\$ 98,233	\$ 297,539
Consumer Financial Protection Bureau	32,494	2,589
Federal Deposit Insurance Corporation	135,031	539,340
National Credit Union Administration	63,112	57,800
Office of the Comptroller of the Currency	415,079	402,593
	<u>\$ 743,949</u>	<u>\$ 1,299,861</u>

#### *Accounts payable and accrued liabilities:*

Board of Governors of the Federal Reserve System	\$ 185,341	\$ 223,553
Consumer Financial Protection Bureau	5,579	4,331
Federal Deposit Insurance Corporation	138,562	164,650
National Credit Union Administration	20,767	32,482
Office of the Comptroller of the Currency	56,735	78,583
	<u>\$ 406,984</u>	<u>\$ 503,599</u>

#### *Operations:*

Council operating expenses reimbursed by members	\$ 1,062,996	\$ 819,935
FRB-provided administrative support	\$ 552,000	\$ 303,000
FRB-provided data processing	\$ 3,249,186	\$ 3,997,421

	2016	2015
<i>Tuition revenue:</i>		
Member tuition	\$ 4,034,104	\$ 4,019,020

The Council does not directly employ personnel, but rather member agencies detail personnel to support Council operations. These personnel are paid through the payroll systems of member agencies. Salaries and fringe benefits, including retirement benefit plan contributions, are reimbursed to these agencies. The Council does not have any post-retirement or post-employment benefit liabilities since Council personnel are included in the plans of the member agencies.

Member agencies are not reimbursed for the costs of personnel who serve as Council members and on the various task forces and committees of the Council. The value of these contributed services is not included in the accompanying financial statements.

### 4. Central Data Repository (CDR)

In 2003, the Council entered into an agreement with UNISYS to enhance the methods and systems used to collect, validate, process, and distribute Call Report information used by member organizations, and to store this information in CDR. CDR was placed into service in October 2005. At that time, the Council began depreciating CDR on the straight-line basis over its estimated useful life of 63 months. In 2009, the Council reevaluated the useful life of CDR and decided to extend the estimated useful life by an additional 36 months based on enhanced functionality of the software. In 2013, the Council again reevaluated the useful life of CDR and decided to extend the estimated useful life by an additional 12 months to December 31, 2014. In 2014, the Council added additional enhancements of \$688,281 and extended the useful life of the asset, including the enhancements, for an additional

56 months. The Council similarly extended the period of the associated deferred revenue. The Council also pays for hosting and maintenance expenses for CDR and recognizes the associated revenue from members.

	2016	2015
<i>CDR Software</i>		
Beginning balance	\$ 21,839,856	\$ 21,917,947
Loss on disposal	—	(78,091)
Total asset	<u>\$ 21,839,856</u>	<u>\$ 21,839,856</u>
Less accumulated depreciation	(21,336,959)	(21,128,864)
Central Data Repository software—net	<u>\$ 502,897</u>	<u>\$ 710,992</u>
<i>Depreciation</i>		
Depreciation for the CDR project	<u>\$ 208,095</u>	<u>\$ 208,095</u>

*CDR Financial Activity*—The Council is funding the project by billing the three participating Council member agencies (FRB, FDIC, and OCC). Activity for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
<i>Deferred Revenue</i>		
Beginning balance	\$ 710,992	\$ 997,178
Additions and other adjustments	—	(78,091)
Less revenue recognized	(208,095)	(208,095)
Ending balance	<u>\$ 502,897</u>	<u>\$ 710,992</u>
Current portion deferred revenue	\$ 208,095	\$ 208,095
Long-term deferred revenue	294,802	502,897
Total Deferred Revenue	<u>\$ 502,897</u>	<u>\$ 710,992</u>
Accounts payable and accrued liabilities related to CDR:		
Payable to UNISYS for the CDR	<u>\$ 298,902</u>	<u>\$ 714,605</u>

*Notes continue on the following page.*

## 5. Home Mortgage Disclosure Act (HMDA)

FRB currently provides maintenance and support for the HMDA processing system. In 2007, the Council began a rewrite of the entire HMDA processing system, which went into service in 2011. At that time, the Council began depreciating the system on the straight-line basis over its estimated useful life of 60 months. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), responsibility for HMDA is transitioning to the CFPB which is developing a new HMDA system to replace the current systems. The FRB will continue processing the HMDA data through 2017 and as a result, in 2015 the Council extended the estimated useful life of the 2011 rewrite through December 31, 2017. The extension of useful life decreases the depreciation expense by \$184,000. The Council also extended the period that the associated deferred revenue is recognized over, which decreases the revenue recognized by the same amount of depreciation; therefore, the extension does not affect net income. Additionally, since the new asset will be controlled and owned by the CFPB, the new asset will be reflected on the CFPB's financial statements and not the Council's.

	2016	2015
<i>HMDA Software</i>		
Beginning balance	\$ 2,783,868	\$ 2,783,868
Total asset	\$ 2,783,868	\$ 2,783,868
Less accumulated depreciation	(2,668,673)	(2,553,479)
HMDA software—net	\$ 115,195	\$ 230,389
<i>Depreciation</i>		
Depreciation for the HMDA Rewrite project	\$ 115,194	\$ 372,782

The Council records depreciation expenses and recognizes the associated revenue each year. The Council also pays for maintenance expenses for the current HMDA processing system and recognizes the associated revenue

from the members and non-members. The financial activity associated with the processing system for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
<i>Deferred Revenue</i>		
Beginning balance	\$ 230,389	\$ 603,172
Less revenue recognized	(115,194)	(372,783)
Ending balance	115,195	230,389
Current portion deferred revenue	\$ 115,195	\$ 115,195
Long-term deferred revenue	—	115,194
Total Deferred Revenue	\$ 115,195	\$ 230,389
<i>Total HMDA Revenue</i>		
The Council recognized the following revenue from:		
Member organizations for the production and distribution of reports under the HMDA (includes the deferred revenue recognized)	\$ 2,781,809	\$ 2,847,101
HUD's participation in the HMDA project	401,999	510,301
Total HMDA Revenue	\$ 3,183,808	\$ 3,357,402

In 2015, the Council entered into an agreement with the U.S Census Bureau to replicate the Census 2000-based surnames table using the 2010 Census data. The project cost of \$735,000 was paid for in 2015 and the member agencies were assessed the same amount.

## 6. Leases

*Capital Leases*—The Council entered into new capital leases in March 2014 for printing equipment. Equipment consists of \$234,000 for the capital leases as of December 31, 2016 and 2015. Accumulated depreciation was \$133,000 and \$86,000 for 2016 and 2015, respectively. The depreciation expense for

the printing equipment was \$47,000 for 2016 and 2015, respectively. Contingent rentals for excess usage of the printing equipment amounted to \$19,000 and \$17,000 in 2016 and 2015, respectively.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2016 are as follows:

Years ending December 31,	Amount
2017	72,821
2018	72,821
2019	12,137
Total minimum lease payments	157,779
Less amount representing maintenance	(47,309)
Net minimum lease payments	110,470
Less amount representing interest	(2,472)
Present value of net minimum lease payments	107,998
Less current maturities of capital lease payments	(49,261)
Long-term capital lease obligations	\$ 58,737

*Operating Leases* — The Council entered into a new operating lease with the FDIC in December 2015 for a five year period with the option to extend for an additional five years to secure office and classroom space. Minimum annual payments under the operating lease having initial or remaining non-cancelable lease term in excess of one year at December 31, 2016, are as follows:

Years ending December 31,	Amount
2017	\$ 339,689
2018	319,811
2019	324,029
2020	328,342
Total minimum lease payments	\$ 1,311,871

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## 7. Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2016. Subsequent events were evaluated through February 28, 2017, which is the date the financial statements were available to be issued.



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Federal Financial Institutions Examination Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Federal Financial Institutions Examination Council (the Council), which comprise the balance sheet as of December 31, 2016, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Council's internal control.

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, 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Federal Financial Institutions Examination Council  
February 28, 2017  
Page 2 of 2

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

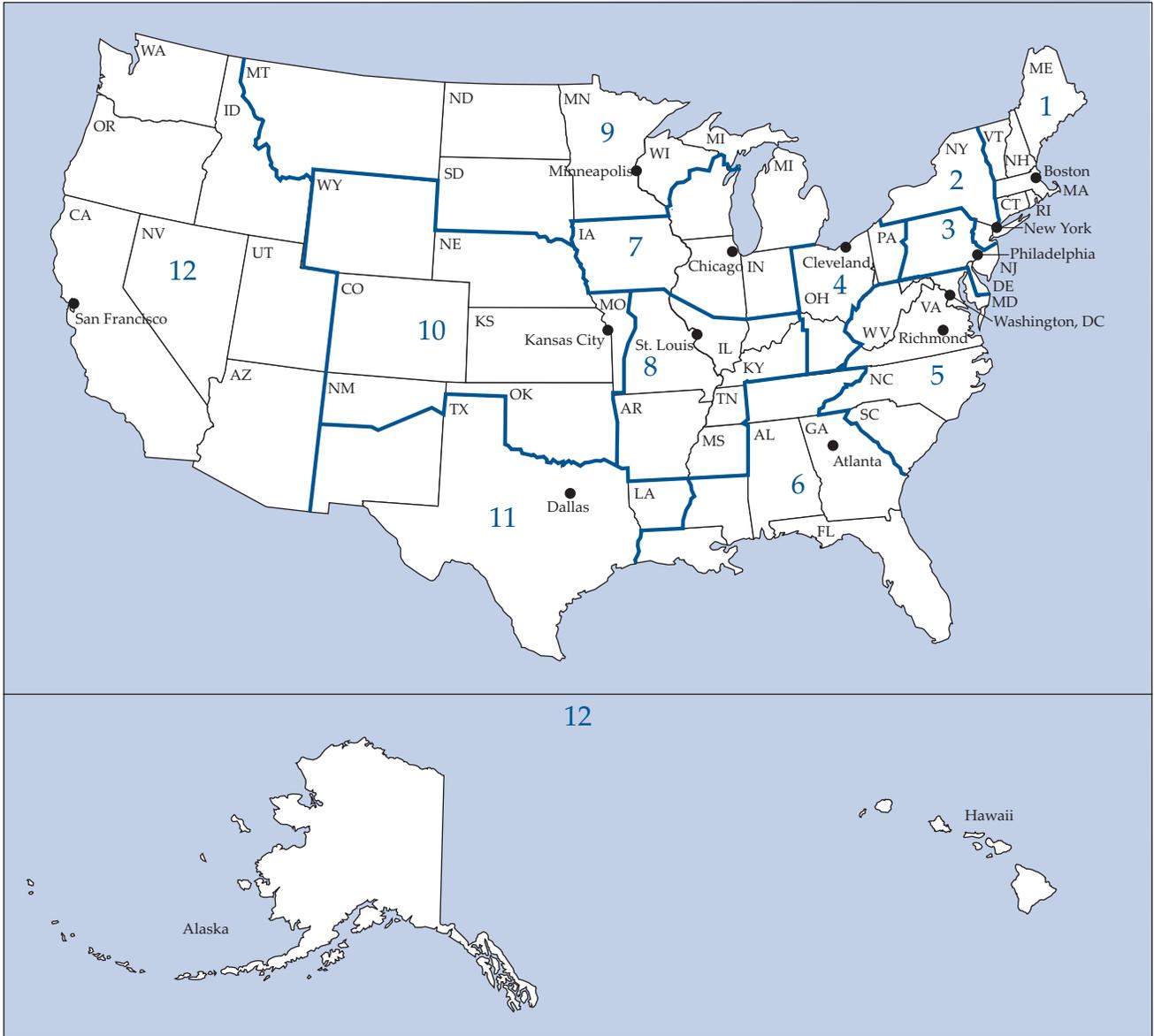
Washington, DC  
February 28, 2017

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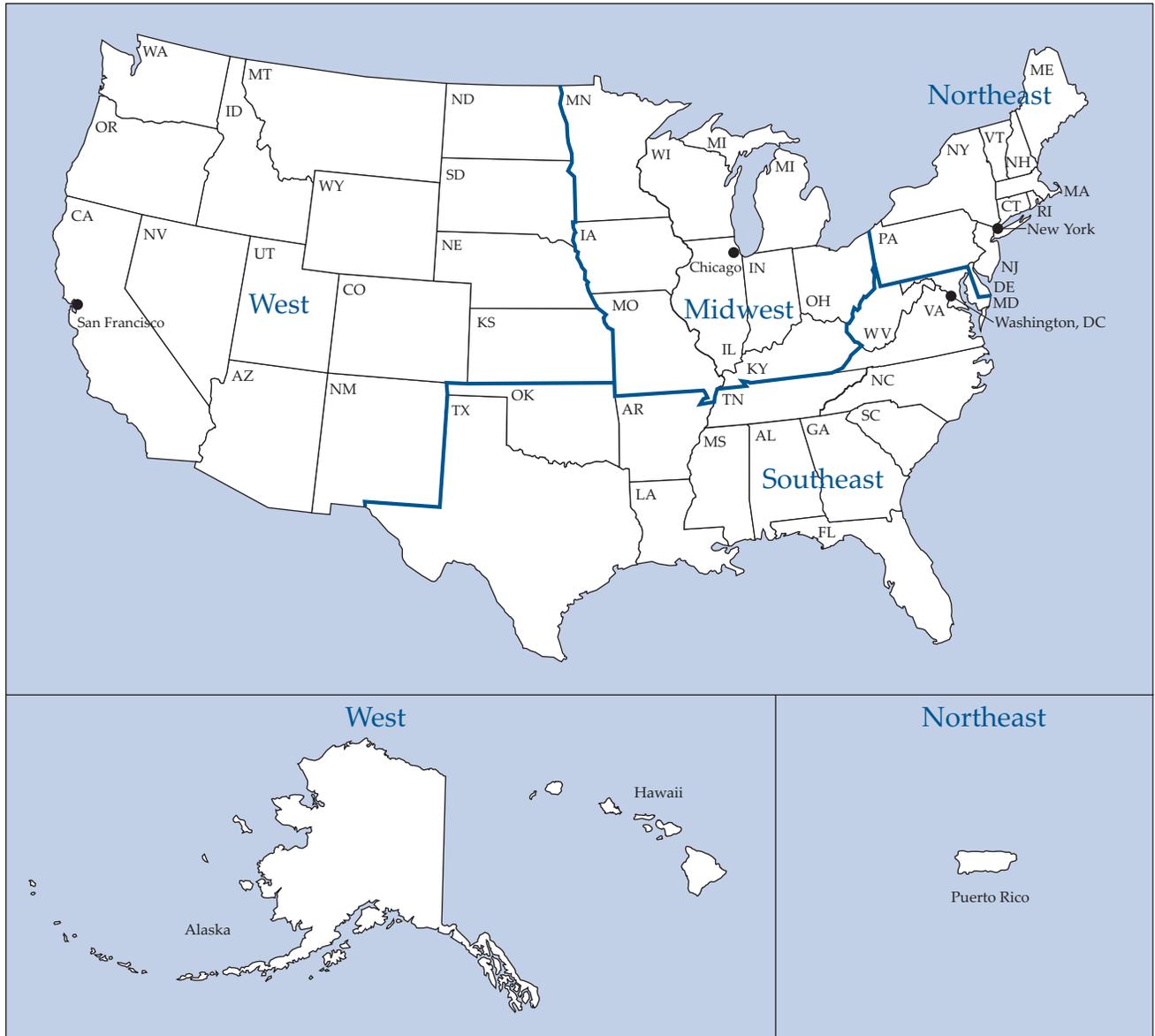
## APPENDIX C: MAPS OF AGENCY REGIONS AND DISTRICTS

62	BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
63	CONSUMER FINANCIAL PROTECTION BUREAU
64	FEDERAL DEPOSIT INSURANCE CORPORATION SUPERVISORY REGIONS
65	NATIONAL CREDIT UNION ADMINISTRATION
66	OFFICE OF THE COMPTROLLER OF THE CURRENCY

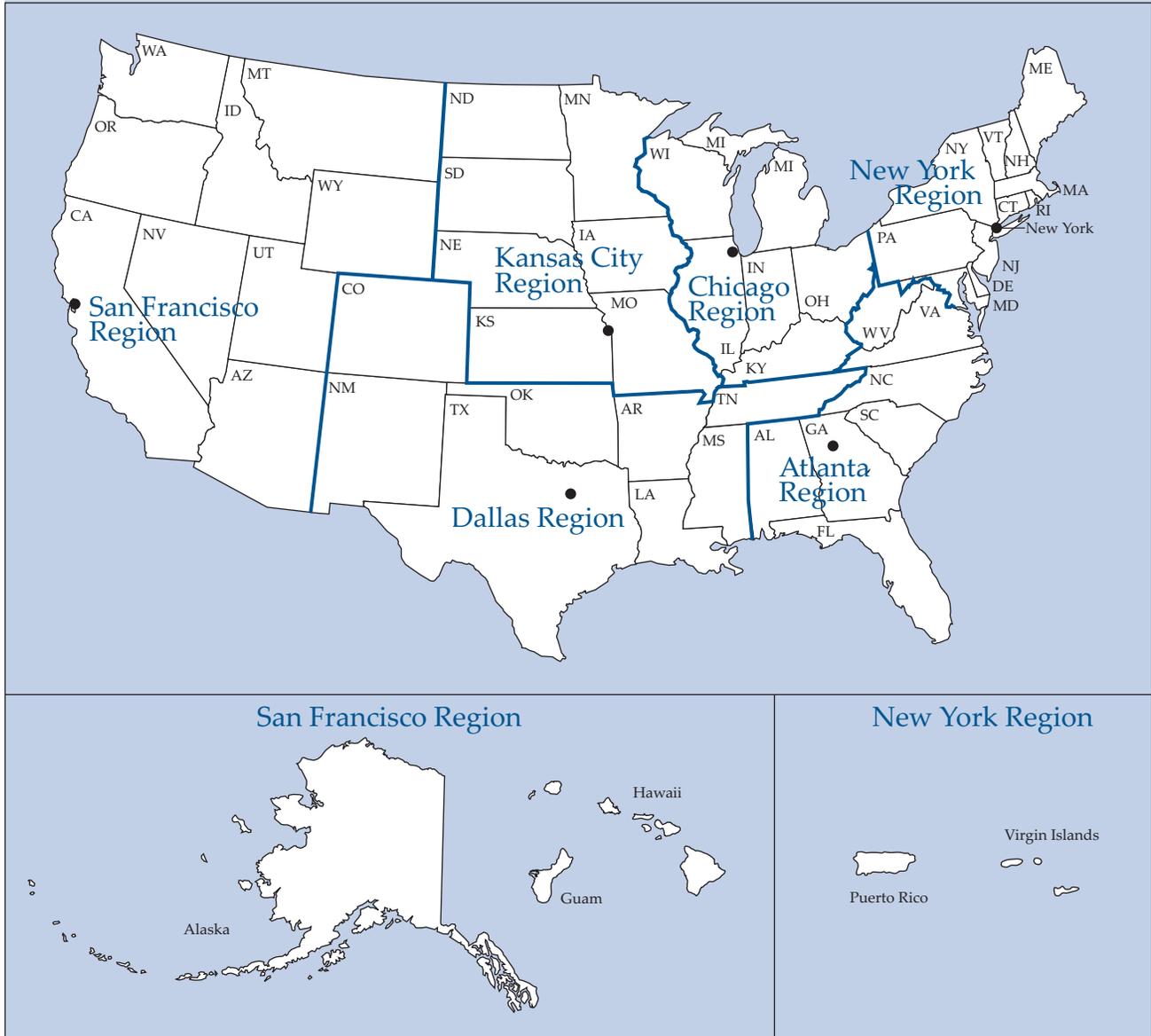
# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



# CONSUMER FINANCIAL PROTECTION BUREAU



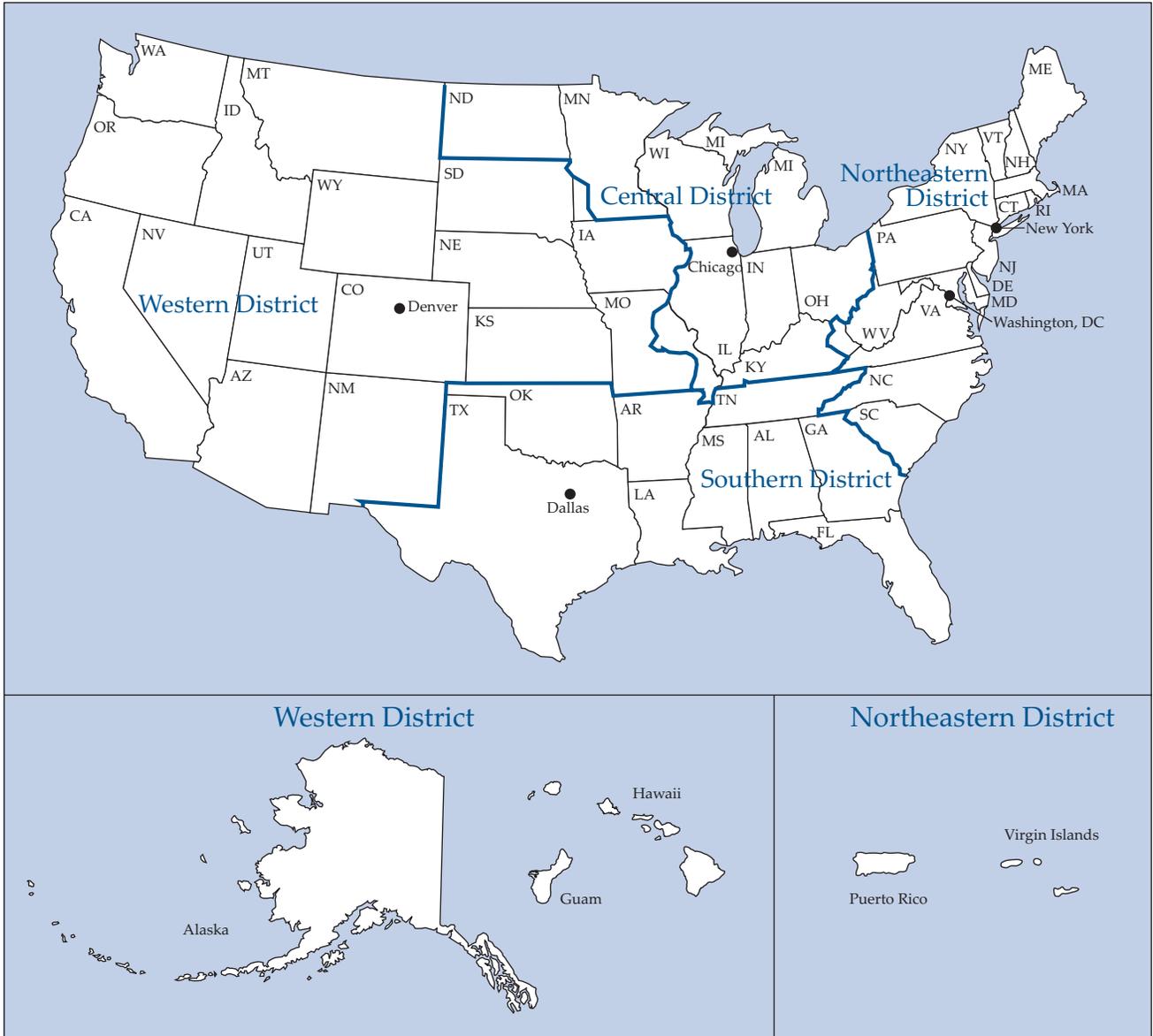
# FEDERAL DEPOSIT INSURANCE CORPORATION SUPERVISORY REGIONS



\* Two area offices are located in Boston (reports to New York) and Memphis (reports to Dallas)



# OFFICE OF THE COMPTROLLER OF THE CURRENCY



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# APPENDIX D: ORGANIZATIONAL LISTING OF PERSONNEL

December 31, 2016

## Members of the Council

Daniel Tarullo, *Chairman*  
Member  
Board of Governors of the  
Federal Reserve System (FRB)

Martin Gruenberg, *Vice Chairman*  
Chairman  
Federal Deposit Insurance  
Corporation (FDIC)

Richard Cordray  
Director  
Consumer Financial Protection  
Bureau (CFPB)

Rick Metsger  
Chairman  
National Credit Union  
Administration (NCUA)

Thomas Curry  
Comptroller of the Currency  
Office of the Comptroller  
of the Currency (OCC)

Karen Lawson  
*Chairman*  
State Liaison Committee (SLC)  
Director  
Office of Banking  
Michigan Department of  
Insurance and Financial Services

## State Liaison Committee (SLC)

Karen Lawson, *Chairman*  
Director  
Office of Banking  
Michigan Department of  
Insurance and Financial Services

Edward Joseph Face  
Commissioner of Financial Institutions  
Bureau of Financial Institutions  
Virginia State Corporation Commission

Greg Gonzales  
Commissioner  
Tennessee Department of  
Financial Institutions

Mary Hughes  
Financial Institutions Bureau Chief  
Idaho Department of Finance

Caroline Jones  
Commissioner  
Texas Department of Savings and  
Mortgage Lending

## Council Staff Officer

Judith Dupré  
*Executive Secretary*

## Interagency Staff Groups

### *Agency Liaison Group*

Arthur Lindo (FRB)  
Doreen Eberley (FDIC)  
Steve Kaplan (CFPB)  
Larry Fazio (NCUA)  
Grace Dailey (OCC)  
Mary Beth Quist  
(SLC Representative/CSBS)

### *Legal Advisory Group*

Scott Alvarez, *Chairman* (FRB)  
Charles Yi (FDIC)  
Mary McLeod (CFPB)  
Michael McKenna (NCUA)  
Amy Friend (OCC)  
Margaret Liu  
(SLC Representative/CSBS)

### *Task Force on Consumer Compliance*

Donna Murphy, *Chairman* (OCC)  
Matthew Biliouris (NCUA)  
Luke Brown (FDIC)  
Calvin Hagins (CFPB)  
Amy Henderson (FRB)  
Mitchell Kent  
(SLC Representative/New York)

### *Task Force on Examiner Education*

Philip Mento, *Chairman* (FDIC)

Joseph Arleth (CFPB)  
Tracy Bergmann  
(SLC Representative/Iowa)  
JeanMarie Komyathy (NCUA)  
Thomas Rollo (OCC)  
Amol Vaidya (FRB)

### *Task Force on Information Sharing*

Jami Blume, *Chairman* (CFPB)  
Nida Davis (FRB)  
Todd Roscoe (NCUA)  
Robin Stefan (OCC)  
Terrie Templemon (FDIC)  
Mary Beth Quist  
(SLC Representative/CSBS)

### *Task Force on Reports*

Robert Storch, *Chairman* (FDIC)  
Douglas Carpenter (FRB)  
Ece Yolas Onat (CFPB)  
Virginia Phillips (NCUA)  
Cynthia Stuart  
(SLC Representative/Vermont)  
Rusty Thompson (OCC)

### *Task Force on Supervision*

Grace Dailey, *Chairman* (OCC)  
Doreen Eberley (FDIC)  
Tom Fite  
(SLC Representative/Indiana)  
Michael Gibson (FRB)  
Steve Kaplan (CFPB)  
D. Scott Neat (NCUA)

### *Task Force on Surveillance Systems*

Robin Stefan, *Chairman* (OCC)  
Matthew Canzater (NCUA)  
Jay Caver  
(SLC Representative/Alabama)  
Charles Collier (FDIC)  
Matt Mattson (FRB)  
Andrew White (CFPB)

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## Council Staff



*Shown are the Council staff at the L. William Seidman Center in Arlington, Virginia, where they have their offices and classrooms for examiner education programs.*



Federal Financial Institutions Examination Council