



Federal Financial Institutions  
Examination Council

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# ANNUAL REPORT 2017

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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*

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*Mick Mulvaney,  
FFIEC Vice Chairman,  
Acting Director, Consumer Financial  
Protection Bureau*



*Martin J. Gruenberg,  
FFIEC Chairman,  
Chairman, Federal Deposit Insurance  
Corporation*



*Randal K. Quarles,  
Member and Vice Chairman for  
Supervision, Board of Governors of  
the Federal Reserve System*



*Greg Gonzalez,  
Chairman,  
State Liaison Committee,  
Commissioner, Tennessee Department  
of Financial Institutions*



*Joseph M. Otting,  
Comptroller of the Currency,  
Office of the Comptroller of the Currency*



*J. Mark McWatters,  
Chairman,  
National Credit Union Administration*

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# *Letter of Transmittal*

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Federal Financial Institutions Examination Council

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March 30, 2018

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 2017 Annual Report of the Federal Financial Institutions Examination Council.

Respectfully,

Martin J. Gruenberg  
*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*

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ACSSS .....	American Council of State Savings Supervisors	FRB .....	Board of Governors of the Federal Reserve System
ALG.....	Agency Liaison Group	FSOC .....	Financial Stability Oversight Council
AML .....	Anti-Money Laundering	HMDA .....	Home Mortgage Disclosure Act of 1975
ASC .....	Appraisal Subcommittee	IBA.....	International Banking Act of 1978
Assessment.....	Cybersecurity Assessment Tool	IT.....	Information Technology
BHC.....	Bank Holding Company	LAG.....	Legal Advisory Group
BSA.....	Bank Secrecy Act	MOU.....	Memorandum of Understanding
Call Report .....	Consolidated Reports of Condition and Income	NASCUS .....	National Association of State Credit Union Supervisors
CCIWG .....	Cybersecurity and Critical Infrastructure Working Group	NCUA .....	National Credit Union Administration
CDR.....	Central Data Repository	NCUSIF.....	National Credit Union Share Insurance Fund
CECL.....	Current Expected Credit Losses	OCC.....	Office of the Comptroller of the Currency
CFPB.....	Consumer Financial Protection Bureau	OMB .....	Office of Management and Budget
Council.....	Federal Financial Institutions Examination Council	OTS.....	Office of Thrift Supervision
CRA.....	Community Reinvestment Act of 1977	PRA .....	Paperwork Reduction Act of 1995
CSBS.....	Conference of State Bank Supervisors	SAWG.....	Supplementary Analysis Working Group
DIF .....	Deposit Insurance Fund	SDRWG.....	Structure Data Reconciliation Working Group
Dodd-Frank Act...	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	SEC .....	Securities and Exchange Commission
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	SOD .....	Summary of Deposits
FFIEC .....	Federal Financial Institutions Examination Council	TFCC .....	Task Force on Consumer Compliance
FHC .....	Financial Holding Company	TFEE .....	Task Force on Examiner Education
FinCEN .....	Financial Crimes Enforcement Network	TFIS .....	Task Force on Information Sharing
FIRIRCA .....	Financial Institutions Regulatory and Interest Rate Control Act of 1978	TFOR .....	Task Force on Reports
FIRREA .....	Financial Institutions Reform, Recovery, and Enforcement Act of 1989	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  
FFIEC Chairman*

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*FFIEC Chairman, Martin J. Gruenberg.*

I am pleased to report on the activities of the Federal Financial Institutions Examination Council. In 2017, the Council, its member agencies, and the State Liaison Committee (SLC) continued to advance its mission of promoting uniformity and consistency in the supervision of financial institutions by fostering communication, cooperation, and coordination among the members.

The Council's efforts this year have been focused on completing the second decennial interagency review of regulations mandated by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA) and implementing the resulting initiatives. In March, the Council issued a report to Congress that described the regulatory and other initiatives already undertaken or planned by the Council and member agencies to identify outdated, unnecessary, or unduly burdensome regulations as they apply to insured depository institutions (IDIs), especially smaller, community institutions. Since that time, the Council, and its member agencies have focused on implementing planned initiatives outlined in the March report. The initiatives include:

- **Simplifying Capital Rules.** In September 2017, the agencies sought industry feedback on a proposal to simplify the capital rules for community banks with respect to high volatility commercial real estate exposures, mortgages servicing assets, timing differences of deferred tax assets and holdings on regulatory capital instruments. The agencies also proposed in August 2017, and finalized in November 2017, a revision to the regulatory capital rules to pause the phase-in of certain regulatory capital adjustments and deductions that are a part of the Basel III capital standard.
- **Reducing Regulatory Reporting.** 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 (Form FFIEC 051). This new Call Report became effective on March 31, 2017, and reduced the length of the Call Report for eligible small community institutions by removing approximately 40 percent of the data items previously required for institutions with domestic offices and reducing the number of pages from 85 to 61 pages. In June and November, the agencies proposed additional burden-reducing revisions to all three versions of the Call Report that will take effect June 30, 2018. These changes, when combined with the Community Bank Call Report, will affect approximately 51 percent of required data items for smaller, less complex institutions, and 28 percent of required data items for all other institutions.
- **Raising the Appraisal Threshold for Commercial Real Estate Loans.** In July 2017, the agencies issued a notice of proposed rulemaking to raise the threshold for commercial real estate transactions requiring appraisals from \$250 thousand to \$400 thousand. The comment period closed in September 2017. The agencies are reviewing

the comments received from stakeholders and plan to issue a final rule in 2018.

- **Addressing Appraiser Shortages in Rural Areas.** Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) allows the Appraisal Subcommittee of the FFIEC (ASC), after making certain findings and with the approval of the FFIEC, to grant temporary waivers of any requirement relating to certification or licensing of a person to perform appraisals under title XI. Furthermore, state appraiser certifying or licensing agencies may recognize, on a temporary basis, the certification or license of an appraiser issued by another state. In May 2017, the agencies issued a statement to regulated entities reminding them of the availability of both temporary waivers and temporary practice permits, which are applicable to both commercial and residential appraisals, and may address temporary appraiser shortages. Additionally, during the second half of the year, the Conference of State Bank Supervisors (CSBS) arranged six roundtables with the banking agencies, state commissioners, and rural community bankers to discuss rural appraiser issues.
- **Reducing Examination Frequency in Certain Institutions.** The agencies have adopted a rule to raise the asset threshold that, in general, makes qualifying depository institutions 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 insured institutions. The rule change also reduced the frequency in which Bank Secrecy Act (BSA) compliance programs are reviewed at community institutions.
- **Referring Bank Secrecy Act and Anti-Money Laundering Comments.** As was noted in the first EGRPRA report to Congress in 2007, the agencies do not have exclusive authority over the threshold filing requirements for Suspicious Activity Reports (SARs) and have no authority over the threshold filing requirements for Currency Transaction Reports (CTRs). The Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury, is the delegated administrator of the BSA that issues regulations and interpretive guidance, and as such, any changes to the SAR or CTR requirements would require a change in FinCEN's regulations. The agencies provided FinCEN with the comments received during the EGRPRA review and FinCEN provided a response, which is attached to the report in appendix 5. In addition, the agencies have established common training policies for examiners, maintain an interagency examination manual, and issued an interagency statement setting forth the policy for enforcing specific Anti-Money Laundering (AML) requirements for greater consistency in enforcement decisions on BSA matters through publication of the FFIEC BSA/AML Examination Manual.
- **Reviewing and Updating Examination Processes.** The project involves review of the general examination processes that are used by the FFIEC members. The goal of this review is to identify opportunities to improve efficiencies and minimize burden to bank management while maintaining the quality of examinations. The project involves rethinking traditional processes and making better use of technology. In addition, the FFIEC Uniform Bank Performance Report (UBPR) and other supervisory tools are being evaluated for updates as appropriate. Member agencies held listening sessions with selected community institutions and examiners and

are evaluating the feedback received that have potential for the most meaningful supervisory burden reduction.

In the coming year, the Council will continue its efforts to implement commitments set forth in the EGRPRA report and to work together to advance the mission of promoting uniformity and consistency in financial institution supervision in an efficient and effective manner.

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*Overview of the Federal  
Financial Institutions  
Examination Council  
Operations*

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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 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 Board 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 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 (the OCC, FDIC, and FRB) 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.

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# *Record of Council Activities*

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The following section is a chronological record of the official actions taken by the FFIEC during 2017, pursuant to the FIRIRCA, as amended, and the HMDA, as amended.

### February 8, 2017

*Action.* Approved the revised Resolution 2.

*Explanation.* The Council is required to approve revisions to the Council's founding documents. A revision to Resolution (2) was necessary to reflect the increase of employee positions on the Council from 15 to 16, as approved in the Council's 2016 Budget.

### February 8, 2017

*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 28, 2017

*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, 2017, through March 31, 2018.

### February 28, 2017

*Action.* Approved the Central Data Repository (CDR) Steering Committee's Task Order #10.

*Explanation.* The Council is required to approve task orders that exceed a specific dollar amount. Task Order #10 provides funding for CDR enhancements to improve processing and publication of Consolidated Reports of Condition and Income (Call Report) and Uniform Bank Performance Report (UBPR) data.

### March 1, 2017

*Action.* Approved the interagency section of the EGRPRA report for distribution to the Congress.

*Explanation.* Responsibility was given to the Council by the EGRPRA to submit reports to Congress on the

regulatory reviews that the federal banking agencies conduct in accordance with EGRPRA. The EGRPRA report summarizes the efforts of the federal banking agencies to review their regulations to identify outdated or otherwise unnecessary regulations that apply to all insured depository institutions, but especially the smaller depository institutions, and eliminate such regulations, if appropriate. The review included the use of notice and comment procedures. Additionally, the FFIEC members held six outreach meetings to hear comments and suggestions from the public as to how regulatory burden can be reduced. The NCUA, although an FFIEC member, is not a "federal banking agency" within the meaning of EGRPRA and so is not required to participate in the review process. Nevertheless, NCUA elected to participate in the EGRPRA review and conducted its own parallel review of its regulations. NCUA's separate report is included as part II of the report. The CFPB, although an FFIEC member, is not a "federal banking agency" within the meaning of EGRPRA and so is not required to participate in the review process. The CFPB is required (in a process separate from the EGRPRA process) to review its significant rules and publish a report of its review no later than five years after they take effect.

### March 7, 2017

*Action.* Approved the Council's 2016 annual report to the Congress.



FFIEC Vice Chairman Cordray and FFIEC Chairman Gruenberg during a presentation at a 2017 Council meeting.



*The Federal Financial Institutions Examination Council in session.*

*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 28, 2017**

*Action.* Approved appointment of new SLC member, Judi Stork, Deputy Bank Commissioner, Kansas.

*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). Stork's first term on the SLC runs May 1, 2017, through April 30, 2019.

### **June 19, 2017**

*Action.* Approved a revised budget and development timeframe for the "Certain Federal Disclosure Computational Tools" initiative, along with the related "Certain Federal Disclosure Computational Tools" memorandum of understanding (MOU).

*Explanation.* At the December 2016 Council meeting, the Council approved a budget authorization to develop and maintain the Federal Disclosure Computational Tools in calendar year 2017. The Council is required to approve a change in the

budget funding, which now reflects a distribution of the budget funds for the development cost over two budget years, 2017 and 2018, for the Federal Disclosure Computational Tools. The related MOU memorializes the FFIEC agencies' agreement to develop certain Federal Disclosure Computational Tools to facilitate supervision of financial institutions with regard to laws and regulations relating to federal consumer protection and to assist financial institutions in their efforts to comply with those laws and regulations.

### **August 31, 2017**

*Action.* Approved appointment of new SLC member, Tom Fite, Director, Department of Financial Institutions, Indiana.

*Explanation.* The Council appoints two of the SLC members. The remaining three members are designated by the CSBS, the ACSSS, and the NASCUS. Fite's partial term on the SLC runs through April 30, 2019, filling the vacancy created upon Judi Stork's early departure from the SLC.

### **September 21, 2017**

*Action.* Approved an increase to the 2017 CDR Budget.

*Explanation.* The Council is required to approve budget increases that exceed a specific dollar

amount. This budget increase is to fund necessary enhancements represented in Task Orders #5 and #6. The FFIEC Task Force on Reports (TFOR) CDR Steering Committee approved FDIC Funded Enhancements for publication improvements regarding Summary of Deposits (Task Order #5), and FDIC, OCC, and FRB Interagency Funded Enhancements for analysis of the CDR's alignment with the National Institute of Standards and Technology (NIST) Special Publication 800-53, "Security and Privacy Controls for Federal Information Systems and Organizations" (Task Order #6).

### **December 5, 2017**

*Action.* Approved the 2018 Council budget.

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

### **December 15, 2017**

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

*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, 2017, through March 31, 2018. The Council approves changes to the task force chairs should the need arise at any time during the term.

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# *State Liaison Committee*

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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 2017 were

- Greg Gonzales  
*SLC Chairman*  
Commissioner, Tennessee Department of Financial Institutions
- Edward Joseph Face  
Commissioner of Financial Institutions,  
Bureau of Financial Institutions, Virginia State Corporation Commission
- Tom Fite  
Director, Indiana 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 4,496 banks with \$5.58 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.



*SLC Members (left to right): Mary Hughes (ID), Greg Gonzales (TN), Edward Joseph Face (VA), Caroline Jones (TX), and Tom Fite (IN).*

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*Activities of the Interagency  
Staff Task Forces*

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## Task Force on Consumer Compliance

The Task Force on Consumer Compliance (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 2017, 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 2017

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

In 2017, the subcommittee continued to work toward the implementation of numerous changes resulting

from the CFPB's final rule amending the HMDA regulation. The subcommittee continues to oversee the transfer from the FRB to the CFPB of HMDA data processing responsibilities for data collected in or after 2017 and submitted in or after 2018.

During 2017, 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. HMDA Subcommittee members assisted in drafting FFIEC HMDA Examiner Transaction Testing Guidelines that were approved by the TFCC and published on August 22, 2017. HMDA Subcommittee members also collaborated in revising the FFIEC publication *A Guide to HMDA Reporting: Getting it Right!* and in drafting interagency HMDA examination procedures to reflect the changes to Regulation C. The TFCC expects to issue the guide in 2018.

In 2017, the HMDA/CRA Subcommittee coordinated with the FRB's Information Technology (IT) staff to collect, aggregate, and publish the 2016 CRA data and the 2016 HMDA data. The CRA data, published on November 21, 2017, are available on the FFIEC website at <https://www.ffiec.gov/press/pr112117.htm>. The HMDA data, published on September 28, 2017, are also available on the FFIEC website at

<https://www.ffiec.gov/press/pr092817.htm>.

#### *Consumer Compliance Conference*

In 2017, the TFCC continued to collaborate with the Task Force on Examiner Education (TFEE) and the FFIEC Examiner Education Office (EEO) to develop,



*Task Force on Consumer Compliance meeting.*

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, and continues to be offered annually since then. Planning is currently ongoing for a September 2018 session.

## Task Force on Examiner Education

The Task Force on Examiner Education (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 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.



*Distressed Commercial Real Estate course instructor Calvin Moye, at FDIC's L. William Seidman Center, Arlington, VA.*

### Initiatives Addressed in 2017

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, review feedback from each course and conference, and 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 2017, the EEO administered 110 task force-sponsored training sessions, with a total of 4,559 attendees (see table on page 18 for attendee participation by program and entity). Highlights from 2017 training initiatives include the following:

#### *Cybersecurity*

While cybersecurity has been a standing topic covered in several training programs for many years, specific efforts in 2017 ensured that all Information Technology (IT), Payment Systems Risk, and Supervisory Updates Conference programs included speakers from either FFIEC member agency subject matter experts or industry experts on cybersecurity to ensure that attendees are informed of the latest developments in this rapidly changing area.

#### *Current Expected Credit Losses*

The current expected credit losses (CECL) standard issued by the Financial Accounting Standards Board will have industrywide implications. Starting in 2016, the FFIEC began providing training on CECL to ensure that attendees are aware of current guidance so they may answer questions and help the institutions they supervise prepare for the transition. In 2017, agency and industry experts in CECL provided training to attendees in the following EEO

2017 Participation in FFIEC Training by Program and Entity-Actual as of December 31, 2017

Program Title	FRB	FRB State Sponsored	FDIC	FDIC State Sponsored	NCUA	NCUA State Sponsored	OCC	CFPB	FCA	FHFA	FinCen	Other	Total
Advanced BSA/AML Specialists Conference	40	50	37	19	5	9	34	0	0	1	3	2	200
Advanced Cash Flow Concepts and Analysis: Beyond the Numbers	28	17	44	7	7	4	22	0	0	0	0	3	132
Advanced Commercial Credit Analysis	26	15	20	12	6	2	23	0	0	0	0	0	104
Agricultural Lending	28	8	39	2	2	0	3	0	0	0	0	1	83
Anti-Money Laundering Workshop	22	89	48	11	13	5	0	0	0	1	4	0	193
Asset Management Forum	47	17	72	9	1	1	40	0	0	0	0	2	189
Capital Markets Conference	45	26	91	15	17	5	10	0	1	4	0	1	215
Capital Markets Specialists Conference	53	9	76	7	14	1	9	0	13	2	0	4	188
Cash Flow Construction and Analysis from Federal Tax Returns	30	44	68	15	13	2	27	0	1	0	0	1	201
Commercial Real Estate Analysis	54	26	55	17	13	5	29	0	0	1	0	7	207
Consumer Compliance Conference	25	9	70	4	5	1	29	62	1	0	0	0	206
Distressed Commercial Real Estate	37	6	53	7	6	3	6	0	0	0	0	1	119
Financial Crimes Seminar	44	62	126	8	32	6	23	1	2	0	3	10	317
Fraud Identification Training (Self-Study)	1	0	19	0	10	0	8	0	0	0	0	0	38
Fraud Investigation Techniques for Examiners	6	9	16	3	9	1	9	0	0	1	0	0	54
Fundamentals of Fraud Workshop	20	24	89	7	10	4	25	1	2	0	3	0	185
Information Technology Conference	60	18	79	11	26	6	41	6	10	8	0	0	265
Information Technology Symposium	0	0	0	0	0	0	0	0	0	0	0	0	0
Instructor Training School	23	0	0	0	0	0	21	9	2	0	0	0	55
Interest Rate Risk Workshop	57	48	69	10	4	0	48	0	0	0	0	2	238
International Banking, Basic (Self-Study)	17	0	29	0	0	0	12	0	0	0	1	0	59
International Banking Conference (Self-Study)	39	0	37	0	0	0	10	2	0	0	0	0	88
International Banking School	13	19	23	3	0	0	9	0	0	0	1	0	68
Payment Systems Risk Conference	53	16	56	8	15	4	25	6	0	0	3	4	190
Real Estate Appraisal Review (Self-Study)	4	0	10	0	7	0	0	0	0	0	0	0	21
Real Estate Appraisal Review School	11	16	56	3	7	0	12	0	0	0	0	3	108
Structured Finance: Investment Analysis & Risk Management	41	5	50	2	11	0	9	0	0	2	0	2	122
Supervisory Updates & Emerging Issues for Community Financial Institutions	63	30	148	18	13	6	26	0	0	0	0	5	309
Supervisory Updates & Emerging Issues for Large, Complex Financial Institutions	110	35	158	17	9	1	40	0	3	5	0	3	381
Testifying School	0	2	14	0	2	1	5	0	0	0	0	0	24
<b>Grand Total</b>	997	600	1,652	215	257	67	555	87	35	25	18	51	4,559
Percentage	21.87%	13.16%	36.24%	4.72%	5.64%	1.47%	12.17%	1.91%	0.77%	0.55%	0.39%	1.12%	100%
Combined Agency and Sponsored Percentage	35.03%	NA	40.95%	NA	7.11%	NA	12.17%	1.91%	0.77%	0.55%	0.39%	1.12%	100%

programs: Distressed Commercial Real Estate; Commercial Real Estate Analysis for Financial Institution Examiners; Supervisory Updates and Emerging Issues for Community Financial Institutions; Supervisory Updates and Emerging Issues for Large, Complex Financial Institutions; Structured Finance: Investment Analysis and Risk Management; Capital Markets Conference; and Capital Markets Specialists Conference.

### *Annual Specialists Conferences*

In addition to the classes and conferences designed to meet the needs of generalist commissioned examiners, the EEO curriculum also includes several annual specialists conferences designed to address important emerging topics and regulatory updates. The specialist conferences address such topics as the Bank Secrecy Act (BSA), consumer compliance, IT, international banking, 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 also feature knowledgeable and influential speakers, including senior level officials from member agencies, policymakers, and industry experts.

### *Alternative Delivery Education*

Alternative delivery education 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, the FFIEC offers two webinar options: FFIEC Examiner Exchange and FFIEC Industry Outreach. The Examiner Exchange programs are offered to FFIEC member agency staff. There were six FFIEC Examiner Exchange events offered in 2017 that provided information related to IT, cybersecurity, and consumer compliance. The average attendance was over 300 participants for each live Examiner Exchange event. The FFIEC Industry Outreach events are offered to the general public or may be limited to FFIEC regulated entities. In 2017, one FFIEC Industry Outreach event was offered that provided information on IT and cybersecurity. There were approximately 2,000 industry participants in attendance at the FFIEC Industry Outreach live event. The FFIEC created a webpage to promote upcoming FFIEC Industry Outreach events and host archives of past FFIEC Industry Outreach events. The webpage is linked to the FFIEC homepage and may be accessed at <https://industryoutreach.ffiec.gov/>.

### *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 Examination 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 the TFOS working groups and subcommittees.

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



*Task Force on Examiner Education meeting.*



Anti-Money Laundering Workshop course at FDIC's L. William Seidman Center, Arlington, VA.

forms, and 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 Examination Handbook InfoBase contains the current set of IT booklets; IT workprograms; laws, regulations, and guidance; a glossary; and reference materials. The InfoBase content is updated on an as-needed basis. In 2017, the IT Examination Handbook InfoBase was redesigned to improve the overall experience for users. The redesign improves site navigation, enhances search capabilities, and provides mobile-friendly capability. Additionally, a new page allows users to download multiple booklets and workprograms at once. The IT Examination Handbook InfoBase can be found at <http://ithandbook.ffiec.gov/it-booklets.aspx>.

#### *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.htm](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 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.



*Task Force on Information Sharing meeting.*

The TFIS has working groups to address data sharing and interagency reconciliation of financial institution structure data. 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 2017*

#### *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 are nonfinancial in nature and encompass the financial institution's profile, including, but not limited to, its charter type, holding company information, address, and contact information. These nonfinancial data are used in FDIC, FRB, and OCC databases for business analyses, processing, and reporting purposes. As a result, the accuracy and consistency of the 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.

## *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 (SEC), the Financial Accounting Standards Board, and 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 Report 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 2017*

#### *Call Report Burden-Reduction Initiative*

During 2017, 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 banking institutions, particularly community banks, which had been launched in December 2014. As one of the actions under the burden-reduction initiative, 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, beginning the review in 2015 instead of waiting to commence until 2017. This review is required by Section 604 of the Financial Services Regulatory Relief Act of 2006. As the foundation for this review, users of Call Report data items at FFIEC member entities participated in a series of nine surveys conducted over a 19-month period that began in July 2015. The final survey was completed in February 2017. As an integral part of these surveys, users were asked how they use Call Report data items, the frequency with which the data items are needed, and the population of institutions from which the data items are needed. Call Report schedules were placed into nine groups and prioritized for review, generally based on level of burden cited by banking industry representatives. Based on the results of the surveys, a working group established by the TFOR identified Call Report data items that the TFOR considered for elimination, less frequent collection, or new or upwardly revised reporting thresholds.

After completing the review of the Call Report data items, Section 604 also requires the banking agencies to reduce or eliminate the continued collection of information that they determine is "no longer necessary or appropriate." Accordingly, the TFOR incorporated the recommended burden-reducing changes resulting from the reviews of the responses



*Task Force on Reports*

to the first, second, and third portions of the surveys into the three Call Report proposals discussed below. In addition, the TFOR reported on the results of the statutory review to the Council principals in December 2017.

Following receipt of approval from the U.S. Office of Management and Budget (OMB), the banking agencies successfully completed the first phase of burden-reducing Call Report revisions by implementing a new, streamlined, and less burdensome FFIEC 051 Call Report for eligible small institutions, as well as certain burden-reducing changes to the existing FFIEC 031 and FFIEC 041 Call Reports, effective March 31, 2017. The agencies had issued the proposed new FFIEC 051 report and the other proposed Call Report revisions for a 60-day comment period in August 2016. Evaluations of the responses to the first portion of the Call Report user surveys contributed to the design of the August 2016 proposal. After considering the comments received, the Council announced the finalization of the proposed reporting changes on December 30, 2016. The banking agencies' final Paperwork Reduction Act (PRA) *Federal Register* notice for this proposal was published on January 9, 2017.

In general, the small institutions eligible to file the FFIEC 051 are institutions with domestic offices only and total assets less than \$1 billion. Such institutions represent approximately 87 percent of all institutions required to file Call Reports. When compared to the FFIEC 041 report form from which it was created, the FFIEC 051 report form reflects a reduction in the number of pages from 85 to 61. This decrease

resulted from the removal of approximately 950 or about 40 percent of the nearly 2,400 data items in the FFIEC 041. Of the data items remaining from the FFIEC 041, the agencies also reduced the reporting frequency for approximately 100 data items in the FFIEC 051. The Council issued a separate, shorter instruction book for the FFIEC 051. Eligible small institutions have the option to file either the FFIEC 051 or the otherwise applicable FFIEC 041 Call Report. About 68 percent of the approximately 5,100 eligible small institutions chose to file the new FFIEC 051 Call Report as of the March 31, 2017, report date.

On March 8, 2017, the TFOR conducted a webinar for bankers to introduce the new FFIEC 051 Call Report, explain its content and how it differs from the existing FFIEC 041 Call Report, and summarize the revisions to the FFIEC 031 and FFIEC 041 Call Reports.

During the initial months of 2017, the TFOR developed additional proposed burden-reducing revisions to the FFIEC 031, FFIEC 041, and FFIEC 051 report forms based on its working group's analyses of the responses to the second portion of the Call Report user surveys. In addition, the working group re-evaluated the results of certain surveys as a basis for identifying further burden-reducing changes. In conjunction with the working group's evaluations, the TFOR also considered comments received on the August 2016 Call Report proposal, feedback and streamlining suggestions received during banker outreach activities conducted in 2015 and 2016, and comments regarding the Call Report received during the EGRPRA review conducted by the FFIEC and the agencies. This second phase of proposed burden-reducing revisions to the three versions of the Call Report included the deletion or consolidation of a large number of items, the raising of certain reporting thresholds, and a reduction in reporting frequency for a number of items. For small institutions filing the FFIEC 051 report, these proposed changes would affect approximately seven percent of the data items collected. The proposal also included a scope revision to the FFIEC 031 and FFIEC 041 reports to require all institutions with consolidated total assets of \$100 billion or more, regardless of whether an institution has any foreign offices, to file the FFIEC 031. In addition, the TFOR developed two other proposed revisions unrelated to the burden-reduction initiative. One

would revise the instructions defining “past due” assets for regulatory reporting purposes, while the other would revise portions of several Call Report schedules in response to changes in the accounting for equity securities and other equity investments under U.S. generally accepted accounting principles (GAAP) that take effect in the first quarter of 2018 for certain institutions. These Call Report revisions were proposed to take effect March 31, 2018.

Following its approval of the initial PRA *Federal Register* notice for these proposed revisions to the Call Report, the Council issued a press release on June 20, 2017, announcing the proposal and inviting public comment on it. On June 27, 2017, the banking agencies published the notice in the *Federal Register* for a 60-day comment period and issued a Financial Institution Letter to reporting institutions about the proposal. To assist institutions in understanding the proposed Call Report revisions, the Council posted on its website redlined copies of the FFIEC 031, FFIEC 041, and FFIEC 051 report forms showing the proposed changes along with draft revised instructions for the proposed reporting changes.

After considering the comments received on the June 2017 proposal from 13 entities, the TFOR recommended that the Council proceed with the proposed second phase of burden-reducing Call Report revisions, the proposed scope revision to the FFIEC 031 and FFIEC 041, and a modified version of the proposed changes to the reporting of equity investments. However, the TFOR recommended against proceeding with the proposed instructional revision to the “past due” definition. The TFOR further recommended delaying the implementation of these revisions until June 30, 2018, except for the equity investment revisions for which the effective date would remain March 31, 2018, as originally proposed, which coincides with the reporting period in which these accounting changes take effect for financial reporting purposes. Following its approval of the reporting changes and the related final PRA *Federal Register* notice prepared by the TFOR, the Council announced the finalization of these revised reporting requirements in a press release and a Financial Institution Letter to reporting institutions that were issued on January 3, 2018. The banking agencies’ final PRA *Federal Register* notice for this proposal was published on January 8, 2018. OMB approval is pending.

Based on its working group’s analyses of the responses to the third and final portion of the user surveys, re-evaluations of the results of the earlier portions of these surveys, and previous industry comments and feedback, the TFOR agreed to propose certain additional burden-reducing revisions to the FFIEC 031, FFIEC 041, and FFIEC 051 Call Reports. The schedules reviewed in the final portion of the user surveys primarily include schedules that collect data on complex or specialized activities. Because several of these schedules are not included in the new FFIEC 051 report form for eligible small institutions, this third phase of proposed burden-reducing Call Report revisions more significantly affects schedules and data items in the FFIEC 031 and FFIEC 041. During the third quarter of 2017, the TFOR prepared an initial PRA *Federal Register* notice proposing to implement these Call Report changes effective June 30, 2018. After approving the notice and the proposed Call Report revisions, the Council issued a press release on November 2, 2017, announcing the additional proposed burden-reducing reporting changes. The banking agencies published the initial PRA notice in the *Federal Register* for a 60-day comment period on November 8, 2017, at which time the Council notified reporting institutions about the proposal in a Financial Institution Letter. As with the June 2017 proposal, the Council posted on its website redlined copies of the FFIEC 031, FFIEC 041, and FFIEC 051 report forms as they were proposed to be revised along with draft revised instructions for the proposed reporting changes.

As stated in the banking agencies’ *Federal Register* notices for the Call Report burden-reduction proposals, the Council has committed to explore alternatives to the \$1 billion asset-size threshold applicable to the new FFIEC 051 Call Report that could extend the eligibility to file this version of the Call Report to additional institutions. In the third quarter of 2017, a working group established by the TFOR began to review data reported by institutions with \$1 billion or more in total assets that could serve as a basis for recommending a change in this size threshold.

#### *Stress Test Report*

In the third quarter of 2017, the TFOR and stress testing experts from the banking agencies completed

the development of a proposed new FFIEC 016 report, the Annual Dodd-Frank Act Company-Run Stress Test Report for Depository Institutions and Holding Companies with \$10-\$50 Billion in Total Consolidated Assets. This single new FFIEC report would combine and replace the agencies' three separate, but identical, report forms for reporting stress test results from institutions in this size range. The proposal also included a limited number of revisions that would align the FFIEC 016 report with recent changes to the Call Report and the FRB's FR Y-9C holding company report as well as the reporting of an institution's Legal Entity Identifier if it already has such an identifier.

The banking agencies published the initial PRA *Federal Register* notice for the FFIEC 016 proposal on October 6, 2017, after it had been approved by the Council. No comments were received on the proposal. Following Council approval, the final PRA *Federal Register* notice for this proposal was published on February 23, 2018, and OMB approval is pending. The first annual filing deadline for the FFIEC 016 report form would be July 31, 2018, using information as of December 31, 2017.

#### *Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks*

During the second and third quarters of 2017, the TFOR developed proposed revisions to the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and the Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S) that would align these reports with corresponding changes to the Call Report. The proposed revisions to the FFIEC 002 and the FFIEC 002S would delete or consolidate certain items, establish certain reporting thresholds, address changes in the accounting for equity investments, and make instructional clarifications consistent with those previously made to or currently proposed for the Call Report. The proposed revisions would take effect as of the June 30, 2018, report date. After obtaining Council approval for the proposal, the FRB, on behalf of the banking agencies, published an initial PRA *Federal Register* notice for the proposal for a 60-day comment period on December 27, 2017.

#### *Central Data Repository*

After completing planning and development efforts, the banking agencies successfully implemented the new FFIEC 051 Call Report in the CDR in March 2017. In June and December 2017, FDIC-funded enhancements to features in the CDR that support the FDIC's SOD data series were deployed.

In December 2017, the banking agencies successfully deployed additional enhancements to the CDR for the Call Report and the UBPR. The 2017 CDR enhancement release included improvements related to the publication of the UBPR on the CDR's Public Data Distribution website through the implementation of UBPR data visualization, which presents data graphically to enable users to more easily interpret information. An enhancement to the custom peer group functionality in the CDR permits users to customize reporting periods presented in the UBPR.

In the fourth quarter of 2017, the CDR team started analyzing and prioritizing open issues and requested modifications for inclusion in a planned December 2018 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 August 2017, OMB approved proposed minor revisions to the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101). The revisions, which took effect September 30, 2017, were limited to removing two credit valuation adjustment items from the report because the information is already captured in another item. This approval followed the banking agencies' publication of initial and final PRA *Federal Register* notices, which had been approved by the Council, in March and June 2017, respectively.

#### *Instructional Guidance*

The TFOR continued to conduct monthly interagency conference calls during 2017 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 effectiveness in examination and other supervisory practices. While significant issues and recommendations are referred to the Council for consideration and action, the Council has delegated to the TFOS the authority to make certain decisions and recommendations, provided that 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 technology policy issues as they relate to financial institutions and their technology service providers (TSPs). The IT Subcommittee develops and maintains the FFIEC IT Examination 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 Subcommittee coordinates with the TFOS's Cybersecurity and Critical Infrastructure Working Group (CCIWG) in situations where supervisory issues overlap.
- The CCIWG was formed in June 2013 in response to the increasing sophistication and volume of cyber threats 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, including the development and maintenance of the Cybersecurity Assessment Tool (Assessment). The group provides a forum for addressing policy issues relating to cybersecurity and critical infrastructure security and the resilience of financial institutions and TSPs. The CCIWG's coordination efforts include 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 2017*

#### *Cybersecurity Priorities*

In 2017, the FFIEC continued work on cybersecurity key areas that were identified during the FFIEC's 2014 pilot assessment of cybersecurity readiness at more than 500 financial institutions. These key areas included risk management and oversight, threat intelligence and collaboration, cybersecurity

controls, external dependency management, and cyber incident management and resilience.

#### *Cybersecurity Assessment Tool Update*

In May 2017, the FFIEC released an update to the Assessment. The update addresses changes to the FFIEC IT Examination Handbook by providing a revised mapping to the updated Information Security and Management booklets. The updated Assessment also provides additional response options, allowing financial institution management to include supplementary or complementary behaviors and processes that represent current practices of the institution managing cybersecurity risk.

#### *Crisis Communication Protocols Exercise*

In May 2017, the FFIEC conducted an annual cybersecurity exercise to test its Crisis Communications Protocols. 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. This year's exercise was facilitated by consultants from the Army War College and included representatives from the CCIWG and IT Subcommittee.

#### *Cybersecurity Webinars*

In July 2017, the CCIWG and IT Subcommittee hosted an FFIEC Industry Outreach webinar to

share information on updates to the FFIEC's IT Examination Handbook and the Assessment. The program provided financial institutions the opportunity to share their comments and questions with senior FFIEC staff and to also hear about updates to the FFIEC IT Examination Handbook's Management and Information Security booklets. An FFIEC Examiner Exchange program was also hosted on the same day to provide supervisory staff with an overview of the updates and to address examiner-specific issues and questions.

In recognition of National Cybersecurity Awareness Month, the CCIWG also hosted an FFIEC Examiner Exchange webinar in October 2017 to provide an opportunity for examiners to hear from industry professionals about the latest cyber-related risks.

#### *Information Technology*

The IT Subcommittee continued to coordinate on IT supervisory matters, emerging technology issues, and updates to the IT Examination Handbook, which supports the supervisory program and provides guidance to examiners. The FFIEC IT Examination Handbook Working Group worked throughout the year to incorporate a more enterprise-wide risk-management approach and consideration of cybersecurity concepts into booklet updates that will be released in the upcoming year. In addition, a redesigned IT Examination Handbook InfoBase was launched in September 2017 to improve the overall experience of users. The redesign improves site navigation, enhances search capabilities, and provides mobile-friendly capability.

#### *Information Technology Conference*

In August 2017, 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 mobile device security, assessing cybersecurity risks, and an FS-ISAC update on cybersecurity.

#### *Bank Secrecy Act/Anti-Money Laundering*

Throughout 2017, the BSA/AML Working Group continued to coordinate BSA/AML training, guidance, and policy. The working group



*Task Force on Supervision*

sponsored its 11th FFIEC Advanced BSA/AML Specialists Conference in July 2017, which included presentations on a range of topics such as illicit finance trends, cyber threats, examining suspicious activity monitoring systems, and customer due diligence and beneficial ownership. The working group continues to share information with FinCEN and the Office of Foreign Assets Control, and holds expanded quarterly meetings to include other federal agencies responsible for BSA compliance.

#### *Examination Modernization Project*

The TFOS authorized the Examination Modernization Project at its March 2017 meeting. The project was launched to address the modernization of examination processes for community banking organizations by improving efficiencies and reducing the burden on bank management, while maintaining the quality of examinations. The project involves review of the general examination processes that are used by the FFIEC members, and rethinking traditional processes, and making better use of technology. In addition, the FFIEC UBPR and other supervisory tools are being evaluated for updates as appropriate.

The project structure is comprised of a liaison committee that oversees and coordinates the efforts of three ad hoc working groups: (1) Examination Processes and Technology, (2) Interagency Report of Examination, and (3) UBPR. The project is long-term and likely to be adjusted over time.

#### *New Accounting Standard for Expected Credit Losses*

The TFOS authorized a project to provide oversight over interagency efforts to review and, as appropriate, update these existing policies in response to the change in accounting for credit losses under CECL methodology. Early adoption is permitted in 2019 with required adoption in 2020 or 2021 depending on an institution's characteristics. CECL's implementation will affect a broad range of supervisory activities including regulatory reports, examinations, and examiner training. The TFOS expects there will be considerable implementation matters with regard to existing examiner and financial institution guidance, and intends to work closely with the TFOR and the TFEE to ensure that overlapping areas stemming from CECL implementation are appropriately addressed.

## 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).



*Task Force on Surveillance Systems meeting.*

The TFSS has established three working groups to assist with carrying out its responsibilities. The Content Working Group reviews the content of the UBPR and makes recommendations to the TFSS for potential enhancements. The Supplementary Analysis Working Group (SAWG) 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 (TWG) explores ways to improve the usability of the UBPR, including the development of various presentation options (i.e., graphs, charts).

### Initiatives Addressed in 2017

#### *Content Working Group*

The Content Working Group recommended modifications to several UBPR pages that the TFSS approved and implemented in 2017. The modifications were necessitated by changes to several Call Report Schedules primarily related to the breakout of time deposits. In addition,

the working group implemented CDR system-related changes it recommended in 2016 to address the new FFIEC 051 Call Report, which became available in March 2017. The working group continued its review of existing UBPR peer groups and recommended peer group modifications to the TFSS in late 2017. Lastly, the working

group recommended replacing the UBPR's existing Summary Ratios Page with a new page that provides more useful information to bank management.

#### *Supplementary Analysis Working Group*

The SAWG monitored reports (news and data releases) from FFIEC and non-FFIEC government agencies to find analytical tools and/or datasets that might prove useful to enhance monitoring and supervision of financial institutions. In 2017, the group focused on agencies that regulate investment activities—principally the SEC and the U.S. Department of the Treasury (Treasury)—by receiving weekly updates from the SEC and daily interest rate updates from the Treasury.

#### *Technology Working Group*

The efforts of the TWG 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 were implemented as part of the 2017 CDR enhancement release. The TWG, along with the UBPR Coordinators, began assessing the layout and clarity of the website pages providing access to the UBPR and supporting functionalities. The assessment also noted that users would benefit from a more transparent process flow for each functionality and from easily accessible written and video instructions to support their use.

#### *UBPR Production and Delivery*

During 2017, UBPRs for December 31, 2016; March 31, 2017; June 30, 2017; and September 30, 2017, 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-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  
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Arlington, VA 22226-3550



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*The Federal Financial Institution  
Regulatory Agencies and their  
Supervised Institutions*

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The FRB, FDIC, OCC, and NCUA have primary federal supervisory jurisdiction over 11,442 domestically chartered banks, savings associations, and federally insured credit unions. On December 31, 2017, these financial institutions held total assets of more than \$21.2 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 FRB'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 or securities or insurance subsidiaries.

Other supervisory and regulatory responsibilities of the FRB include monitoring compliance by entities under the FRB'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*

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 free, innovative, competitive, and transparent consumer finance markets where the rights of all parties are protected by the rule of law and where consumers are free to choose the products and services that best fit their individual needs. To accomplish this, the CFPB works to regulate the offering and provision of consumer financial products or services under the Federal consumer financial laws and to educate and empower consumers to make better informed financial decisions.

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 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, and 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 statutorily man-

dated 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 nonfinancial 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 regulates, charters, and supervises the nation's federal credit union system. With the backing of the full faith and credit of the United States, the NCUA operates and manages the National Credit Union Share Insurance Fund (NCUSIF), insuring the deposits of account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

The NCUA has a full-time, three-member Board appointed by the President of the United States and confirmed by the Senate. No more than two Board members can be from the same political party, and each member serves a staggered six-year term. The President selects one board member to serve as the Chairman. The Chairman also serves on FSOC and the Board of NeighborWorks America.

The NCUA's mission is to provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit. Specifically, the NCUA's responsibilities include:

- Chartering, regulating, and supervising 3,500 federal credit unions in the United States and its territories;

- Administering the NCUSIF, which insures member share accounts in almost 5,600 federal and state-chartered credit unions
- Managing 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 relies upon more than 1,100 employees to perform all the vital tasks in the agency's examination, consumer protection and regulatory roles including onsite examinations and supervision of each federal credit union and selected state chartered credit unions. The agency operates a central office in Alexandria, Virginia; an Asset Management and Assistance Center, located in Austin, Texas, to liquidate credit unions and recover assets; and five regional offices.

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 U.S. 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 943 national banks and trust companies, 353 federal savings associations, and 50 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 18 satellite locations in cities throughout the United States, as well as core examiner teams in 24 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, 2017<sup>1</sup>

Billions of dollars

Item	Total	U.S. Commercial Banks <sup>2</sup>			U.S. Branches and Agencies of Foreign Banks <sup>5</sup>	Savings Institutions <sup>4</sup>		Credit Unions <sup>3</sup>	
		National	State Member <sup>3</sup>	State Non-Member		OCC Regulated Federal Charter	FDIC Regulated State Charter <sup>7</sup>	Federal Charter	State Charter
Total assets	21,223	10,992	2,720	2,470	2,501	762	400	718	660
Total loans and receivables (net)	11,236	5,728	1,410	1,718	749	386	292	488	465
Loans secured by real estate <sup>8</sup>	5,296	2,484	726	1,088	77	199	249	240	233
Consumer loans <sup>9</sup>	2,135	1,064	144	296	-	141	9	250	231
Commercial and industrial loans	2,480	1,410	356	244	391	41	31	3	4
All other loans and lease receivables <sup>10</sup>	1,455	844	198	113	281	13	5	0	1
LESS: Allowance for loan and lease losses	130	74	14	23	-	8	2	5	4
Federal funds sold and securities purchased under agreements to resell	701	371	50	8	270	0	1	1	0
Cash and due from depository institutions <sup>11</sup>	1,606	145	397	157	738	5	21	73	70
Securities and other obligations <sup>12</sup>	4,083	2,238	605	424	250	291	62	121	92
U.S. government obligations <sup>13</sup>	2,244	1,553	111	75	110	169	47	100	79
Obligations of state and local governments <sup>14</sup>	373	201	57	97	-	7	6	3	2
Other securities	1,466	484	437	252	140	115	9	18	11
Other assets <sup>15</sup>	3,597	2,510	258	163	494	80	24	35	33
Total liabilities	19,068	9,715	2,409	2,174	2,501	686	352	640	591
Total deposits and shares <sup>16</sup>	15,506	8,305	2,176	1,942	1,019	601	303	595	565
Federal funds purchased and securities sold under agreements to repurchase	822	198	32	23	562	3	3	1	0
Other borrowings <sup>17</sup>	1,485	732	130	174	284	69	42	36	18
Other liabilities <sup>18</sup>	1,255	480	71	35	636	13	4	8	8
Net worth <sup>19</sup>	2,155	1,277	311	296	-	76	48	78	69
Memorandum: Number of institutions reporting	11,442	926	804	3,222	204	342	371	3,499	2,074

### Footnotes to Tables

- 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.
- 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.
- Data are for federally insured natural person credit unions only.
- 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.
- Includes State Member Savings Banks and State Member Cooperative Banks.
- These institutions are not required to file reports of income.
- Includes State Chartered Savings Associations formerly regulated by the Office of Thrift Supervision.
- Includes loans secured by residential property, commercial property, farmland (including improvements), and unimproved land; and construction loans secured by real estate.
- 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.
- 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

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, 2017<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 NonMember	OCC Regulated Federal Charter	FDIC Regulated State Charter <sup>7</sup>	Federal Charter	State Charter
Operating income:	898	513	120	133	50	16	35	31
Interest and fees on loans	495	267	57	91	27	12	22	19
Other interest and dividend income	126	82	18	12	6	2	3	3
All other operating income	277	164	45	30	17	2	10	9
Operating expenses:	624	349	81	92	35	12	29	26
Salaries and benefits	231	130	34	34	7	5	11	10
Interest on deposits and shares	54	27	7	9	3	2	3	3
Interest on other borrowed money	27	18	3	3	1	1	1	0
Provision for loan and lease losses	57	30	4	10	6	0	4	3
All other operating expenses	255	144	33	36	18	4	10	10
Net operating income	274	164	39	41	15	4	6	5
Securities gains and losses	2	2	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	0	-	-
Income taxes	101	68	12	14	6	1	-	-
Net income	175	98	27	27	9	3	6	5
Memorandum: Number of institutions reporting	11,238	926	804	3,222	342	371	3,499	2,074

and political subdivisions and public authorities, and miscellaneous types of loans.

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 Federal 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*

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## Relevant Statutes

### Federal Financial Institutions Examination Council Act<sup>1</sup>

#### 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 in 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

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 78l(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 therefor.

(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;

(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; and

(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 2 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 Chairperson 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 filling 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 [of

Housing and Urban Development], 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 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 Bureau [of Consumer Financial Protection] 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 by no later than December 31 of the year following the calendar year on which the data is based.

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<sup>1</sup> In the interest of representing the official statutory text in the U.S. Code, formatting styles have been applied throughout this section as faithfully as possible.

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*Appendix B:  
2017 Audit Report*

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**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Consumer Financial Protection Bureau

February 27, 2018

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 on the Federal Financial Institutions Examination Council's (FFIEC) financial statements. We contracted with KPMG to audit the financial statements of the FFIEC as of and for the years ended December 31, 2017 and 2016.

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. We reviewed and monitored 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 26, 2018.

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,

A handwritten signature in black ink that reads "Mark Bialek".

Mark Bialek  
Inspector General

cc: Judith Dupre, Executive Secretary, FFIEC  
Charles Yi, Chairman, FFIEC Legal Advisory Group, and General Counsel, Legal Division, Federal Deposit Insurance Corporation  
Ricardo Aguilera, 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, 2017 and 2016, 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, 2017 and 2016, 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 26, 2018 on our consideration of the Council's internal control over financial reporting and our report dated February 26, 2018 on our tests of its compliance with certain provisions of laws, regulations, and contracts, and other matters. The purpose of that 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. That 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

February 26, 2018

Federal Financial Institutions Examination Council  
Balance Sheets

	As of December 31,	
	2017	2016
ASSETS		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,803,987	\$ 734,379
Accounts receivable from member agencies	460,724	743,949
Accounts receivable from non-members agencies—net	<u>472,076</u>	<u>21,029</u>
Total current assets	<u>2,736,787</u>	<u>1,499,357</u>
<b>NON-CURRENT ASSETS:</b>		
Equipment leased—net	54,602	101,403
Central Data Repository software—net	294,802	502,897
Home Mortgage Disclosure Act software—net	<u>—</u>	<u>115,195</u>
Total non-current assets	<u>349,404</u>	<u>719,495</u>
<b>TOTAL</b>	<b>\$ <u>3,086,191</u></b>	<b>\$ <u>2,218,852</u></b>
LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities payable to member agencies	\$ 1,383,553	\$ 406,984
Accounts payable and accrued liabilities payable to non-member agencies	438,342	306,038
Accrued annual leave	56,510	63,888
Capital lease payable	51,178	52,416
Deferred revenue	<u>208,095</u>	<u>323,290</u>
Total current liabilities	<u>2,137,678</u>	<u>1,152,616</u>
<b>LONG-TERM LIABILITIES:</b>		
Capital lease payable	8,476	58,737
Deferred revenue	86,707	294,802
Deferred rent	<u>(4,258)</u>	<u>8,654</u>
Total long-term liabilities	<u>90,925</u>	<u>362,193</u>
Total liabilities	<u>2,228,603</u>	<u>1,514,809</u>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>	<b><u>857,588</u></b>	<b><u>704,043</u></b>
<b>TOTAL LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS</b>	<b>\$ <u>3,086,191</u></b>	<b>\$ <u>2,218,852</u></b>

See notes to financial statements.

Federal Financial Institutions Examination Council  
Statements of Operations

	For the years ended December 31,	
	<u>2017</u>	<u>2016</u>
<b>REVENUES:</b>		
Assessments on member agencies	\$ 1,608,451	\$ 1,062,996
Central Data Repository	3,800,309	3,578,869
Tuition	4,349,100	4,199,827
Home Mortgage Disclosure Act	1,674,052	3,183,808
Community Reinvestment Act	824,520	915,573
Uniform Bank Performance Report	<u>637,503</u>	<u>599,745</u>
Total revenues	<u>12,893,935</u>	<u>13,540,818</u>
<b>EXPENSES:</b>		
Data processing	2,853,337	3,984,186
Professional fees	5,259,235	4,989,083
Salaries and related benefits	2,866,805	2,736,341
Depreciation	370,091	370,091
Rental of office space	326,777	320,416
Administration fees	607,200	552,000
Travel	272,851	269,462
Other seminar expenses	71,235	56,740
Rental and maintenance of office equipment	49,002	40,850
Office and other supplies	37,076	37,628
Printing	22,497	22,832
Miscellaneous	<u>4,284</u>	<u>4,089</u>
Total expenses	<u>12,740,390</u>	<u>13,383,718</u>
RESULTS OF OPERATIONS	153,545	157,100
CUMULATIVE RESULTS OF OPERATIONS—Beginning of year	<u>704,043</u>	<u>546,943</u>
CUMULATIVE RESULTS OF OPERATIONS—End of year	\$ <u>857,588</u>	\$ <u>704,043</u>

See notes to financial statements.

Federal Financial Institutions Examination Council  
Statements of Cash Flows

	For the years ended December 31,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Results of operations	\$ 153,545	\$ 157,100
Adjustments to reconcile results of operations to net cash provided by operating activities:		
Depreciation	370,091	370,091
(Increase) decrease in assets:		
Accounts receivable from member agencies	283,225	555,912
Accounts receivable from non-member agencies	(451,047)	40,013
Prepaid expenses and other assets	—	735,000
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities payable to member agencies	976,569	(96,615)
Other accounts payable and accrued liabilities payable to non-member agencies	130,447	(462,305)
Accrued annual leave	(7,378)	105
Deferred revenue (current and non-current)	(323,290)	(1,058,289)
Deferred rent	<u>(12,912)</u>	<u>8,753</u>
Net cash from (used in) operating activities	1,119,250	249,765
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Capital lease payments	<u>(49,642)</u>	<u>(48,210)</u>
NET INCREASE (DECREASE) IN CASH	1,069,608	201,555
CASH BALANCE—Beginning of year	<u>734,379</u>	<u>532,824</u>
CASH BALANCE—End of year	\$ <u>1,803,987</u>	\$ <u>734,379</u>

See notes to financial statements.

## Federal Financial Institutions Examination Council

### *Notes to Financial Statements as of and for the Years Ended December 31, 2017 and 2016*

#### 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 2017, referred to collectively as member agencies, are as follows:

- Board of Governors of the Federal Reserve System (FRB)
- Consumer Financial Protection Bureau (CFPB or the Bureau)
- 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 rotating 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 (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 that 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 Council's Statements of Operations 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 organizations, 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

*Notes continue on the following page.*

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 (CDR) processing system, the Community Reinvestment Act (CRA) processing system, and the current 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 the CDR system, which consists of 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 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 the CDR and the HMDA processing systems maintained by the FRB.

*Allowance for Doubtful Accounts*—Accounts receivable for nonmembers 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 recognizes 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 the 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 taxes on the Council's income.

*Recently Issued Accounting Standards*—In February 2016, the Financial Accounting Standards Board (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 for the Council for the year ending December 31, 2020, although earlier adoption is permitted. The Council is continuing to evaluate the effect of this new guidance on its financial statements.

*Notes continue on the following page.*

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. Subsequently, the FASB issued a number of related ASUs, including ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*; ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*; ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*; ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*; and ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. This collection of 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.

### 3. Selected Transactions with Member Agencies

	<u>2017</u>	<u>2016</u>
<i>Accounts receivable:</i>		
Board of Governors of the Federal Reserve System	\$ 184,197	\$ 98,233
Consumer Financial Protection Bureau	2,361	32,494
Federal Deposit Insurance Corporation	151,577	135,031
National Credit Union Administration	2,841	63,112
Office of the Comptroller of the Currency	<u>119,748</u>	<u>415,079</u>
	<u>\$ 460,724</u>	<u>\$ 743,949</u>

	<u>2017</u>	<u>2016</u>
<i>Accounts payable and accrued liabilities:</i>		
Board of Governors of the Federal Reserve System	\$ 499,302	\$ 185,341
Consumer Financial Protection Bureau	101,883	5,579
Federal Deposit Insurance Corporation	440,805	138,562
National Credit Union Administration	125,160	20,767
Office of the Comptroller of the Currency	<u>216,403</u>	<u>56,735</u>
	<u>\$ 1,383,553</u>	<u>\$ 406,984</u>
<i>Operations:</i>		
Council operating expenses reimbursed by members	\$ 1,138,492	\$ 1,062,996
FRB-provided administrative support	\$ 607,200	\$ 552,000
FRB-provided data processing	\$ 2,383,378	\$ 3,249,186
<i>Tuition revenue:</i>		
Member tuition	\$ 4,239,450	\$ 4,034,104

Member agencies of the Council detail personnel to support Council operations. The salaries and related costs presented on the Statement of Operations represent the amounts which the Council has reimbursed member agencies. These detailed personnel are paid through the payroll systems of their respective member agency. 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.

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

*Notes continue on the following page.*

2015 and the member agencies were assessed the same amount. In 2017, the U.S. Census Bureau agreed to return \$470,000 of unspent funding. The FFIEC has accrued a payable to participating member agencies, who will be reimbursed based on their respective share.

#### 4. Central Data Repository

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 the CDR. The CDR was placed into service in October 2005. At that time, the Council began depreciating the CDR on a straight-line basis over its estimated useful life of 63 months. In 2009, the Council reevaluated the useful life of the CDR and decided to extend its 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 the CDR and decided to extend its 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 the CDR and recognizes the associated revenue from members.

	<u>2017</u>	<u>2016</u>
<i>CDR Software</i>		
Beginning balance	\$ 21,839,856	\$ 21,839,856
Less accumulated depreciation	<u>(21,545,054)</u>	<u>(21,336,959)</u>
CDR software—net	\$ <u>294,802</u>	\$ <u>502,897</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, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
<i>Deferred Revenue</i>		
Beginning balance	\$ 502,897	\$ 710,992
Less revenue recognized	<u>(208,095)</u>	<u>(208,095)</u>
Ending balance	\$ <u>294,802</u>	\$ <u>502,897</u>
Current portion deferred revenue	\$ 208,095	\$ 208,095
Long-term deferred revenue	<u>86,707</u>	<u>294,802</u>
Total Deferred Revenue	\$ <u>294,802</u>	\$ <u>502,897</u>
Accounts payable and accrued liabilities related to CDR:		
Payable to UNISYS for the CDR	\$ <u>383,608</u>	\$ <u>298,902</u>

#### 5. Home Mortgage Disclosure Act

FRB currently provides maintenance and support for the HMDA processing system that will end in 2017 for main use and only available up until 2019 for resubmission requests only. 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 decreased the annual depreciation expense by \$184,000. The Council also extended the period over which that the associated deferred revenue is recognized, which decreases the revenue recognized by the same amount of depreciation; therefore, the extension does not affect net income. Additionally, since the

*Notes continue on the following page.*

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.

	<u>2017</u>	<u>2016</u>
<i>HMDA Software</i>		
Beginning balance	\$ <u>2,783,868</u>	\$ <u>2,783,868</u>
Less accumulated depreciation	<u>(2,783,868)</u>	<u>(2,668,673)</u>
HMDA software—net	\$ <u>—</u>	\$ <u>115,195</u>
<i>Depreciation</i>		
Depreciation for the HMDA Rewrite project	\$ <u>115,195</u>	\$ <u>115,194</u>

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, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
<i>Deferred Revenue</i>		
Beginning balance	\$ 115,195	\$ 230,389
Less revenue recognized	<u>(115,195)</u>	<u>(115,194)</u>
Ending balance	<u>—</u>	<u>115,195</u>
Current portion deferred revenue	\$ <u>—</u>	\$ <u>115,195</u>
Total Deferred Revenue	\$ <u>—</u>	\$ <u>115,195</u>
<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)	\$ 1,404,810	\$ 2,781,809
HUD's participation in the HMDA project	<u>269,242</u>	<u>401,999</u>

	<u>2017</u>	<u>2016</u>
Total HMDA Revenue	\$ <u>1,674,052</u>	\$ <u>3,183,808</u>

## 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, 2017 and 2016. Accumulated depreciation was \$179,000 and \$133,000 for 2017 and 2016, respectively. The depreciation expense for the printing equipment was \$46,000 for 2017 and 2016, respectively. Contingent rentals for excess usage of the printing equipment amounted to \$27,000 and \$19,000 in 2017 and 2016, 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, 2017, are as follows:

Years ending December 31	Amount
2018	\$ 72,821
2019	<u>12,137</u>
Total minimum lease payments	84,958
Less amount representing maintenance	<u>(25,474)</u>
Net minimum lease payments	59,484
Less amount representing interest	<u>(747)</u>
Present value of net minimum lease payments	58,737
Less current maturities of capital lease payments	<u>(50,261)</u>
Long-term capital lease obligations	\$ <u>8,476</u>

*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 an initial or remaining

Notes continue on the following page.

noncancelable lease term in excess of one year at December 31, 2017, are as follows:

Years ending December 31	Amount
2018	355,811
2019	324,029
2020	<u>328,342</u>
Total minimum lease payments	\$ <u>1,008,182</u>

## 7. Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2017. Subsequent events were evaluated through February 26, 2018, 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, 2017, 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 26, 2018.

**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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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.



**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

February 26, 2018

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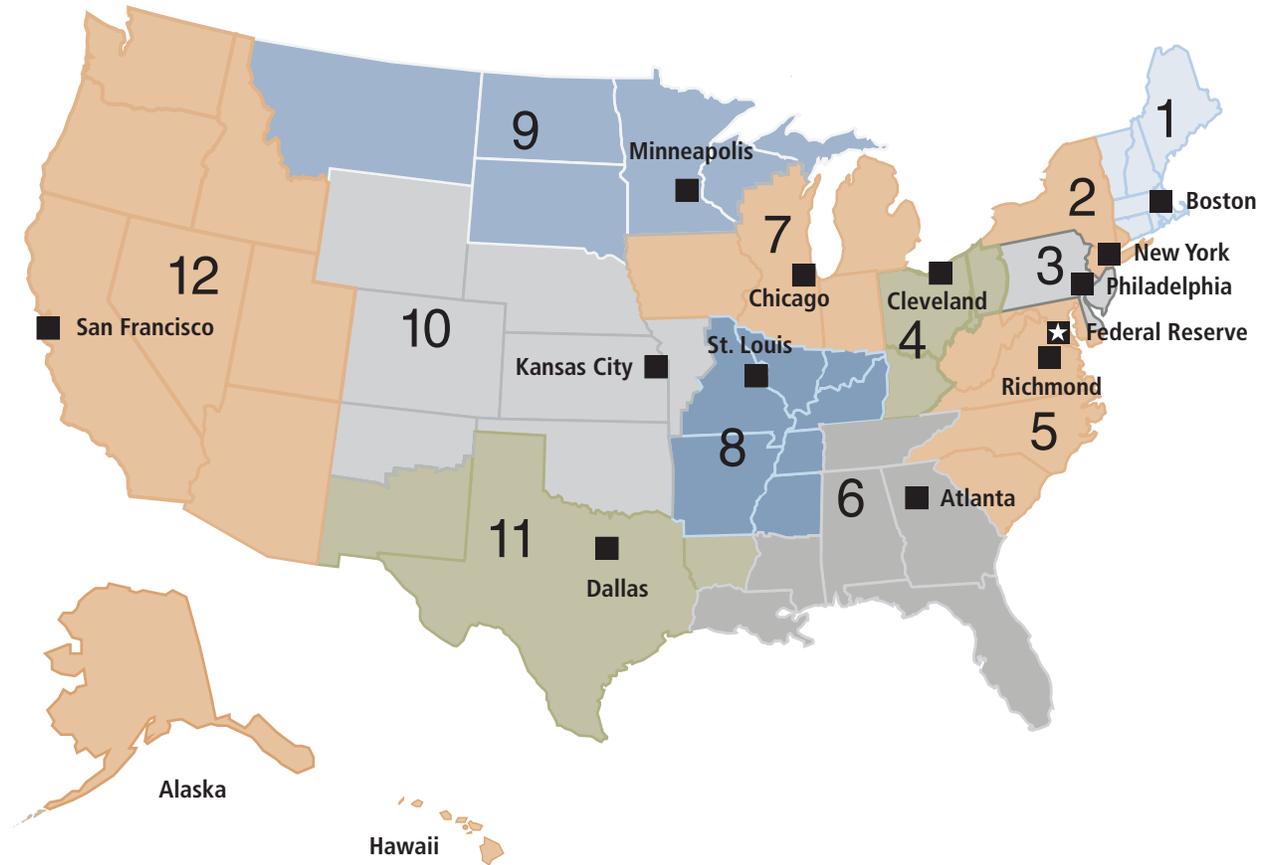
*Appendix C:  
Maps of Agency Regions  
and Districts*

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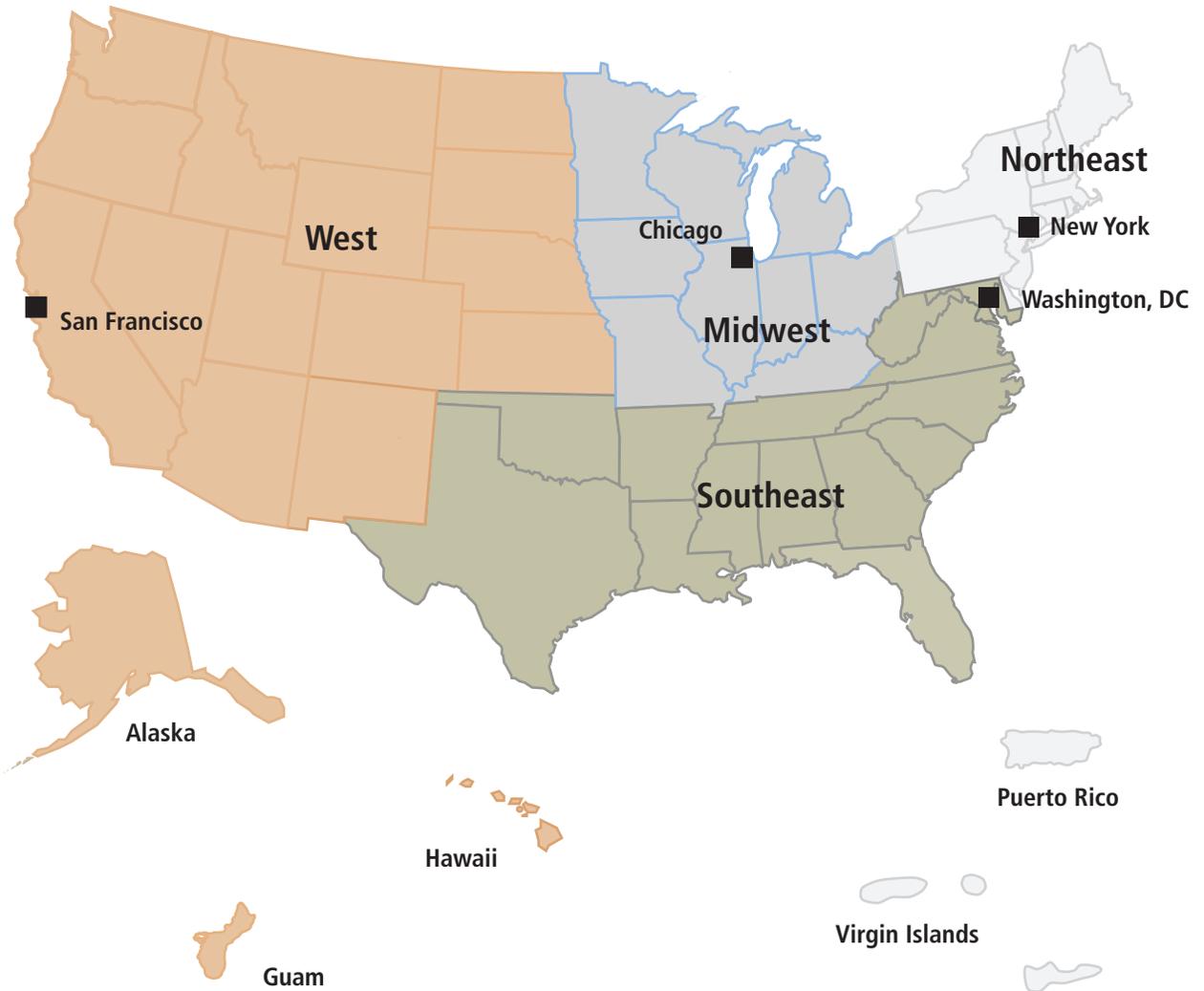
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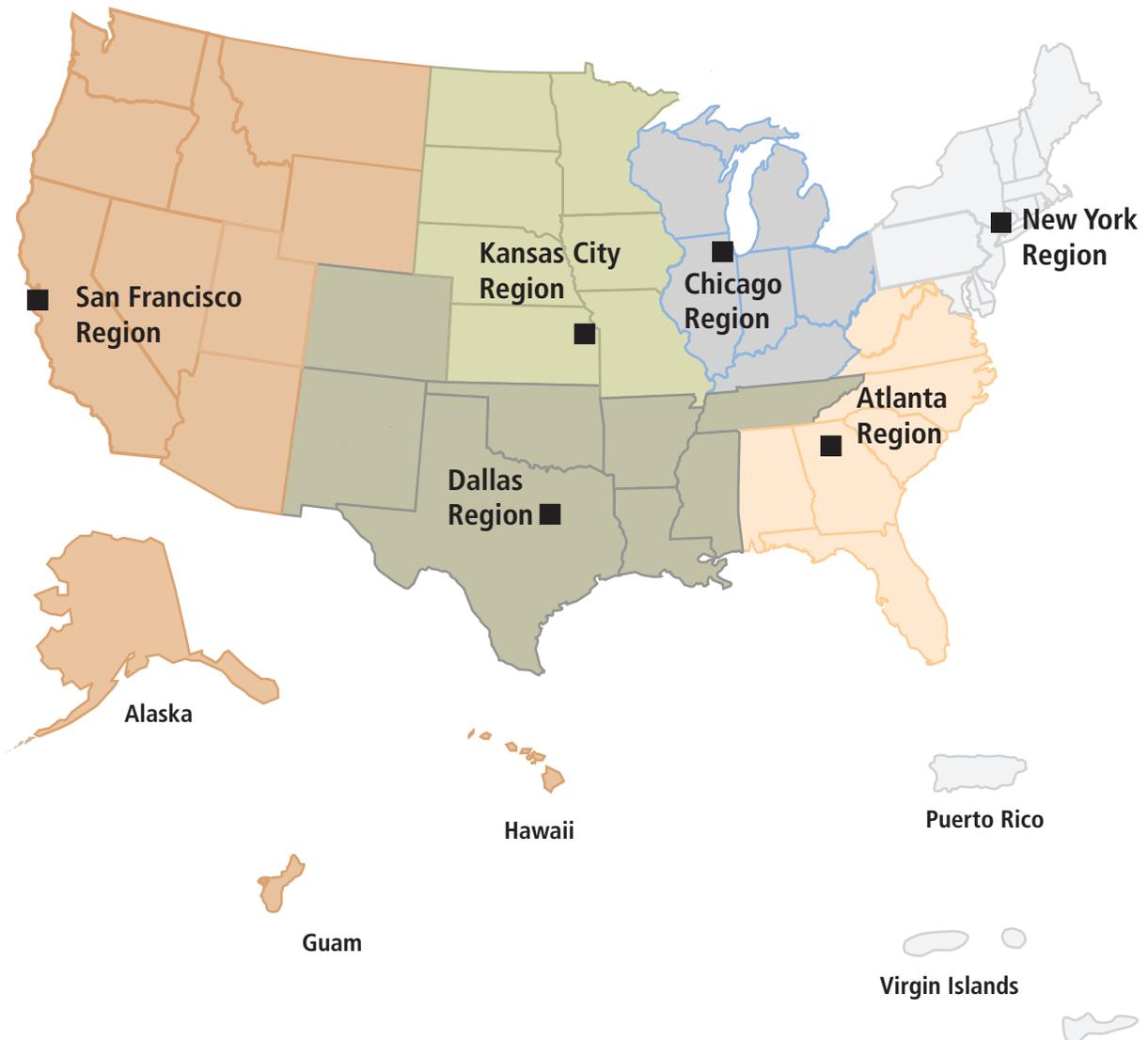
# Board of Governors of the Federal Reserve System



# Consumer Financial Protection Bureau

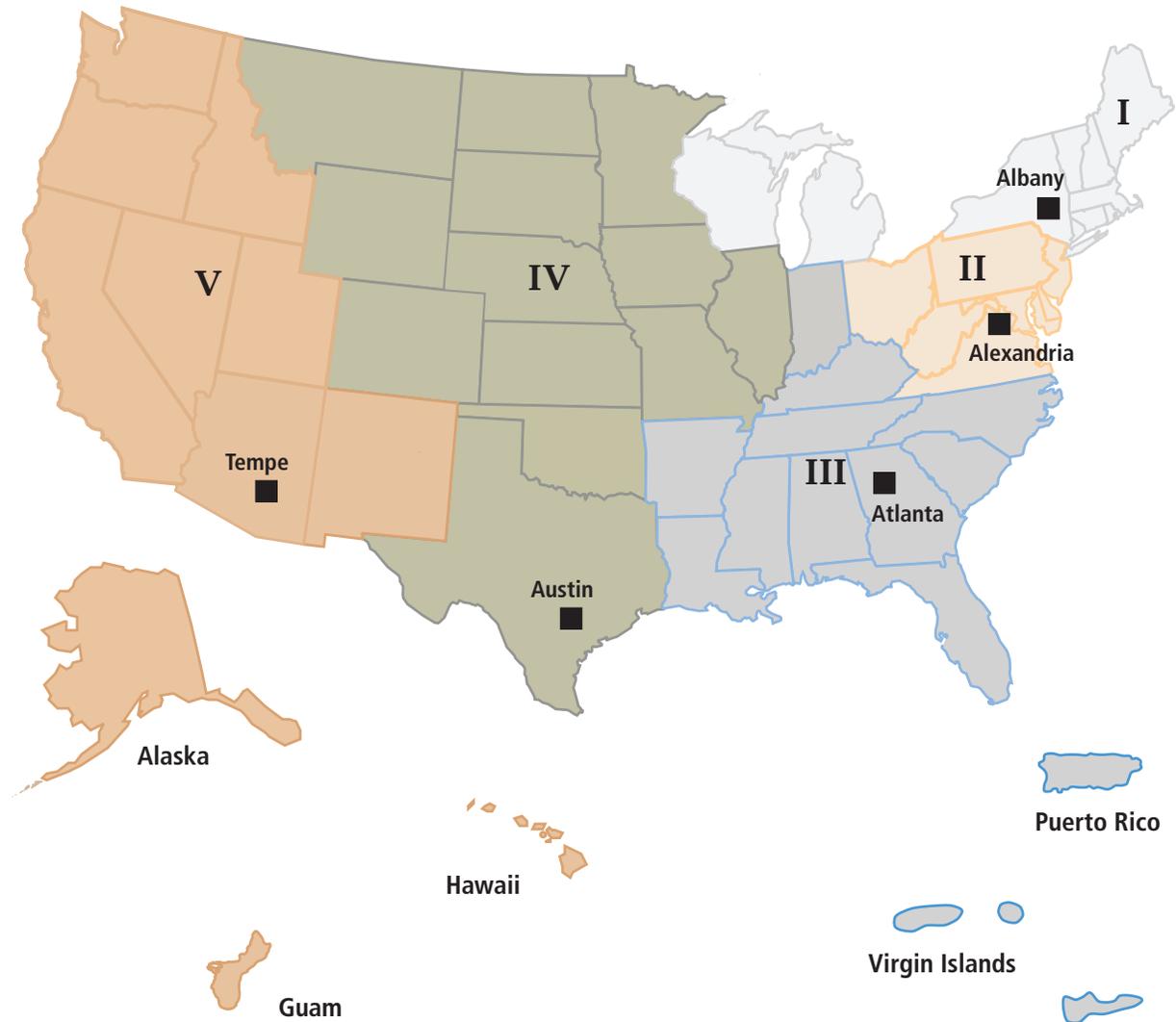


# Federal Deposit Insurance Corporation Supervisory Regions

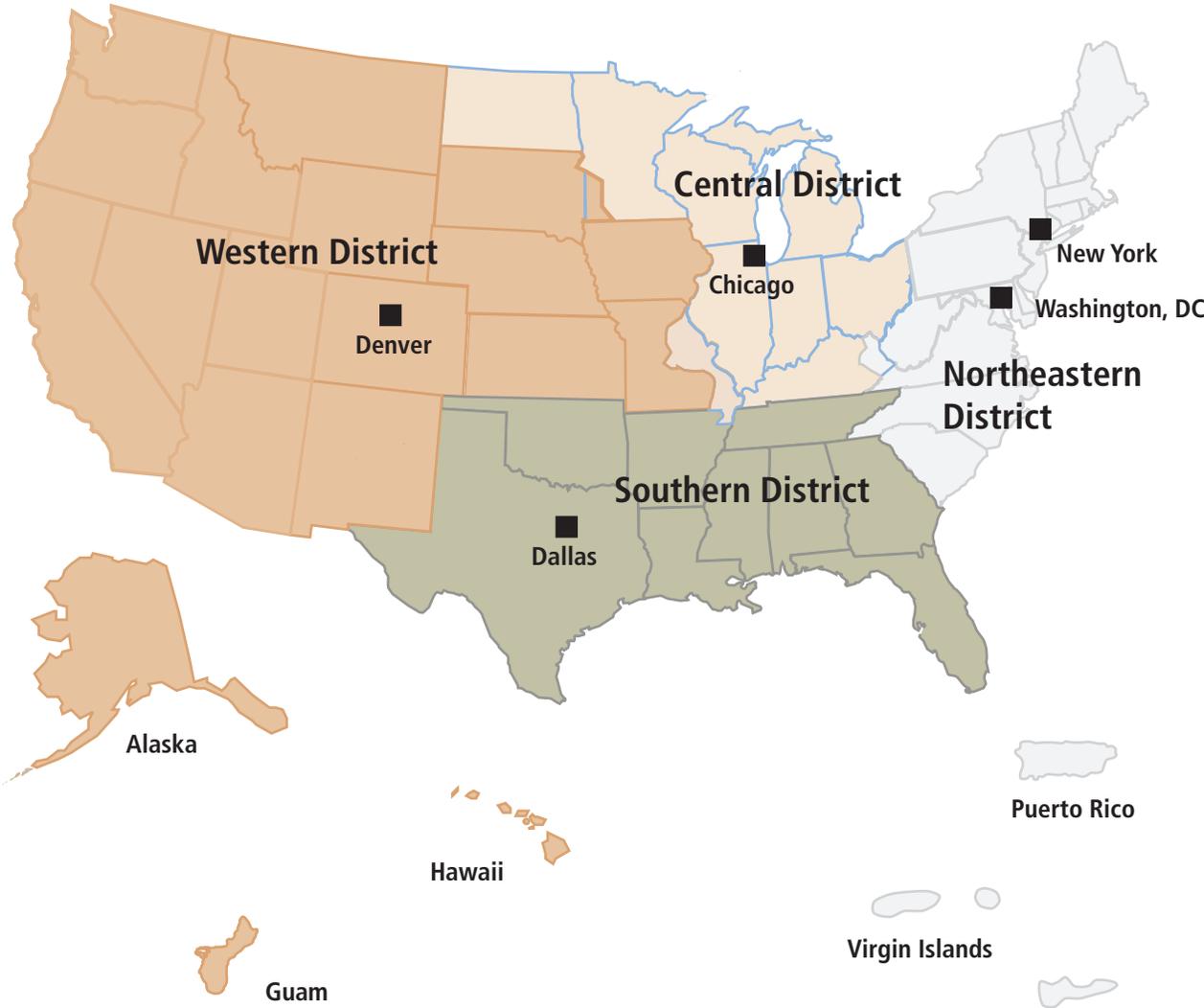


\* Two area offices are located in Boston (reports to New York) and Memphis (reports to Dallas)

# National Credit Union Administration



# Office of the Comptroller of the Currency





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*Appendix D:  
Organizational Listing of  
Personnel*

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# Organizational Listing of Personnel

December 31, 2017

## Members of the Council

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

Mick Mulvaney, *Vice Chairman*  
Acting Director  
Consumer Financial Protection  
Bureau (CFPB)

J. Mark McWatters  
Chairman  
National Credit Union  
Administration (NCUA)

Joseph Otting  
Comptroller of the Currency  
Office of the Comptroller  
of the Currency (OCC)

Randal Quarles  
Member and Vice Chairman for Supervision  
Board of Governors of the  
Federal Reserve System (FRB)

Greg Gonzales  
*Chairman*  
State Liaison Committee (SLC)  
Commissioner  
Tennessee Department of  
Financial Institutions

## State Liaison Committee

Greg Gonzales, *Chairman*  
Commissioner  
Tennessee Department of  
Financial Institutions

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

Thomas Fite  
Director  
Indiana 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*

Doreen Eberley (FDIC)  
Chris D'Angelo (CFPB)  
Larry Fazio (NCUA)  
Grace Dailey (OCC)  
Mary Aiken (FRB)  
Mary Beth Quist  
(SLC Representative/CSBS)

### *Legal Advisory Group*

Charles Yi, *Chairman* (FDIC)  
Mary McLeod (CFPB)

Michael McKenna (NCUA)  
Karen Solomon (OCC)  
Mark Van Der Weide (FRB)  
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)  
Dan Schwartz  
(SLC Representative/CSBS)

#### *Task Force on Examiner Education*

Philip Mento, *Chairman* (FDIC)  
Joseph Arleth (CFPB)  
Tracy Bergmann  
(SLC Representative/Iowa)  
D. Scott Neat (NCUA)  
Thomas Rollo (OCC)  
Amol Vaidya (FRB)

#### *Task Force on Information Sharing*

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

#### *Task Force on Reports*

Robert Storch, *Chairman* (FDIC)  
Matthew Canzater (NCUA)  
Douglas Carpenter (FRB)  
Cady Coddling (OCC)  
Ece Yolas Onat (CFPB)  
Kyle Thomas  
(SLC Representative/CSBS)

#### *Task Force on Supervision*

Mary Aiken, *Chairman* (FRB)  
Grace Dailey (OCC)  
Doreen Eberley (FDIC)  
Tom Fite  
(SLC Representative/Indiana)  
D. Scott Neat (NCUA)  
Paul Sanford (CFPB)

#### *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)

## 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

[www.ffiec.gov](http://www.ffiec.gov)

2017