



Federal Financial Institutions
Examination Council

ANNUAL REPORT 2018

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

Members of the Council



*Jelena McWilliams,
FFIEC Chairman,
Chairman, Federal Deposit Insurance
Corporation*



*Kathleen Kraninger,
FFIEC Vice Chairman,
Director, Consumer Financial
Protection Bureau*



*Randal K. Quarles,
Member and Vice Chair 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*

Letter of Transmittal

Federal Financial Institutions Examination Council



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March 29, 2019

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 2018 Annual Report of the Federal Financial Institutions Examination Council.

Respectfully,


Jelena McWilliams
Chairman

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

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Chart of Selected Abbreviations

ACSSS	American Council of State Savings Supervisors	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
BHC.....	Bank Holding Company	IT.....	Information Technology
BSA.....	Bank Secrecy Act	LAG.....	Legal Advisory Group
Call Report	Consolidated Reports of Condition and Income	LIBOR	London Interbank Offer Rate
CCIWG	Cybersecurity and Critical Infrastructure Working Group	NASCUS	National Association of State Credit Union Supervisors
CDR.....	Central Data Repository	NCUA	National Credit Union Administration
CECL.....	Current Expected Credit Losses	NCUSIF.....	National Credit Union Share Insurance Fund
CFPB.....	Consumer Financial Protection Bureau	OCC.....	Office of the Comptroller of the Currency
Council.....	Federal Financial Institutions Examination Council	OMB	Office of Management and Budget
CSBS.....	Conference of State Bank Supervisors	OTS.....	Office of Thrift Supervision
DIF	Deposit Insurance Fund	PRA	Paperwork Reduction Act of 1995
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
FASB.....	Financial Accounting Standards Board	SLHC.....	Savings and Loan Holding Company
FDIC	Federal Deposit Insurance Corporation	SOD	Summary of Deposits
FDICIA.....	Federal Deposit Insurance Corporation Improvement Act of 1991	TFCC	Task Force on Consumer Compliance
FFIEC	Federal Financial Institutions Examination Council	TFEE	Task Force on Examiner Education
FHC	Financial Holding Company	TFIS	Task Force on Information Sharing
FinCEN	Financial Crimes Enforcement Network	TFOR.....	Task Force on Reports
FIRIRCA	Financial Institutions Regulatory and Interest Rate Control Act of 1978	TFOS.....	Task Force on Supervision
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989	TFSS.....	Task Force on Surveillance Systems
		TSP.....	Technology Service Provider
		UBPR.....	Uniform Bank Performance Report

*Message from the
FFIEC Chairman*



FFIEC Chairman, Jelena McWilliams.

I am pleased to report that the FFIEC continued its high level of performance and productivity throughout 2018. The Council continues to advance its mission of promoting uniformity and consistency in the supervision of financial institutions.

Details on the 2018 achievements are included in this report in the Record of Council Activities and Activities of the Interagency Staff Task Forces. I would like to highlight here initiatives undertaken by the Council, its task forces, and interagency working groups during the year to reduce regulatory burden and increase transparency.

Streamlined the Consolidated Reports of Condition and Income (Call Report)

During the first half of the year, the agencies finalized revisions to streamline the Call Report as part of the Council's Call Report Burden-Reduction Initiative, which focused on institutions with total assets of less than \$1 billion. Efforts to streamline the Call Report were launched in 2014. Since the beginning of this initiative, the new and shorter Call Report, the FFIEC 051, eliminated or reduced

the reporting frequency of approximately 51 percent of required data items for smaller, less complex institutions under \$1 billion in assets. Additionally, as part of the initiative, the agencies eliminated or reduced reporting frequency of 28 percent of required data items for institutions not eligible for the shorter Call Report.

In November 2018, the agencies published a proposed rule to implement Section 205 of the Economic Growth, Regulatory Relief, and Consumer Protection Act by expanding the eligibility to file the agencies' most streamlined Call Report to certain institutions with less than \$5 billion in total consolidated assets. The agencies also proposed to reduce by approximately 37 percent the number of existing data items reportable in the FFIEC 051 Call Report for the first and third calendar quarters. By raising the threshold for filing the streamlined Call Report to \$5 billion in total assets, more than 95 percent of all filers would be eligible to file the FFIEC 051 Call Report.

Modernized Examination Processes

The Council continued the Examination Modernization Project, which is intended to identify and assess ways to improve the effectiveness, efficiency, and quality of community financial institutions safety and soundness processes, particularly through increased leverage of technology. The project is a follow-up to the review of regulations under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) completed in 2017. Under this multi-year project, the agencies compared current processes involving staff, technology utilized, products generated, and work completed on- and off-site. The agencies also sought feedback from both regulated institutions and examiners.

In March, the FFIEC issued a press release discussing the members' plans to focus

on four areas of meaningful supervisory burden reduction: improving communication between examination staff and the institutions; leveraging technology to reduce the on-site portion of the examination; tailoring examinations based on risk; and improving electronic file transfer systems to exchange information between institutions and examination staff. The press release also described common communication principles and practices the members committed to follow and reinforce with their examination staff. In November, the FFIEC issued a press release describing the common risk tailoring principles and practices followed by each of the members.

The Council will continue collaborative efforts to improve the agencies' communication with our regulated entities by exploring a common file transfer technology solution for all the member agencies and continuing to explore ways to leverage technology to conduct more examination activities off-site.

Reviewed CAMELS Implementation

At my request, the members are reviewing whether agencies are applying the CAMELS ratings consistently. The CAMELS rating system is used by the banking agencies to assess an institution's capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risks. The FFIEC's Task Force on Supervision's (TFOS) CAMELS Working Group has been assigned to compare how the agencies ensure consistency of ratings within and among the agencies, and how institutions with certain ratings are treated in terms of supervisory approach, applications and enforcement actions. The review will continue into 2019, focusing on any potential recommendations for FFIEC principals.

Developed Common Examination Procedures and Tools

The Council facilitated the issuance of interagency examination procedures for the Real Estate Settlement Procedures Act, Truth in Lending Act, Regulation CC (Availability of Funds and Collection of Checks), and Customer Due Diligence Requirements for Financial Institutions in response to changes in rulemaking by the CFPB, FRB, and the Financial Crimes Enforcement Network (FinCEN), respectively. The Council also approved funding for development of new calculation tools to replace APYWIN and APRWIN, which examiners and financial institutions use to calculate Annual Percentage Yield or Annual Percentage Rate in support of consumer protection rules. The new web-based tool, Federal Disclosure Computational Tools, are expected to be released in 2019.

Raised Awareness of Alternative Reference Rates

The FFIEC members launched an initiative to raise awareness and educate financial institutions and examiners about alternative reference rates to London Interbank Offered Rate (LIBOR). FFIEC members hosted a webinar in December 2018 and plan additional outreach as new information develops.

Conclusion

As evidenced by the foregoing initiatives, the FFIEC continues to do important work, thanks to the talented and dedicated staff of the Council as well as task force representatives and working groups from all the member agencies. While much progress has been made, there is more work to do in the coming year. I appreciate the opportunity to have served as

Chairman of the FFIEC and look forward to working with my colleagues to advance future FFIEC initiatives.

*Overview of the Federal
Financial Institutions
Examination Council
Operations*

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

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

Membership, Organization, and Administration of the Council

Members of the Council

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

- a member of the Board of Governors of the Federal Reserve System (FRB), appointed by the Chairman of the Board;
- the Chairman of the Federal Deposit Insurance Corporation (FDIC);
- the Chairman of the National Credit Union Administration (NCUA);
- the Comptroller of the Currency of the Office of the Comptroller of the Currency (OCC);

- the Director of the Consumer Financial Protection Bureau (CFPB); and
- the Chairman of the State Liaison Committee (SLC).

Interagency Task Forces and Liaisons

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

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

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

Administration of the Council

The Chairmanship of the Council 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.

Record of Council Activities

The following section is a chronological record of the official actions taken by the FFIEC during 2018, pursuant to the FIRIRCA, as amended, and the HMDA, as amended.

February 8, 2018

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

Explanation. The Council has a non-monetary 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.

March 5, 2018

Action. Approved the Central Data Repository (CDR) Steering Committee's Task Order #11.

Explanation. The Council is required to approve task orders that exceed a specific dollar amount. Task Order #11 provides funding for CDR enhancements to improve processing and publication of Call Report and Uniform Bank Performance Report (UBPR) data.

March 5, 2018

Action. Approved re-appointment of SLC member, Edward Joseph Face, Commissioner of Financial Institutions for the Virginia State Corporation Commission's Bureau of Financial Institutions.

Explanation. The Council appoints two of the SLC members. The remaining three members are designated by the Conference of State Bank Supervisors (CSBS), the American Council of State Savings Supervisors (ACSSS), and the National Association of State Credit Union Supervisors (NASCUS). Mr. Face's first term on the SLC concluded on April 30, 2018. The Council approved a second two-year term from May 1, 2018, through April 30, 2020.

March 5, 2018

Action. Approved selection of the ASC Chair, Arthur Lindo, FRB.

Explanation. In accordance with 12 U.S.C. § 3333, the Council is required to approve the selection of the ASC Chairman, who serves a two-year term. On March 31, 2018, Mr. Lindo concluded serving

his second full term as ASC Chairman, as approved by the Council in March 2016. The ASC nominated Mr. Lindo as their Chairman for the two-year term commencing April 1, 2018, through March 31, 2020.

March 6, 2018

Action. Approved the Council's 2017 annual report to the Congress.

Explanation. The legislation establishing the Council requires that, not later than April 1 of each year, the Council publish an annual report covering its activities during the preceding year.

March 8, 2018

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, 2018, through March 31, 2019.

March 27, 2018

Action. Approved the public release of the report on the 2017 statutory review of the Call Report.

Explanation. The FFIEC Task Force on Reports (TFOR) recommended that the Council approve the public release of the 2017 statutory review of the Call Report by posting the report on the FFIEC's website.



FFIEC Chairman McWilliams presiding over a 2018 Council meeting.



The Federal Financial Institutions Examination Council in session.

June 26, 2018

Action. Approved the 23 state requests for a 12-month extension in establishing their Appraisal Management Companies (AMC) registration and supervision systems, as proposed by the ASC.

Explanation. Council approval is required 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 (12 U.S.C. 3353(f)(2)).

August 3, 2018

Action. Approved three additional state requests for a 12-month extension in establishing their AMC registration and supervision systems, as proposed by the ASC.

Explanation. Council approval is required 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 (12 U.S.C. 3353(f)(2)).

October 26, 2018

Action. Approved an increase to the 2018 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 Order #5. The FFIEC TFOR CDR Steering Committee approved FDIC Funded Enhancements for enhancing the data exchange process between the CDR and the FDIC's Structure Information System regarding the FDIC's Summary of Deposits (SOD) data series.

December 4, 2018

Action. Approved the 2019 Council budget.

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

State Liaison Committee

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 2018 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
- Thomas Fite
Director, Indiana Department of Financial Institutions
- Mary Hughes
Deputy Director, Idaho Department of Finance



SLC Members (standing left to right and seated clockwise): Joe Face (VA), Greg Gonzales (TN), Tom Fite (IN), Caroline Jones (TX), and Mary Hughes (ID).

- 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 regulators, represented by the SLC, charter approximately 4,400 banks with \$5.76 trillion assets under supervision and approximately 2,100 credit unions with \$690 billion assets under supervision. In addition to commercial banks and credit unions, state regulators supervise other depository and nondepository institutions including savings banks, savings and loan institutions, bankers' banks, credit card banks, industrial loan companies, foreign banking organizations, mortgage companies, mortgage servicers, money service businesses, non-depository trust companies, debt collectors, consumer finance companies, credit reporting agencies, and other nondepository entities.

*Activities of the Interagency
Staff Task Forces*

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. The TFCC also 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.

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 2018

Examination Procedures

The TFCC approved a number of interagency examination procedures in 2018. In January, members voted to approve the interagency Real Estate Settlement Procedures Act (RESPA) and Truth in Lending Act (TILA) Examination Procedures

which included changes made during prior CFPB rulemakings. Specifically, the Procedures reflected changes to the mortgage servicing rule and amendments related to small creditors and rural or underserved areas.

The TFCC in August approved interagency examination procedures for Regulation CC, Availability of Funds and Collection of Checks, which included the FRB's changes to Regulation CC.

Economic Growth, Regulatory Relief, and Consumer Protection Act (the Act)

The TFCC established a working group charged with reviewing the Act to determine recommended interagency implementation actions and resources regarding the consumer compliance provisions of the Act.

FFIEC Federal Computational Tools

The TFCC and the FFIEC approved a plan for the FFIEC to fund and develop new calculation tools to replace APYWIN and APRWIN, which the agencies' consumer compliance examiners and industry stakeholders use to calculate annual percentage yield (APY) or annual percentage rate (APR) in support of compliance with certain consumer protection rules.

The new web-based tools will be known as the Federal Disclosure Computational Tools (tools). Like APYWIN and APRWIN, the tools will facilitate supervision of financial institutions with regard to laws and regulations relating to federal consumer protection and can assist financial institutions



Task Force on Consumer Compliance meeting.

in their efforts to comply with those laws and regulations. During 2018, staff from each of the FFIEC agencies worked with technology staff from the FRB to define requirements and build in-house interagency web-based solutions to support calculation of Annual Percentage Rate, Annual Percentage Yield, and Military Annual Percentage Rate disclosures. The agencies anticipate public release of these tools in 2019.

Getting it Right Guide

On February 14, 2018, the TFCC voted to approve and issue a revised version of “A Guide to HMDA Reporting: Getting it Right!,” which reflects amended Regulation C, effective January 1, 2018. The guide was published on the FFIEC website soon thereafter.

FFIEC Consumer Compliance Conference

In 2018, the TFCC continued to collaborate with the Task Force on Examiner Education (TFEE) and the FFIEC Examiner Education Office (EEO) to develop, plan, and deliver the Consumer Compliance Conference. The conference addressed supervisory updates and emerging issues for experienced examiners. The program was originally offered in January 2013, and, after receipt of positive feedback, was offered again in October 2013, and has continued to be offered annually since then. There were more than 260 attendees at the September 2018 conference. Planning is currently ongoing for an October 2019 session.

Task Force on Examiner Education

The TFEE oversees the FFIEC's examiner education program on behalf of the Council. The TFEE promotes interagency education through timely, cost-efficient, state-of-the-art training programs for federal and state examiners and agency staff. The TFEE develops programs on its own initiative and in response to requests from the Council, its 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 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.



International Banking Conference course instructor Atsi Sheth, Moody's Investors Service, at FDIC's L. William Seidman Center, Arlington, VA.

Initiatives Addressed in 2018

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

In-Person Training Programs

In 2018, the EEO administered 103 task force-sponsored training sessions, with a total 4,297 attendees (see table on page 18 for actual attendee participation by program and entity). Highlights from this year's training initiatives include the following:

Additions to Curriculum Piloted in 2018

Two new courses were piloted in 2018 for delivery of 11 sessions in 2019 – Fundamentals of Trust and Liquidity Risk Management Workshop.

Cybersecurity

While cybersecurity has been a standing topic covered in several training programs for many years, specific efforts in 2018 ensured all Information Technology (IT), Financial Crimes, and Supervisory Updates Conference programs included speakers from either FFIEC member agency subject matter experts or industry experts on cybersecurity to ensure attendees are informed of the latest developments in this rapidly changing area.

Current Expected Credit Losses (CECL)

The CECL standard issued by the Financial Accounting Standards Board (FASB) will have industry-wide implications. Starting in 2016, FFIEC

2018 Participation in FFIEC Training by Program and Entity-Actual as of December 31, 2018

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	36	28	39	14	6	3	34	0	0	1	8	3	172
Advanced Cash Flow Concepts and Analysis: Beyond the Numbers	20	12	46	4	2	2	18	0	1	0	0	2	107
Advanced Commercial Credit Analysis	26	6	46	3	5	5	17	0	0	0	0	4	112
Agricultural Lending	32	17	48	8	2	1	4	0	3	0	0	1	116
Anti-Money Laundering Workshop	14	21	48	12	10	4	0	0	0	0	5	0	114
Asset Management Forum	43	17	65	13	1	1	36	0	0	0	0	1	177
Capital Markets Conference	29	33	83	10	5	4	8	0	1	4	0	0	177
Capital Markets Specialists Conference	40	4	77	8	27	2	8	0	14	2	0	1	183
Cash Flow Construction and Analysis from Federal Tax Returns	25	13	63	24	5	6	23	0	1	0	0	0	160
Commercial Real Estate Analysis	43	37	84	21	9	2	36	0	0	1	0	0	233
Consumer Compliance Conference	40	5	96	4	11	6	42	35	0	0	0	0	239
Distressed Commercial Real Estate	20	12	44	2	13	1	9	0	0	1	0	2	104
Financial Crimes Seminar	49	44	136	7	39	17	24	1	2	0	5	1	325
Fraud Identification Training (Self-Study)	3	0	9	0	4	0	7	0	0	0	0	0	23
Fraud Investigation Techniques for Examiners	7	10	14	2	15	2	7	0	2	0	0	0	59
Fundamentals of Fraud Workshop	9	27	55	6	17	4	24	0	1	0	1	0	144
Fundamentals of Trust - PILOT	5	0	6	0	0	0	4	0	0	0	0	9	24
Information Technology Conference	51	30	78	19	30	4	41	4	11	10	0	0	278
Instructor Training School	22	4	0	0	1	0	38	7	7	0	0	0	79
Interest Rate Risk Workshop	30	30	79	10	7	5	36	0	1	0	0	0	198
International Banking, Basic (Self-Study)	17	0	24	0	0	0	6	0	0	0	1	1	49
International Banking Conference	26	0	24	0	0	0	16	1	0	0	0	0	67
International Banking School	7	9	16	1	0	0	9	0	0	0	0	0	42
Liquidity Risk Management Workshop - PILOT	5	0	7	0	1	0	5	0	0	0	0	4	22
Payment Systems Risk Conference	39	30	64	6	13	1	60	0	0	0	5	0	218
Real Estate Appraisal Review (Self-Study)	1	0	21	0	2	0	0	0	0	0	0	0	24
Real Estate Appraisal Review School	13	16	30	10	3	1	9	0	0	0	0	0	82
Structured Finance: Investment Analysis & Risk Management	24	6	43	7	6	1	8	0	2	1	0	0	98
Supervisory Updates & Emerging Issues for Community Financial Institutions	62	34	149	18	14	2	21	0	2	0	0	1	303
Supervisory Updates & Emerging Issues for Large, Complex Financial Institutions	83	19	157	21	10	0	42	0	1	5	0	1	339
Testifying School	2	6	15	0	0	0	5	1	0	0	0	0	29
Grand Total	823	470	1,666	230	258	74	597	49	49	25	25	31	4,297
Percentage	19.15%	10.94%	38.77%	5.35%	6.00%	1.72%	13.89%	1.14%	1.14%	0.58%	0.58%	0.72%	100%
Combined Agency and Sponsored Percentage	30.09%	NA	44.12%	NA	7.73%	NA	13.89%	1.14%	1.14%	0.58%	0.58%	0.72%	100%

began providing training on CECL to ensure attendees are aware of current guidance so they can answer questions and help the institutions they supervise prepare for the transition. In 2018, agency and industry experts in CECL provided training to attendees in the following EEO 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; 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. These 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 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 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 Training 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. Six FFIEC Examiner Exchange events were offered in 2018 providing information related to BSA, IT, cybersecurity, and LIBOR. The average number of registrants was about 600 for each live Examiner Exchange event. The FFIEC Industry Outreach events are generally limited to entities regulated by the FFIEC members, but may be offered to the general public. Two FFIEC Industry Outreach events were offered in 2018 providing information on cybersecurity and LIBOR. Approximately 1,900 industry participants attended the cybersecurity FFIEC Industry Outreach live event. The FFIEC promotes upcoming FFIEC Industry Outreach events and provides links to archives of past FFIEC Industry Outreach events which may be accessed at <https://industryoutreach.ffiec.gov/>.



Task Force on Examiner Education meeting.

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



Fundamentals of Trust Pilot course instructor Duane E. Lee, Cannon Financial Institute, Inc., at FDIC's L. William Seidman Center, Arlington, VA.

medium enables the content to be readily updated as needed in coordination with Task Force on Supervision (TFOS) working groups and subcommittees.

The BSA/AML InfoBase contains the FFIEC BSA/AML Examination Manual, agency resources, regulations and guidance, a glossary, and reference materials. The InfoBase content is updated on an as-needed basis. In 2018, the BSA/AML InfoBase was redesigned to improve the overall experience for users. The redesign improves site navigation, enhances search capabilities, and provides mobile-friendly capability. Additionally, new pages allow users to download multiple examination procedures at once. The BSA/AML InfoBase can be found at <https://bsaaml.ffiec.gov>.

The IT Examination Handbook InfoBase contains the current set of IT booklets, IT work programs, laws, regulations and guidance, a glossary, and reference materials. The InfoBase content is updated on an as-needed basis. The IT Examination Handbook InfoBase can be found at <https://ithandbook.ffiec.gov>.

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 FFIEC, 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.

To obtain a copy, contact:

Karen Smith, Manager, Examiner Education
 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.

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 2018

Data Sharing

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.



Task Force on Information Sharing meeting.

Structure Data Reconciliation

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

Coordination with Other Interagency Information-Sharing Entities

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

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 FASB, 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 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 2018

Call Report Burden-Reduction Initiative

During 2018, the TFOR concluded 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. The initiative included the following five actions: 1) issuing a proposal in 2015 to implement the limited number of burden-reducing changes identified during the agencies' 2012 review of the Call Report required every 5 years by Section 604 of the Financial Services Regulatory Relief Act of 2006 (statutorily mandated review), as well as any other readily identifiable burden-reducing changes; 2) accelerating the start of the next statutorily mandated review of the Call Report, which would not otherwise begin until 2017, and requiring agency users of Call Report data to provide a robust justification of the need for the data items they use and deem essential; 3) considering the feasibility and merits of creating a less burdensome version of the Call Report for institutions that meet certain criteria, which may include an asset-size threshold or activity limitations; 4) gaining a better understanding, through industry dialogue, of sources of reporting burden, including manual efforts necessary to generate Call Report data items, including discussions with bankers and core processing system vendors and agency staff visits to banks to observe their report preparation processes; and 5) providing targeted training to bankers via teleconferences and webinars to explain upcoming reporting changes and provide guidance on challenging areas of the Call Report.

In addition, as a framework for the actions it undertook, the FFIEC developed a set of guiding principles for use in evaluating potential additions and deletions of Call Report data items and other



Task Force on Reports

revisions to the Call Report. In general, data items collected in the Call Report must meet three guiding principles: 1) the data items serve a long-term regulatory or public policy purpose by assisting the FFIEC member entities in fulfilling their missions of ensuring the safety and soundness of financial institutions and the financial system and the protection of consumer financial rights, as well as agency-specific missions affecting federally and state-chartered institutions; 2) the data items to be collected maximize practical utility and minimize, to the extent practicable and appropriate, burden on financial institutions; and 3) equivalent data items are not readily available through other means.

In the first half of 2018, the TFOR focused on the completion of the statutorily mandated full review of all Call Reports. As part of this review, which was expedited as action item two above, the TFOR reviewed the results of the surveys of nine groups of Call Report schedules that were conducted over a 19-month period that began in July 2015 and ended in February 2017. Each line item was reviewed by staff within each FFIEC member entity participating in the surveys. For each data item that a participant deemed essential, the participant was required to provide support for how the data item is used and how the data item meets the Guiding Principles. If the Guiding Principles were not met, the data item was identified as a possible burden-reducing item and further reviewed during drafting of the proposals discussed below.

The recommended burden-reducing changes to the Call Reports resulting from the review of

the survey results were published in the *Federal Register* in three phases. Institutions were notified of the proposals with press releases, issued at the time the *Federal Register* notices were publicly released and submitted to the *Federal Register* and shortly thereafter with Financial Institution Letters. Redlined forms and instructions were posted to the FFIEC website for each proposal to help institutions and other users of the Call Report better understand the proposed revisions. Institutions and other users of the Call Report were encouraged to submit comments during the comment periods for each *Federal Register* notice. The proposed revisions arising from evaluations of the second and third phases of survey results were finalized in 2018, as discussed below.

The banking agencies published an initial Paperwork Reduction Act (PRA) *Federal Register* notice for burden-reducing Call Report changes, which came primarily from the review of the second phase of survey results, on June 27, 2017. This initial PRA *Federal Register* notice also included proposed revisions to certain Call Report schedules in response to the changes in the accounting for equity securities taking effect for certain institutions in the first quarter of 2018 in accordance with FASB Accounting Standards Update No. 2016-01. In addition, the notice proposed an instructional revision for the determination of past-due status for regulatory reporting purposes. The proposed effective date for these revisions was March 31, 2018. The final PRA *Federal Register* notice for this proposal was published on January 8, 2018, with some modifications to the proposed equity securities revisions, along with the agencies' decision to not proceed with the proposed revision to the "past due" definition. In addition, the effective date for the burden-reducing changes was delayed until June 30, 2018 (which corresponded with the proposed effective date of the third phase proposal discussed below). The reporting changes for equity investments retained their March 31, 2018, effective date, as originally proposed, to align with the effective date of the new accounting standard. These changes were approved by the Office of Management and Budget (OMB) on March 14, 2018.

The banking agencies published an initial PRA *Federal Register* notice for burden-reducing Call Report changes, which came primarily from the

review of the third phase of survey results, on November 8, 2017, with a proposed effective date of June 30, 2018. The final PRA *Federal Register* notice for this proposal, which retained the burden-reducing revisions as proposed, was published on April 11, 2018, and the changes were approved by the OMB on May 18, 2018.

In December 2017, the TFOR submitted to the Council a report describing and summarizing the results of the statutorily mandated review of the Call Report conducted from 2015 to 2017. This report was posted to the FFIEC website in 2018.

Through this initiative, the TFOR successfully implemented the new streamlined FFIEC 051 Call Report for eligible small institutions as of the March 31, 2017, reporting date. The FFIEC 051 generally is available to institutions with domestic offices only and assets of less than \$1 billion, which previously filed the FFIEC 041. When compared to the FFIEC 041 from which it was created, the FFIEC 051 shows a reduction in the number of pages from 85 to 61. This decrease is the result of removing approximately 950 or about 40 percent of the nearly 2,400 data items in the FFIEC 041. Of the data items carried over into the FFIEC 051 from the FFIEC 041, the reporting frequency was reduced for approximately 100 data items. A separate shorter instruction book also was created for the FFIEC 051 Call Report. About 68 percent of the approximately 5,100 eligible small institutions filed the FFIEC 051 Call Report as of March 31, 2017. As of December 31, 2018, approximately 76 percent of eligible small institutions filed the FFIEC 051 Call Report.

In addition, the FFIEC implemented burden-reducing changes that removed or consolidated data items, added new or raised certain existing reporting thresholds, or reduced the frequency of reporting data items. Collectively, these changes affected approximately 51 percent of required data items for smaller, less complex institutions filing the FFIEC 051 report, and 28 percent of required data items for all other institutions filing the FFIEC 031 and FFIEC 041 reports, that were included in the Call Reports for December 31, 2016.

Finally, in an effort to provide targeted training to bankers on upcoming reporting changes and provide guidance on challenging areas of the Call Report, the TFOR conducted a webinar on April 5, 2018. This webinar covered the Call Report revisions

from the June and November 2017 proposals with March 31, 2018, and June 30, 2018, effective dates, the Call Report instructional revisions for the regulatory capital transitions rulemaking that took effect in March 2018, and the reporting implications of the new tax law enacted in December 2017.

Reporting Revisions for Accounting Standards Update No. 2016-13: "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" and Other Revision

During the first half of 2018, a working group of banking agency accounting policy staff members continued to work with the TFOR to develop proposed revisions to the Call Report and other FFIEC reports in response to the changes in accounting for credit losses under FASB Accounting Standards Update No. 2016-13. Early adoption of this new standard is permitted in 2019, which means that the revisions to the Call Report and other quarterly FFIEC reports to accommodate this accounting change should be in place for the March 31, 2019, report date.

In July 2018, the proposal was updated to incorporate language to address Sections 202 and 214 of Economic Growth, Regulatory Reporting, and Consumer Protection Act that were effective upon enactment. These sections affect the reporting of certain high volatility commercial real estate (HVCRE) exposures and reciprocal deposits in the Call Report and the FFIEC 101, as applicable.

After approval by each of the FFIEC member entities and by the TFOR under delegated authority, the banking agencies published an initial PRA *Federal Register* notice on September 28, 2018. The FFIEC notified institutions about the proposed regulatory reporting changes in a Financial Institution Letter issued on September 28, 2018. Redlined drafts of the revised report forms and instructions for the Call Report and other affected reports were posted on the FFIEC web pages for these reports. The 60-day comment period expired on November 27, 2018. The TFOR began its review of the comments received on the proposal in December 2018. The final PRA *Federal Register* notice describing the outcome of this proposal, including the results of the TFOR's consideration of the comments, is expected to be published in the first quarter of 2019.

Economic Growth, Regulatory Relief, and Consumer Protection Act, Section 205

Section 205 of the Economic Growth, Regulatory Relief, and Consumer Protection Act requires the OCC, the FDIC, and the FRB to issue regulations that allow for a reduced reporting requirement in the Call Reports submitted for the first and third quarters for institutions that have less than \$5 billion in total assets and satisfy other appropriate criteria established by the agencies.

During the second half of 2018, the TFOR collaborated with a banking agency legal working group on this proposed rulemaking by providing input on the PRA section of the Notice of Proposed Rulemaking (NPR). Under the proposal, the asset-size threshold for eligibility to file the existing streamlined FFIEC 051 Call Report would be expanded from \$1 billion to \$5 billion. The TFOR also evaluated specific data items collected in the FFIEC 051 Call Report, as it was revised effective June 30, 2018, and identified a number of items for which a proposed reduction in the existing quarterly reporting frequency was deemed appropriate. In addition, the TFOR reviewed the data currently collected in the FFIEC 041 Call Report from institutions with total assets of \$1 billion or more to determine if any data not currently collected on the FFIEC 051 Call Report should continue to be reported by the newly eligible institutions. As a result, a small number of items were identified as critical and are being proposed to be added to the FFIEC 051 Call Report, generally with a reduced reporting frequency. These proposed additional items would be applicable only to those eligible institutions with \$1 billion or more in total assets.

The banking agencies issued a press release announcing the proposal on November 7, 2018, and included the NPR outlining the proposed rule and the proposed revisions to the FFIEC 051 Call Report as an attachment. The NPR was published in the *Federal Register* for a 60-day comment period on November 19, 2018. The comment period ended on January 18, 2019.

In addition, the TFOR has drafted redlined versions of the FFIEC 051 report form and instructions reflecting the proposed changes. These documents have been posted to the FFIEC website. A Financial Institution Letter summarizing the proposed

regulations and the proposed FFIEC 051 Call Report changes contained in the NPR was issued to institutions on the day the NPR was published in the *Federal Register*.

Country Exposure Report for U.S. Branches and Agencies of Foreign Banks

The FRB's authority to collect the Country Exposure Report for U.S. Branches and Agencies of Foreign Banks (FFIEC 019) on behalf of the banking agencies was scheduled to expire on October 31, 2018. The FRB staff drafted an initial PRA *Federal Register* notice requesting comment on the proposed extension, without revision, of this report.

Following review and approval of the initial notice for the proposal by the FFIEC's member entities, the TFOR approved the notice and its publication under delegated authority. The *Federal Register* notice was published by the FRB on behalf of the banking agencies on April 27, 2018. The comment period ended on June 26, 2018, and no comments were received.

The FRB staff prepared a final PRA *Federal Register* notice, which was reviewed and approved by the FFIEC's member entities. The final PRA *Federal Register* notice was published by the FRB on behalf of the banking agencies on July 30, 2018. The comment period ended on August 29, 2018, and no comments were received. On September 10, 2018, OMB approved the extension, without revision, of the FFIEC 019 report. The expiration date of this report has been extended to September 30, 2021.

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 more closely align these reports with the Call Report, as appropriate. The proposed revisions to these reports 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 the proposal was approved by the FFIEC's member entities and by the TFOR under delegated authority, 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. The comment period ended on February 26, 2018.

After considering the two comments received, the TFOR agreed to proceed with the proposed revisions and their June 30, 2018, effective date. The FRB staff prepared a final PRA *Federal Register* notice for the proposal. Following review and approval of the final notice for the proposal by the FFIEC's member entities, the TFOR approved the notice and its publication under delegated authority. The *Federal Register* notice was published by the FRB on behalf of the banking agencies on April 27, 2018. U.S. branches and agencies were notified about the finalization of the proposal in a letter from the FFIEC on May 15, 2018. The comment period for the final notice ended on May 29, 2018. OMB approved the proposed revisions on June 7, 2018.

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 combined and replaced 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. In addition, the proposal provided for 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 FFIEC's member entities and by the TFOR under delegated authority. No comments were received

on the proposal. Following approval by the FFIEC's member entities and by the TFOR under delegated authority, the final PRA *Federal Register* notice for this proposal was published on February 23, 2018, and approved by the OMB on March 30, 2018. The first annual filing deadline for the FFIEC 016 report form was scheduled to be July 31, 2018, using information as of December 31, 2017.

Section 401 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, enacted on May 24, 2018, raised the consolidated asset threshold for company-run stress tests from \$10 billion to \$250 billion. This provision is generally effective eighteen months after enactment, except that it is effective immediately with respect to bank holding companies with less than \$100 billion in total consolidated assets. Consistent with the statutory revision, the agencies extended the reporting deadline for all institutions with less than \$100 billion in total consolidated assets by 18 months, thus eliminating the need for reporting by institutions with assets between \$10 and \$50 billion. Therefore, the banking agencies have discontinued the collection of the FFIEC 016 report.

Central Data Repository

In June 2018, FDIC-funded enhancements to features in the CDR that support the FDIC's SOD data series were deployed.

In November 2018, two new UBPR Reports were released into production at the request of the FFIEC TFSS. This enhancement benefits all UBPR users, both public and internal, as it will provide additional key indicators about an institution's condition.

In December 2018, the banking agencies successfully deployed additional enhancements to the CDR for the Call Report and the UBPR. The 2018 CDR Enhancement Release consisted of a significant effort to improve the usability of CDR reporting functionality for the agencies' CDR financial analysts. The current Business Objects software was replaced with Microsoft SQL Server Reporting Services (SSRS). This change improved efficiencies in standard and ad-hoc reporting by removing querying limitations that were present in the Business Objects software. The new Microsoft tool offers more user-friendly functions such as dashboards, graphs, and drill-down reports,

without the need for CDR financial analysts to have advanced programming skills to run complex reports. The UBPR Top Holder table was enhanced to ensure the integrity of the UBPR calculation process by retrieving structure attributes from a more stable source table as recommended by the Federal Reserve.

In the fourth quarter of 2018, the CDR team started analyzing and prioritizing open issues and requested modifications for inclusion in a planned December 2019 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.

Instructional Guidance

The TFOR continued to conduct monthly interagency conference calls during 2018 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. 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, FinCEN, and periodically with other federal agencies that have BSA responsibility. The group's responsibilities include maintaining the FFIEC's BSA/AML Examination Manual available through an InfoBase on the FFIEC website.

Initiatives Addressed in 2018

Cybersecurity Priorities

In 2018, 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.

Crisis Communication Protocols Exercise

In January 2018, the FFIEC executed crisis communications procedures. FFIEC is planning an additional test in 2019 to coincide with the development and testing of emerging international protocols from the G7.

Cybersecurity Webinars

In recognition of National Cybersecurity Awareness Month in October 2018, FFIEC members released a [Cybersecurity Resource Guide for Financial Institutions](#). As part of the release, the FFIEC hosted Examiner Exchange and Industry Outreach webinars to create awareness of available cybersecurity resources among supervisory staff and financial institutions.

Joint Statement

In November, FFIEC members released a joint statement alerting financial institutions to recent actions taken by the Department of Treasury's Office of Foreign Asset Control (OFAC) under its Cyber-Related Sanctions Program and to the potential impact the sanctions may have on financial institutions' risk-management programs. The statement describes the issues a financial institution should consider regarding the effect of sanctions on the operations of the financial institution and



Task Force on Supervision

the implications of the continued use of products or services provided by a sanctioned entity.

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.

Information Technology Outreach

FFIEC members issued a statement on cyber insurance and its potential role in risk management programs in April 2018. The subcommittee developed this statement following a weeklong workshop sponsored by the group on cyber insurance products and the emerging cyber insurance marketplace.

In August 2018, 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, including artificial intelligence, cyber preparedness, and distributed ledger technology.

Bank Secrecy Act/Anti-Money Laundering

Throughout 2018, the BSA/AML Working Group continued to coordinate BSA/AML training, guidance, and policy. In May 2018, FFIEC issued Customer Due Diligence/Beneficial Ownership examination procedures and sponsored a corresponding webinar. The working group also sponsored its 12th FFIEC Advanced BSA/AML Specialists Conference in July 2018, 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 OFAC, 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 modernize examination processes for community banking organizations by improving efficiencies and reducing unnecessary 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, rethinking traditional processes, and making better use of technology. In addition, 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 (ROE), and (3) UBPR. The project is long-term and likely to be adjusted over time. In 2018, the project group identified four potential areas of meaningful supervisory burden reduction. FFIEC issued statements on communications

principles in March 2018 and on risk-tailoring principles and practices in November 2018.

New Accounting Standard for Current Expected Credit Losses (CECL)

The TFOS authorized a project in first quarter 2018 to oversee interagency efforts to review and update applicable policies in response to the change in the accounting standard for credit losses under the new CECL methodology. Early adoption is permitted in 2019 with required adoption in 2020, 2021, or 2022 depending on an institution's characteristics. CECL's implementation will affect a broad range of supervisory activities including regulatory reports, examinations, and examiner training.

Reference Rate Communication Effort

The TFOS authorized a project in June 2018 to coordinate communication efforts to raise awareness and educate examiners and financial institutions on the potential discontinuance of the LIBOR and its impact on financial products and the institutions. The group hosted an initial webinar in December 2018.

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.



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

Initiatives Addressed in 2018

Content Working Group

The Content Working Group recommended modifications to several UBPR pages that the TFSS approved and implemented in 2018. The updates were necessitated by Call Report changes to several Call Report Schedules related to equity securities and changes in tax rates. In addition, the task force

implemented changes the working group recommended to address the Call Report burden reductions for the March and June quarters.

The task force also implemented peer group modifications requested by the agencies and the banking industry as recommended by the working group. These

modifications dealt with dividing the existing peer group for the largest banks into three new peer groups to better group them for supervision and analytical purposes. Lastly, the working group completed its review of the UBPR's Summary Ratios page, recommending a new Executive Summary report that provides more useful information to bank management. The task force approved the new report and obtained funding for this project in the 2019 CDR budget.

Supplementary Analysis Working Group

Two new ad hoc reports were implemented in November to assist analysis of Call Report items used in UBPR ratios.

Technology Working Group

The Technology Working Group recommended additional UBPR visualization and CDR user functionality enhancements. The task force approved them and obtained funding in the CDR 2019 budget. These enhancements will allow users to customize searches and results so that they can be utilized directly in supervision reports and analytics.

The working group and UBPR Coordinators completed an assessment of the layout and clarity of the website pages providing access to the UBPR and supporting functionalities. The task force approved the recommended modifications. They are expected to enhance the usability, flow and content of UBPR information presented on the FFIEC website.

UBPR Production and Delivery

During 2018, UBPRs for December 31, 2017; March 31, 2018; June 30, 2018; and September 30, 2018, 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. 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, or writing the Council at:

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



The FRB, FDIC, OCC, and NCUA have primary federal supervisory jurisdiction over 11,028 domestically chartered banks, savings associations, and federally insured credit unions. On December 31, 2018, these financial institutions held total assets of more than \$21.8 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 FHCs¹;
 - 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.

¹ 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.



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 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. The Director of the CFPB serves on the FDIC Board of Directors and the FSOC.

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.
- 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.
- “Larger participants,” as defined by rule, in consumer financial markets. To date, the CFPB has published final rules that allow it to supervise larger participants in the following markets:
 - 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
 - Auto finance market (these entities make, acquire, or refinance 10,000 or more loans or leases annually).

- 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.

The CFPB's supervisory and enforcement activities are conducted by the Division of Supervision, Enforcement, and Fair Lending. 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 mandated level of 1.35 percent by September 30, 2020, as

required by the Dodd-Frank Act. As of September 30, 2018, the reserve ratio exceeded the required minimum of 1.35 percent.

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 84 field offices for risk management and 75 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 3,400 federal credit unions in the United States and its territories;
- Administering the NCUSIF, which insures member share accounts in almost 5,400 federal and state-chartered credit unions

- Managing the Central Liquidity Facility, which serves as a source of emergency liquidity to the credit union system during periods of financial and economic stress.

The NCUA also has statutory authority to examine and supervise federally 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 three regional offices.¹

The NCUA is funded by the credit unions it regulates and insures.

¹ The NCUA closed its Albany, New York and Atlanta, Georgia, regional offices at the end of 2018 as part of an agency-wide realignment that began in 2017. See <https://www.ncua.gov/newsroom/Pages/news-2017-july-ncua-plans-restructuring.aspx>



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 891 national banks and trust companies, 316 federal savings associations, and 57 federal branches and agencies of foreign banks—accounting for approximately 67 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 and regulations, 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 17 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, 2018¹

Billions of dollars

Item	Total	U.S. Commercial Banks ²			U.S. Branches and Agencies of Foreign Banks ⁵	Savings Institutions ⁴		Credit Unions ³	
		National	State Member ³	State Non-Member		OCC Regulated Federal Charter	FDIC Regulated State Charter ⁷	Federal Charter	State Charter
Total assets	21,826	11,327	2,851	2,589	2,421	769	415	754	700
Total loans and receivables (net)	11,843	6,010	1,529	1,832	777	352	304	531	508
Loans secured by real estate ⁸	5,477	2,490	772	1,174	77	192	259	259	254
Consumer loans ⁹	2,271	1,139	169	287	-	138	9	275	254
Commercial and industrial loans	2,584	1,537	367	223	403	15	33	3	3
All other loans and lease receivables ¹⁰	1,644	919	236	171	297	15	5	0	1
LESS: Allowance for loan and lease losses	133	75	15	23	-	8	2	6	4
Federal funds sold and securities purchased under agreements to resell	943	519	91	11	320	0	0	1	1
Cash and due from depository institutions ¹¹	813	143	339	148	24	6	19	66	68
Securities and other obligations ¹²	4,171	2,282	655	431	195	334	66	119	89
U.S. government obligations ¹³	2,344	1,613	168	54	95	191	51	96	76
Obligations of state and local governments ¹⁴	473	180	98	178	-	6	6	3	2
Other securities	1,354	489	389	199	100	137	9	20	11
Other assets ¹⁵	4,056	2,373	237	167	1,105	77	26	37	34
Total liabilities	19,636	10,067	2,523	2,275	2,421	692	365	669	624
Total deposits and shares ¹⁶	16,088	8,601	2,256	2,066	1,003	630	313	625	594
Federal funds purchased and securities sold under agreements to repurchase	745	184	32	19	505	2	3	0	0
Other borrowings ¹⁷	1,519	733	177	160	295	50	45	37	22
Other liabilities ¹⁸	1,284	549	58	30	618	10	4	7	8
Net worth ¹⁹	2,190	1,260	328	314	-	77	50	85	76
Memorandum: Number of institutions reporting	11,028	866	793	3,140	201	310	343	3,376	1,999

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, 2018¹

Billions of dollars

Item	Total	U.S. Commercial Banks ²			Savings Institutions ⁴		Credit Unions ³	
		National	State Member ⁵	State NonMember	OCC Regulated Federal Charter	FDIC Regulated State Charter ⁷	Federal Charter	State Charter
Operating income:	1,006	593	138	140	44	17	39	35
Interest and fees on loans	565	309	69	101	26	13	25	22
Other interest and dividend income	103	60	15	11	8	2	4	3
All other operating income	338	224	54	28	10	2	10	10
Operating expenses:	692	400	93	96	30	12	32	29
Salaries and benefits	242	134	37	36	7	5	12	11
Interest on deposits and shares	92	51	13	14	4	2	4	4
Interest on other borrowed money	38	25	5	4	1	1	1	1
Provision for loan and lease losses	57	31	4	9	6	0	4	3
All other operating expenses	263	159	34	33	12	4	11	10
Net operating income	314	193	45	44	14	5	7	6
Securities gains and losses	0	0	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	0	-	-
Income taxes	62	42	8	8	3	1	-	-
Net income	252	151	37	36	11	4	7	6
Memorandum: Number of institutions reporting	10,827	866	793	3,140	310	343	3,376	1,999

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.

*Appendix A:
Relevant Statutes*

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Relevant Statutes

Federal Financial Institutions Examination Council Act¹

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 781(i) of title 15.

(d) Conducting schools for examiners and assistant examiners

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

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

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

(f) Annual report

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

(g) Flood insurance

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

12 U.S.C. § 3306. State liaison

To encourage the application of uniform examination principles and standards by State and Federal

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

12 U.S.C. § 3307. Administration

(a) Authority of Chairman of Council

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

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

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

¹ 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.

*Appendix B:
2018 Audit Report*

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Office of Inspector General

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

February 27, 2019

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, 2018 and 2017.

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*, which is 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 on the Financial Statements and Report on Internal Control Over Financial Reporting and on Compliance and Other Matters*, dated February 26, 2019.

We do not express an opinion on the FFIEC's financial statements. In addition, we do not draw conclusions on the *Independent Auditors' Report on the Financial Statements and Report on Internal Control Over Financial Reporting and 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, Federal Deposit Insurance Corporation
Ricardo A. Aguilera, Chief Financial Officer, 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, 2018 and 2017, 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, in accordance with 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, 2018 and 2017, and its operations and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2018, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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*.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, District of Columbia
February 26, 2019

Federal Financial Institutions Examination Council
Balance Sheets

	As of December 31,	
	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,747,692	\$ 1,803,987
Accounts receivable from member agencies	591,740	460,724
Accounts receivable from non-members agencies—net	<u>8,774</u>	<u>472,076</u>
Total current assets	<u>2,348,206</u>	<u>2,736,787</u>
NON-CURRENT ASSETS:		
Equipment leased—net	—	54,602
Central Data Repository software—net	<u>86,707</u>	<u>294,802</u>
Total non-current assets	<u>86,707</u>	<u>349,404</u>
TOTAL ASSETS	\$ 2,434,913	\$ 3,086,191
LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities payable to member agencies	\$ 736,827	\$ 1,383,553
Accounts payable and accrued liabilities payable to non-member agencies	513,878	438,342
Accrued annual leave	52,838	56,510
Capital lease payable	—	51,178
Deferred revenue	<u>86,707</u>	<u>208,095</u>
Total current liabilities	<u>1,390,250</u>	<u>2,137,678</u>
LONG-TERM LIABILITIES:		
Capital lease payable	—	—
Deferred revenue	—	86,707
Deferred rent	<u>12,518</u>	<u>(4,258)</u>
Total long-term liabilities	<u>12,518</u>	<u>90,925</u>
Total liabilities	<u>1,402,768</u>	<u>2,228,603</u>
CUMULATIVE RESULTS OF OPERATIONS	<u>1,032,145</u>	<u>857,588</u>
TOTAL LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS	\$ 2,434,913	\$ 3,086,191

See notes to financial statements.

Federal Financial Institutions Examination Council
Statements of Operations

	For the years ended December 31,	
	<u>2018</u>	<u>2017</u>
REVENUES:		
Assessments on member agencies	\$ 1,466,738	\$ 1,608,451
Central Data Repository	3,734,816	3,800,309
Tuition	4,409,863	4,349,100
Home Mortgage Disclosure Act	281,310	1,674,052
Community Reinvestment Act	694,687	824,520
Uniform Bank Performance Report	<u>561,475</u>	<u>637,503</u>
Total revenues	<u>11,148,889</u>	<u>12,893,935</u>
EXPENSES:		
Data processing	975,998	2,853,337
Professional fees	5,127,604	5,259,235
Salaries and related benefits	2,930,328	2,866,805
Depreciation	245,773	370,091
Rental of office space	372,586	326,777
Administration fees	869,571	607,200
Travel	260,774	272,851
Other seminar expenses	83,594	71,235
Rental and maintenance of office equipment	55,661	49,002
Office and other supplies	35,576	37,076
Printing	10,373	22,497
Miscellaneous	<u>6,494</u>	<u>4,284</u>
Total expenses	<u>10,974,332</u>	<u>12,740,390</u>
RESULTS OF OPERATIONS	174,557	153,545
CUMULATIVE RESULTS OF OPERATIONS—Beginning of year	<u>857,588</u>	<u>704,043</u>
CUMULATIVE RESULTS OF OPERATIONS—End of year	\$ <u>1,032,145</u>	\$ <u>857,588</u>

See notes to financial statements.

Federal Financial Institutions Examination Council
Statements of Cash Flows

	For the years ended December 31,	
	2018	2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Results of operations	\$ 174,557	\$ 153,545
Adjustments to reconcile results of operations to net cash from operating activities:		
Depreciation	250,997	370,091
Net loss (gain) on disposal of equipment	(5,223)	—
(Increase) decrease in assets:		
Accounts receivable from member agencies	(131,016)	283,225
Accounts receivable from non-member agencies	463,300	(451,047)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities payable to member agencies	(646,726)	976,569
Other accounts payable and accrued liabilities payable to non-member agencies	78,759	130,447
Accrued annual leave	(3,672)	(7,378)
Deferred revenue (current and non-current)	(208,096)	(323,290)
Deferred rent	<u>16,775</u>	<u>(12,912)</u>
Net cash from (used in) operating activities	(10,345)	1,119,250
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Capital lease payments	<u>(45,950)</u>	<u>(49,642)</u>
Net cash from (used in) operating activities	<u>(45,950)</u>	<u>(49,642)</u>
NET INCREASE (DECREASE) IN CASH	(56,295)	1,069,608
CASH BALANCE—Beginning of year	<u>1,803,987</u>	<u>734,379</u>
CASH BALANCE—End of year	\$ 1,747,692	\$ 1,803,987

See notes to financial statements.

Federal Financial Institutions Examination Council

Notes to Financial Statements as of and for the Years Ended December 31, 2018 and 2017

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 2018, referred to collectively as member agencies, are as follows:

- Board of Governors of the Federal Reserve System (FRB)
- Consumer Financial Protection Bureau (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 Bureau general rule-writing responsibility for federal consumer financial laws and the HMDA supervisory and enforcement authority. The Bureau,

as part of these responsibilities, developed a new HMDA processing system that replaced the HMDA processing system maintained by the FRB. The Council is performing the collection and billing activity for the new HMDA processing system developed by the Bureau. 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.

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

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

Equipment and Software—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 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 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 previously 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. Subsequently, in July 2018, the FASB issued a related ASU, ASU 2018-11, *Leases* (Topic 842). This lease accounting guidance is effective no later than the year ended December 31, 2020, although earlier adoption is permitted. The Council is continuing to evaluate the effect of this new guidance on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This update was issued to create common revenue recognition guidance for U.S. GAAP

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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 revenue recognition accounting guidance is effective for the Council for the year ending December 31, 2019, and is not expected to have a material effect on the Council's financial statements since the Council reports annually and satisfies all material performance obligations prior to year-end.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40)*. This update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This update is effective for the Council for the year ending December 31, 2020. The Council is continuing to evaluate the effect of this new guidance on its consolidated financial statements.

3. Selected Transactions with Member Agencies

	<u>2018</u>	<u>2017</u>
<i>Accounts receivable:</i>		
Board of Governors of the Federal Reserve System	\$ 135,537	\$ 184,197

	<u>2018</u>	<u>2017</u>
Consumer Financial Protection Bureau	5,499	2,361
Federal Deposit Insurance Corporation	306,069	151,577
National Credit Union Administration	5,499	2,841
Office of the Comptroller of the Currency	<u>139,136</u>	<u>119,748</u>
	\$ <u>591,740</u>	\$ <u>460,724</u>
Board of Governors of the Federal Reserve System	\$ 335,717	\$ 499,302
Consumer Financial Protection Bureau	11,782	101,883
Federal Deposit Insurance Corporation	236,438	440,805
National Credit Union Administration	46,594	125,160
Office of the Comptroller of the Currency	<u>106,296</u>	<u>216,403</u>
	\$ <u>736,827</u>	\$ <u>1,383,553</u>
<i>Operations:</i>		
Council operating expenses reimbursed by members	\$ 1,466,640	\$ 1,138,492
FRB-provided administrative support	\$ 869,571	\$ 607,200
FRB-provided data processing	\$ 975,998	\$ 2,383,378
<i>Tuition revenue:</i>		
Member tuition	\$ 4,304,013	\$ 4,239,450

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.

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

4. Central Data Repository

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>2018</u>	<u>2017</u>
<i>CDR Software</i>		
Beginning balance	\$ 21,839,856	\$ 21,839,856
Less accumulated depreciation	<u>(21,753,149)</u>	<u>(21,545,054)</u>
CDR software—net	\$ <u>86,707</u>	\$ <u>294,802</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, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
<i>Deferred Revenue</i>		
Beginning balance	\$ 294,802	\$ 502,897
Less revenue recognized	<u>(208,095)</u>	<u>(208,095)</u>
Ending balance	\$ <u>86,707</u>	\$ <u>294,802</u>
Current portion deferred revenue	\$ 86,707	\$ 208,095
Long-term deferred revenue	<u>—</u>	<u>86,707</u>
Total Deferred Revenue	\$ <u>86,707</u>	\$ <u>294,802</u>
Accounts payable and accrued liabilities related to CDR:		
Payable to UNISYS for the CDR	\$ <u>457,285</u>	\$ <u>383,608</u>

5. Home Mortgage Disclosure Act

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), responsibility for HMDA transitioned to the Bureau. The Bureau developed a new HMDA processing system, which was placed in service in January 2018. The new asset is controlled and owned by the Bureau and reflected on the Bureau's financial statements and not the Council's. The Bureau's new HMDA processing system was developed to replace the current HMDA processing system maintained by the FRB. Subsequent to year-end, the FRB's HMDA processing system was decommissioned in January 2019, without any financial statement impact as the system was fully amortized. The revenue recognized for the maintenance and support from this previously maintained HMDA processing system from the members was \$234,425 and \$1,404,810 for the years ended December 31, 2018 and 2017, respectively. HUD's participation in the HMDA processing system previously maintained by the FRB was \$46,885 and \$269,242 for the years ended December 31, 2018 and 2017, respectively.

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6. Leases

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 . In September 2018, the Council entered into new operating leases for copier equipment. Minimum annual payments under the operating lease having an initial or remaining noncancelable lease term in excess of one year at December 31, 2018, are as follows:

Years ending December 31	Amount
2019	\$ 440,178
2020	396,492
2021	68,149
2022	68,149
2023	<u>56,791</u>
Total minimum lease payments	\$ <u>1,029,759</u>

Contingent rentals for excess usage of the copier equipment amounted to \$26,000 and \$27,000 in 2018 and 2017, respectively.

7. Subsequent Events

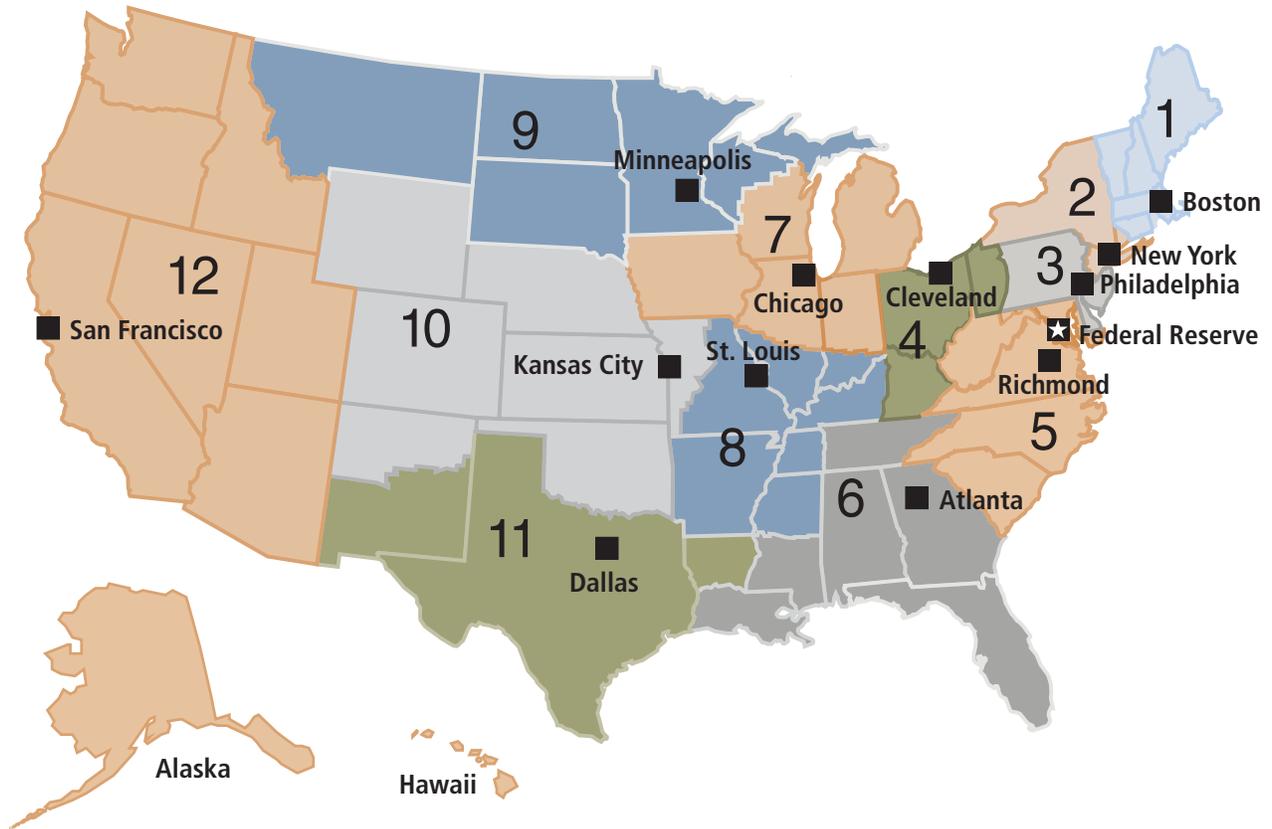
Except for the decommissioning of the FRB’s HMDA processing system described above, there were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2018. Subsequent events were evaluated through February 26, 2019, which is the date the financial statements were available to be issued.

*Appendix C:
Maps of Agency Regions
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Board of Governors of the Federal Reserve System

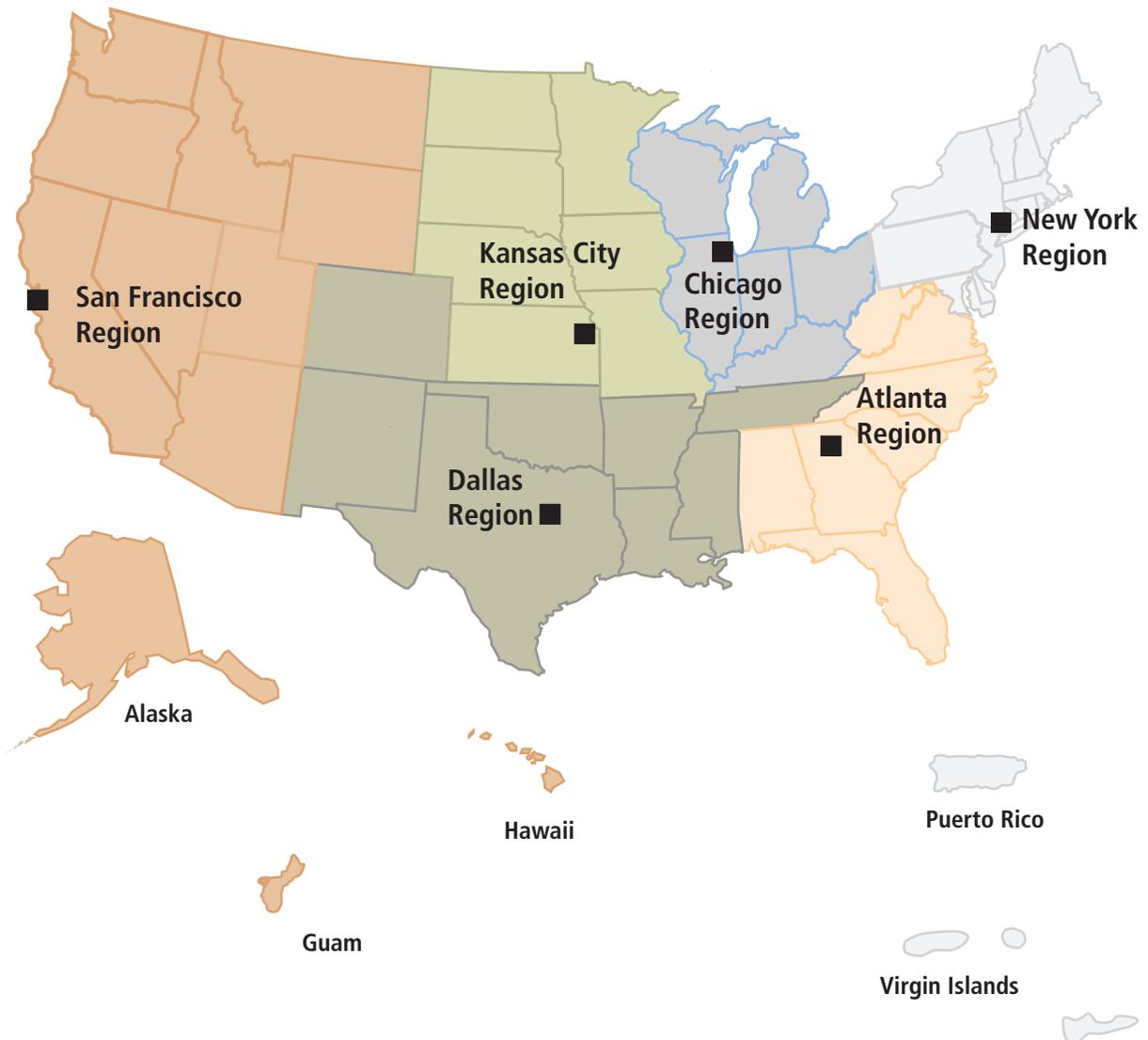


Notes: In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.
 The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands.

Consumer Financial Protection Bureau

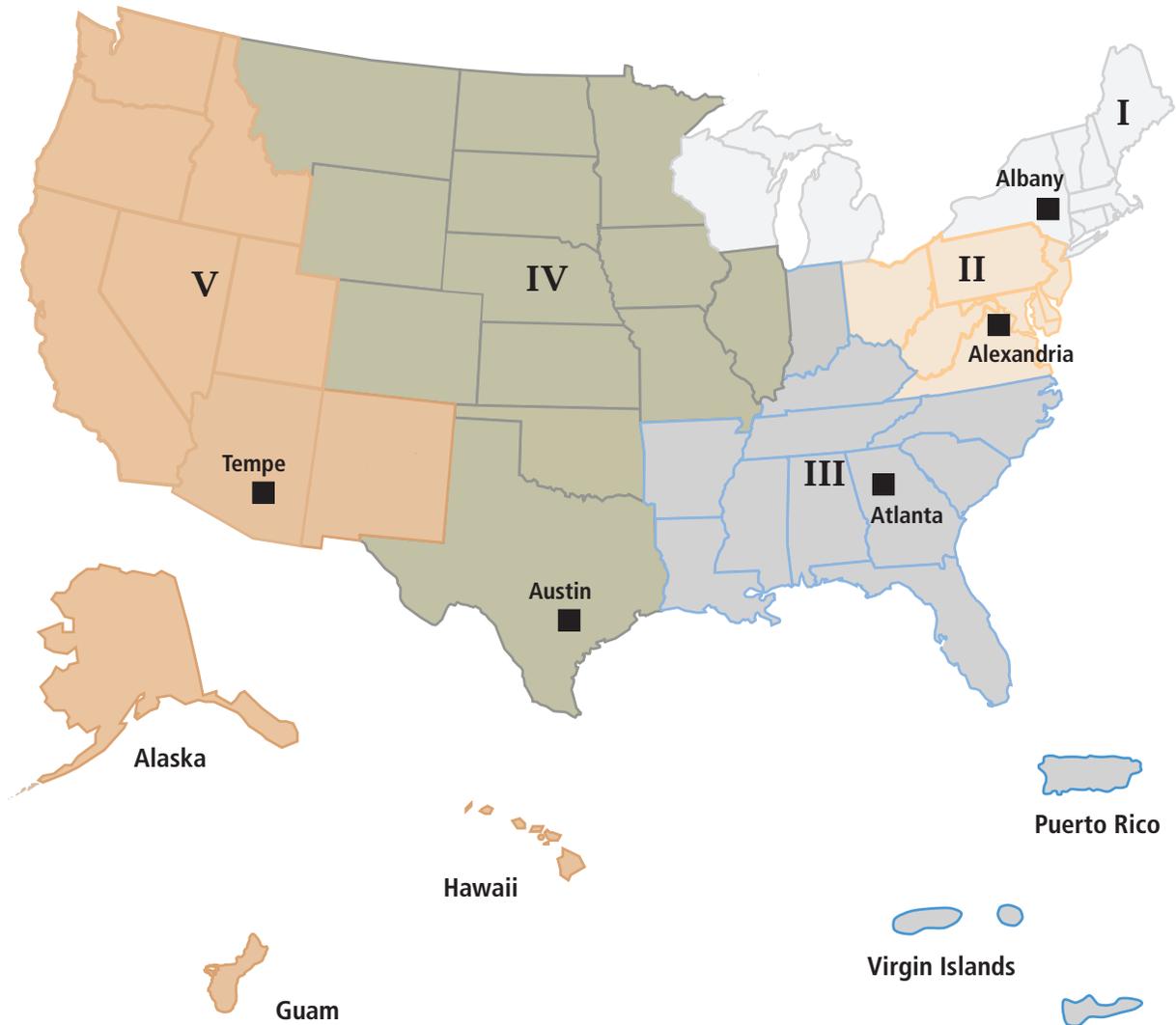


Federal Deposit Insurance Corporation Supervisory Regions

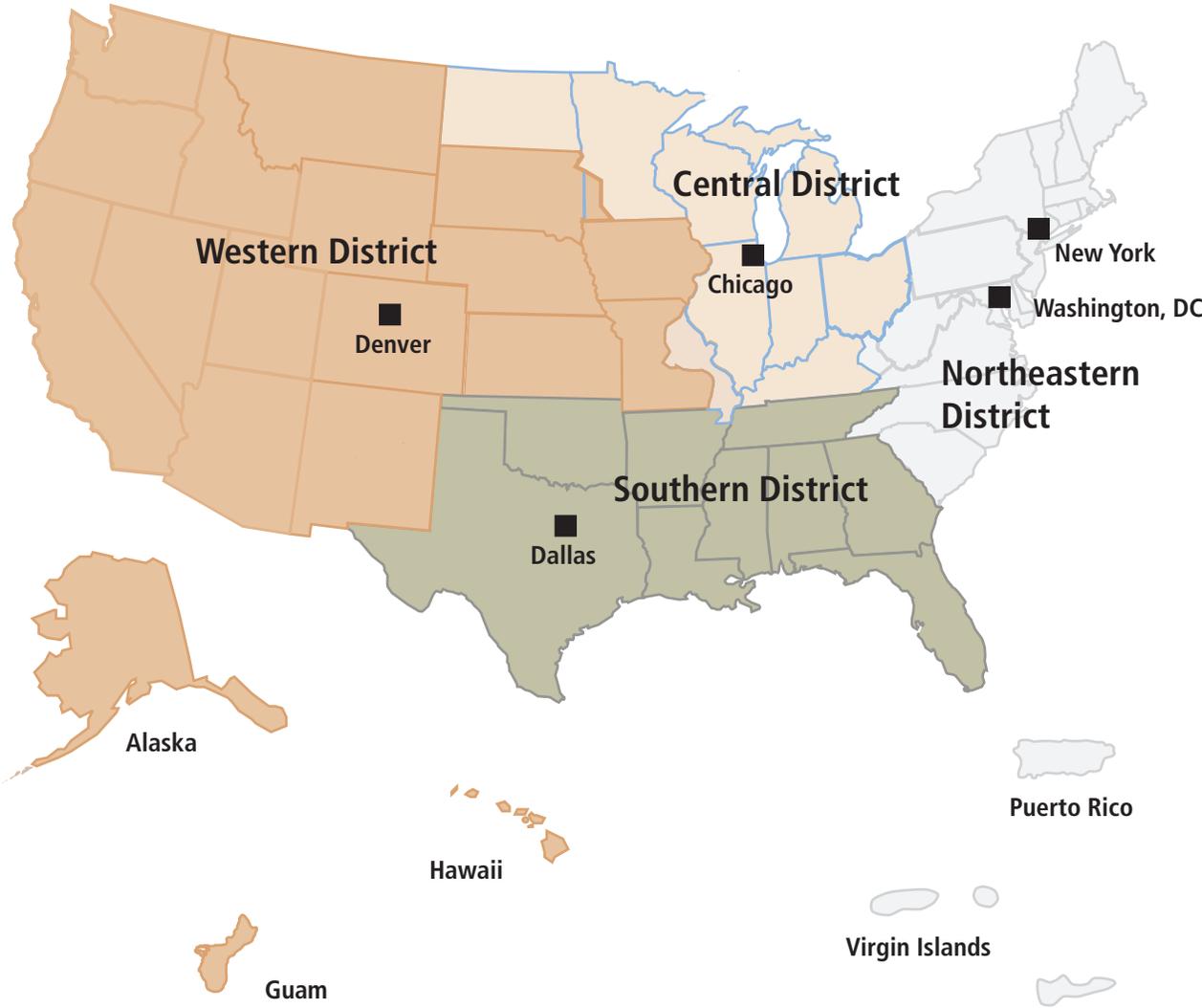


Note: Two area offices are located in Boston (reports to New York) and Memphis (reports to Dallas)

National Credit Union Administration



Office of the Comptroller of the Currency



*Appendix D:
Organizational Listing of
Personnel*

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Organizational Listing of Personnel

December 31, 2018

Members of the Council

Jelena McWilliams, *Chairman*
Chairman
Federal Deposit Insurance
Corporation (FDIC)

Kathleen Kraninger, *Vice Chairman*
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 Chair 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
Deputy Director
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)
Eric Blankenstein (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)
Bao Nguyen (OCC)
Mark Van Der Weide (FRB)
Margaret Liu
(SLC Representative/CSBS)

Task Force on Consumer Compliance

Luke Brown, *Chairman* (FDIC)
Matthew Biliouris (NCUA)
James Dewhirst
(SLC Representative/Tennessee)
Calvin Hagins (CFPB)
Jeremy Hochberg (FRB)
Paul Reymann (OCC)

Task Force on Examiner Education

Joseph Arleth, *Chairman* (CFPB)
Tracy Bergmann
(SLC Representative/Iowa)
Wendy Frederick (OCC)
D. Scott Neat (NCUA)
Amol Vaidya (FRB)
John Vogel (FDIC)

Task Force on Information Sharing

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

Task Force on Reports

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

Task Force on Supervision

Mary Aiken, *Chairman* (FRB)
Grace Dailey (OCC)
Doreen Eberley (FDIC)
Thomas 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)
William McHale (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

2018