Federal Financial Institutions Examination Council

Annual Report 2014

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

Richard Cordray, Director, Consumer Financial Protection Bureau; David J. Cotney, Commissioner of Banks, Commonwealth of Massachusetts; Daniel K. Tarullo, FFIEC Vice Chairman, Member, Board of Governors of the Federal Reserve System; Thomas J. Curry, FFIEC Chairman, Comptroller of the Currency, Office of the Comptroller of the Currency; Debbie Matz, Chairman, National Credit Union Administration; Martin J. Gruenberg, Chairman, Federal Deposit Insurance Corporation.

Letter of Transmittal

Federal Financial Institutions
Examination Council
Arlington, VA 22226
March 26, 2015

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 2014 Annual Report of the Federal Financial Institutions Examination Council.

Respectfully,

Thomas J. Curry
Chairman

Table of Contents

Chart of Selected Abbreviations

ACSSS	American Council of State Savings Supervisors
AML	Anti-Money Laundering
ASC	Appraisal Subcommittee
Bash	Bourne-again Shell
BHC	Bank Holding Company
BSA	Bank Secrecy Act
Call Report	Consolidated Reports of Condition and Income
CCIWG	Cybersecurity and Critical Infrastructure Working Group
CDR	Central Data Repository
CFI	Complex Financial Institutions
CFPB	Consumer Financial Protection Bureau
CRA	Community Reinvestment Act of 1977
CSBS	Conference of State Bank Supervisors
DCP	Division of Depositor and Consumer Protection
DDoS	Distributed Denial of Service
DIF	Deposit Insurance Fund
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DRR	Division of Resolutions and Receiverships
EEO	Examiner Education Office
EGRPRA	Economic Growth and Regulatory Paperwork Reduction Act of 1996
ERISA	Employee Retirement Income Security Act of 1974
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
FFIEC	Federal Financial Institutions Examination Council
FFIEC 101	Regulatory Reporting Requirements to the Advanced Capital Adequacy Framework
FFIEC 102	Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule
FHC	Financial Holding Company
FinCEN	Financial Crimes Enforcement Network
FIRIRCA	Financial Institutions Regulatory and Interest Rate Control Act of 1978
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989
FRB	Board of Governors of the Federal Reserve System
FS-ISAC	Financial Services Information Sharing and Analysis Center
FSOC	Financial Stability Oversight Council
FTC	Federal Trade Commission
HMDA	Home Mortgage Disclosure Act of 1975
IBA	International Banking Act of 1978
IRA	Individual Retirement Arrangement
IT	Information Technology
IT Handbook	Information Technology Examination Handbook
LAG	Legal Advisory Group
MOU	Memorandum of Understanding
NASCUS	National Association of State Credit Union Supervisors
NCUA	National Credit Union Administration
NCUSIF	National Credit Union Share Insurance Fund
OCC	Office of the Comptroller of the Currency
OCFI	Office of Complex Financial Institutions
OFAC	Office of Foreign Assets Control
OMB	Office of Management and Budget
PRA	Paperwork Reduction Act of 1995
RMS	Division of Risk Management Supervision
SDRWG	Structure Data Reconciliation Working Group
SLC	State Liaison Committee
SLHC	Savings and Loan Holding Company
SME	Subject matter expert
SOD	Summary of Deposits
TFCC	Task Force on Consumer Compliance
TFEE	Task Force on Examiner Education
TFIS	Task Force on Information Sharing
TFOR	Task Force on Reports
TFOS	Task Force on Supervision
TFSS	Task Force on Surveillance Systems
TSP	Technology Service Provider
TWG	Technology Working Group
UBPR	Uniform Bank Performance Report

Message from the Chairman

FFIEC Chairman Thomas J. Curry

The Federal Financial Institutions Examination Council (FFIEC or Council) continued its high level of performance and productivity throughout 2014. The annual report details actions the Council has taken during the year to foster communication, cooperation, and coordination to promote uniformity in the supervision of financial institutions.

The Council's 2014 activities include notable progress across all areas of the Council's work. It has been an honor to serve as Chairman of the FFIEC for the past two years. I am especially pleased to have served in this capacity at the outset of the Council's leadership in three areas: institutions' cybersecurity resilience, the second decennial interagency review of regulations mandated by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA), and community institutions' financial reporting standards. These initiatives, in part, demonstrate how the FFIEC members are increasingly using the Council to exercise proactive leadership in support of community institutions.

Meeting the challenge of cybersecurity requires leadership on the part of industry executives, government officials, and financial regulators. In 2013, the Council formed the Cybersecurity and Critical Infrastructure Working Group (CCIWG) to further promote coordination across the federal and state banking regulatory agencies on critical infrastructure and cybersecurity issues. While each FFIEC member has its own programs to address cybersecurity in the institutions it supervises, the collective action through the FFIEC is of special value in assisting all regulated financial institutions, and community institutions in particular. As addressed in more detail in the report, the CCIWG had quite a busy year. Through coordination and information sharing with intelligence, law enforcement, the Department of Homeland Security, and the Department of Treasury, CCIWG drafted several statements to institutions advising firms about certain cyber threats posed by widespread vulnerabilities.

In May, the Council sponsored a webinar for approximately 5,000 chief executive officers and senior managers from community financial institutions to raise awareness about the pervasiveness of cyber threats, discuss the role of executive leadership in managing these risks, and share actions being taken by the FFIEC.

One major undertaking was a Cybersecurity Assessment that included the pilot of a new examination work program at over 500 community institutions. The assessment evaluated the complexity of each institution's operating environment and its overall cybersecurity preparedness. At the conclusion of the pilot, the Council issued the FFIEC Cybersecurity Assessment General Observations report providing information from the assessment. The results are instructive and will help the FFIEC members make informed decisions to identify and prioritize actions for enhancing cybersecurity-related supervisory programs, guidance, and examiner training. In the year ahead, the Council will continue efforts to enhance the state of industry preparedness and strengthen our supervisory oversight of cybersecurity readiness.

The Council also advanced the important work of the second decennial regulatory review pursuant to the EGRPRA, which mandates that the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Board of Governors of the Federal Reserve System (FRB) review their regulations every ten years to identify, with the public's help, outdated, unnecessary, or unduly burdensome regulations applicable to insured depository institutions. The current review commenced in June 2014, when the federal banking agencies published a *Federal Register* notice soliciting comment on certain categories of regulations. In December

2014, the Council sponsored its first in a series of outreach meetings to provide the industry and consumers with an opportunity to share regulatory burden perspectives with the FFIEC and its member entities. The outreach meetings focus on opportunities to reduce burden for community institutions.

In September 2014, through the Task Force on Reports (TFOR), the Council launched a separate initiative with a community bank focus to review proposals to reduce the burden associated with the preparation of the quarterly Consolidated Reports of Condition and Income (Call Report) by insured banks and savings associations. As part of this effort, the banking agencies will undertake a comprehensive review of all Call Report items and schedules.

As the following report will show, the Council and its task forces and subcommittees undertook numerous other initiatives. I would like to recognize, however, some of the notable achievements that the Council and its task forces and subcommittees facilitated during the year:

- Issued a revised FFIEC Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual in December 2014.

- Released several issuances on cybersecurity topics and launched a cybersecurity page on the FFIEC website. The issuances include: an FFIEC brochure entitled Cybersecurity and Resilience Against Cyber Attacks; an Introduction to FFIEC's Cybersecurity Assessment; an OpenSSL "Heartbleed" Vulnerability Alert; a Cybersecurity Threat and Vulnerability Monitoring and Sharing Statement; a Bourne-Again Shell (Bash) 'Shellshock' Vulnerability Alert; a Joint Statement on Cyber-Attacks on Financial Institutions' Automated Teller Machines and Card Authorization Systems; and a Joint Statement on Distributed Denial-of-Service (DDoS) Cyber-Attacks, Risk Mitigation, and Additional Resources.

- Coordinated efforts to finalize and publish an interagency Federal Register notice in June 2014 requesting comment on proposed revisions to the reporting of risk-weighted assets in the Call Report. A teleconference was held for institutions in June 2014 to describe the proposed changes and respond to questions about the proposal.

- Coordinated efforts to finalize and issue interagency guidance in August 2014 addressing the repeal of the FRB's and the National Credit Union Administration's (NCUA) credit practices rules as a consequence of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

- Sponsored the annual FFIEC Information Technology (IT) Conference for examiners in September. The event highlighted current and emerging technology issues affecting insured institutions and their service providers.

- Coordinated efforts to develop and issue interagency guidance that clarifies how certain regulatory restrictions on, and requirements for, transactions between depository institutions and their affiliates apply to tax allocations agreements in a holding company structure.

- Provided 108 sessions of courses and conferences through the Task Force on Examiner Education (TFEE) and the FFIEC Examiner Education Office (EEO). Approximately 4,058 federal regulatory and state supervisory staff received superior training. The offerings included a newly developed Agricultural Lending Seminar.

- Promoted collaboration on potential enhancements to the Uniform Bank Performance Reports (UBPR) and on revisions to the UBPR capital pages to track changes to the Call Report.

- Advanced efforts to enhance the implementation of technologies to make the sharing of interagency data more efficient.

Finally, I would like to offer a note of appreciation for the hard work of the dedicated staff members of the FFIEC, the constituent member agencies, and the State Liaison Committee (SLC). As my tenure comes to a close, I look forward to continued success in the work of the Council in the coming year. I am confident the Council will continue to provide oversight and leadership in fostering consistency among supervisors and promoting progressive and vigilant supervision.

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 SLC.

Membership, Organization, and Administration of the Council

Members of the Council

The Council has six voting members, and in 2014 it was comprised of

- 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, drawn from the five federal member agencies, and a representative of the SLC. Each is tasked with one of the following subject matters:

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

The Council has a Legal Advisory Group (LAG), composed of the general or chief counsel of each member entity, to provide support to the Council and staff in the substantive areas of concern. 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, composed of senior officials responsible for coordinating the FFIEC work of their respective agencies' staff members.

Administration of the Council

The Chairmanship of the Council continuously rotates among the federal members for a two-year term 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. The Council's activities are funded in several ways. Most of the Council's funds are derived from assessments on its five federal member agencies. It receives tuition fees from non-agency attendees to cover some of the costs associated with its examiner education program.

In 2014, the FRB continued to provide 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 of the OCC; 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 Home Mortgage Disclosure Act of 1975 (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 Federal Home Loan Bank Board and established the Office of Thrift Supervision (OTS). Accordingly, the Director of the OTS assumed the Council seat previously held by the Bank Board representative.

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

Additional responsibility was given to the Council by the EGRPRA to submit reports to Congress on the regulatory reviews that its constituent agencies, with the exception of the NCUA, and with the later exception of the CFPB, conduct in accordance with EGRPRA.

The EGRPRA requires that the constituent agencies, at least once every 10 years, review all the regulations prescribed by the agencies to identify those that are outdated or otherwise impose unnecessary regulatory requirements on insured depository institutions and eliminate unnecessary regulations. Although not required to, the NCUA elects to participate in the decennial review process. 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 (NMLS) and Registry. On July 21, 2011, pursuant to the Dodd-Frank Act, the authority for rulemaking and authority to develop and maintain the NMLS 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 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 2014, pursuant to the FIRIRCA, as amended, and the HMDA, as amended.

February 4, 2014

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

Explanation. The Council has an interagency awards program that recognizes individuals of the member agencies who have provided outstanding service to the Council on interagency projects and programs during the previous year.

February 10, 2014

Action. Approved the Central Data Repository (CDR) Steering Committee's Task Order #3.

Explanation. The Council is required to approve task orders that exceed a specific dollar amount. Task Order #3 covers funding for CDR enhancements to support Call Report Processing and the Public Data Distribution of Call Report data.

March 6, 2014

Action. Approved the Council's 2013 annual report to the Congress.

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

March 6, 2014

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 five federal member agencies and representatives of the SLC. Their terms run April 1, 2014, through March 31, 2015.

March 6, 2014

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

Explanation. The Council is required to approve the selection of the ASC Chair, who serves a two-year term. On March 31, 2014, Mr. Lindo concluded serving a partial term as ASC Chair, given the early departure of his predecessor. The ASC nominated Mr. Lindo as their Chair. Mr. Lindo's term as ASC Chair runs April 1, 2014, through March 31, 2016.

March 19, 2014

Action. Approved re-appointment of SLC member, David J. Cotney, Commissioner of Banks of the Commonwealth of Massachusetts Division of Banks.

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. Cotney's second full term on the SLC runs May 1, 2014, through April 30, 2016.

March 19, 2014

Action. Approved the technical edits to two task force charters

The Federal Financial Institutions Examination Council in session.

FFIEC Chairman Curry addressing the Council at a 2014 meeting.

and approved a new IT Subcommittee Charter.

Explanation. With the passage of the Dodd-Frank Act, revisions to the Council's founding documents were necessary to reflect the current membership of the Council and each task force. Most revisions went into effect on December 3, 2013, however, a few technical edits to the charters for the TFEE and the Task Force on Supervision (TFOS), along with the drafting of a new charter for the IT Subcommittee, were completed in March 2014.

June 26, 2014

Action. Approved a memorandum of understanding (MOU) by and among the FFIEC member agencies authorizing the OCC, as agent for the Council, to contract with The MITRE Corporation (MITRE), a Federally Funded Research and Development Center (FFRDC), to provide an unclassified cybersecurity threat and vulnerability assessment, and approved the related Task Order to fund the work.

Explanation. The MOU was developed in response to the Council's request to its TFOS to lead a threat assessment initiative, including assessment of cybersecurity threats to the financial services industry. MITRE operates several FFRDCs. An FFRDC meets some special long-term research or development need which cannot be met as effectively by existing in-house or contractor resources. The Council is required to approve task orders that exceed a specific dollar amount. The Task Order provides funds for the specified work of MITRE, on behalf of the Council, to provide the unclassified cybersecurity threat and vulnerability assessment in 2014.

September 24, 2014

Action. Approved funding for a second Training Assistant Position in the EEO and then approved the corresponding revision to the Council's Resolution (2) to reflect this increase in the Council staff.

Explanation. The Council is required to approve new positions. The second Training Assistant Position in the EEO is necessary in light of the continued increasing trends in both the overall number of program sessions and training attendees the past several years. With the approval of the addition of a second training assistant, revision to the Council's founding document, Resolution (2), was necessary to reflect the increase of employee positions on the Council from 14 to 15.

December 4, 2014

Action. Approved the 2015 Council budget.

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

December 4, 2014

Action. Approved the CDR Steering Committee's Task Order #6.

Explanation. The Council is required to approve task orders that exceed a specific dollar amount. Task Order #6 covers funding for a capital enhancement required for the collection and validation of the Summary of Deposits (SOD) data series in the CDR.

State Liaison Committee Report

State Liaison Committee (from left to right): Karen Lawson (MI), David Cotney (MA), Lauren Kingry (AZ), Michael Mach (WI), and Thomas Candon (VT).

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.

In 2014 the SLC was comprised of the following five members:

- David J. Cotney, *SLC Chairman*
  Commissioner of Banks, Commonwealth of Massachusetts Division of Banks

- Thomas Candon
  Deputy Commissioner, Banking and Securities, Vermont Department of Financial Regulation

- Lauren Kingry
  Superintendent, Arizona Department of Financial Institutions

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

- Michael Mach
  Administrator, Division of Banking, Wisconsin Department of Financial Institutions

Each year, the SLC elects one of its members to serve as chairman for 12 months. David J. Cotney, Commissioner of Banks of the Commonwealth of Massachusetts Division of Banks, is serving as the current chairman of the SLC.

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 which may come before the Council. The SLC invites leadership and policymakers from the FFIEC member agencies to meet with them during these briefings to engage in informal dialogue. Those who participated this year included Valerie Abend, Chair, FFIEC CCIWG, Senior Critical Infrastructure Officer, OCC; Kyle Hadley, Chief, Examination Support Section, FDIC; Rebecca Berryman, Senior Capital Markets Specialist, FDIC; and Judith Dupre, Executive Secretary, FFIEC.

State bank regulators, represented by the SLC, charter approximately 5,000 banks with $4.8 trillion assets under supervision. In addition to commercial banks, state regulators supervise other depository institutions including credit unions, savings banks, savings and loan institutions, bankers' banks, credit card banks, industrial loan companies, foreign bank organizations, and non-depository trust companies. A total of 52 state regulatory agencies supervise 389 non-depository trust companies.

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. Additionally, the TFCC reviews legislation, regulations, and policies at the state and federal level that may have a bearing on the consumer compliance supervision responsibilities of the member agencies.

Task Force on Consumer Compliance meeting.

During 2014, the TFCC utilized the HMDA/Community Reinvestment Act (CRA) Data Collection Subcommittee and several ad hoc working groups to assist in carrying out its mission. The TFCC meets monthly to address and resolve common issues in consumer compliance supervision. Although significant issues or recommendations are referred to the Council for action, the Council has delegated to the TFCC the authority to make certain decisions and recommendations.

Initiatives Addressed in 2014

HMDA/CRA Data Collection Subcommittee Activities

The 2013 HMDA data were processed and aggregated, and were released to the public on September 22, 2014, through the FFIEC website, www.ffiec.gov/press/pr092214.htm. The 2013 HMDA data used the census tract delineations and population and housing characteristic data from the 2010 Census and from the combined 2006–2010 American Community Surveys. Additionally, in January 2013, the TFCC convened a working group to review and revise the HMDA and CRA content on the FFIEC website. During 2014, the HMDA/CRA Data Collection Subcommittee implemented two corresponding product enhancements: a new Geocoding system and Excel versions of the HMDA/CRA Aggregate and Disclosure reports (current and historical).

The 2015 budget for HMDA and CRA data processing was approved by the TFCC during its September 11, 2014 meeting and was part of the overall budget package approved by the Council at its December 4, 2014 meeting.

Consumer Compliance Conference

In 2014, the TFCC continued to collaborate with the TFEE and the FFIEC EEO to develop and plan the Consumer Compliance Conference. The conference addresses supervisory updates and emerging issues for experienced examiners. The program was originally offered in January 2013, and after positive feedback, was offered again in October 2013 and April 2014. Planning is currently ongoing for a September 2015 session.

Regulation AA Guidance

As a result of the Dodd-Frank Act, only the CFPB and the Federal Trade Commission (FTC) have authority to write rules defining unfair or deceptive acts or practices. The TFCC formed a working group to draft interagency guidance relating to the repeal of the FRB's and NCUA's credit practices rules[1], which generally prohibited the use of certain provisions in consumer credit contracts; the misrepresentation of the nature or extent of cosigner liability; and the pyramiding of late fees. The guidance clarified that the repeal of the credit practices rules applicable to banks, savings associations, and federal credit unions should not be construed as a determination that the referenced credit practices are permissible. Depending on the facts and circumstances, these practices may violate the prohibition against unfair or deceptive practices in section 5 of the FTC Act and sections 1031 and 1036 of the Dodd-Frank Act. The guidance was issued on August 22, 2014.

Task Force on Examiner Education

The TFEE oversees the FFIEC's examiner education program on behalf of the Council. The TFEE promotes interagency education through timely, cost-efficient, state-of-the-art training programs for federal and state examiners and agency staff. The TFEE develops programs on its own initiative and in response to requests from the Council, Council task forces, and suggestions brought forth by the EEO staff. The EEO also maintains development groups that have been established to provide ongoing content guidance for classes and conferences. Development group members consist of subject matter experts (SMEs) from each FFIEC member entity designated by their TFEE members. Development group members help the EEO ensure that the course content is relevant, current, and meets the agencies' examiner training needs.

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

Initiatives Addressed in 2014

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

In-Person Training Programs

In 2014, the EEO administered 108 task force-sponsored training sessions, with a total of 4,058 attendees (see table on page 14 for attendee participation by program and entity). Highlights from this year's training initiatives include the following:

Agricultural Lending Seminar

In response to examiners' demand, a new Agricultural Lending Seminar was added to the curriculum. Two regional sessions were included among the sessions offered in order to assist with meeting state training needs.

Task Force on Examiner Education meeting.

[1] The Office of Thrift Supervision's credit practices rule was effectively repealed as of July 21, 2011.

Fundamentals of Fraud Workshop at FDIC's L. William Seidman Center, Arlington, VA.

The new seminar provides an economic overview of the agriculture industry and discussion surrounding current global and domestic issues that affect various agricultural sectors. Interactive case studies are used to assist examiners with analyzing agricultural credit and identifying risk to a financial institution.

Cybersecurity

While cybersecurity has been a standing topic covered in several training programs for many years, specific efforts in 2014 ensured that all IT, Payment Systems Risk, and Supervisory Updates Conference programs included regulator speakers from the TFOS's CCIWG and IT Subcommittee. The same conferences also included industry experts on this topic to facilitate our mission to keep attendees informed on developments in this rapidly changing area.

International

The International Banking Conference was updated in 2014 to reflect the impact of the global crisis on internationally active banks in the United States and the supervisory response of the United States and global regulatory bodies. Specifically, agency and industry speakers discussed the recent trends and changing strategies of global banks regulated within the United States and the enhanced prudential standards expected of the largest internationally active U.S. financial institutions and foreign banking organizations.

Fraud

As a result of agencies' concerns with operational risk within financial institutions, FFIEC fraud courses were updated to include presentations on how examiners can use reports generated by financial institutions to prevent or detect fraud. The courses also include industry experts who provided in-depth knowledge and expert perspectives on interviewing, computer forensics, and documentation protocol and enforcement actions used by the agencies. The Financial Crimes Seminar updates examiners on current trends and hot topics such as cybercrime, digital currency, and payment systems risk.

Interest Rate Risk

The two conferences that focus on capital markets content included industry perspectives on interest rate risk management and modeling techniques for community financial institutions. Further, the Supervisory Updates and Emerging Issues for Community Financial Institutions conference included an interest rate risk presentation from an agency capital markets specialist. Among the topics addressed were industry trends, measurement systems, exposure limits and mitigation strategies, independent reviews, and regulatory guidance. Finally, in collaboration with the TFOS, the EEO is providing support for the development of an intermediate-level course on interest rate risk training for examiners.

Supervisory Updates

In response to changes in supervision responsibilities outlined in the Dodd-Frank Act, the Supervisory Updates and Emerging Issues Conference was split into two separate conferences in 2013—one relating to community financial institutions and the other relating to large and/or complex financial institutions. This change enabled the FFIEC to more precisely focus conference topics on the products, services, and risk profiles most commonly found in institutions based on their differing asset sizes and complexity. Examiners are able to attend the conference most applicable to the institutions they supervise. The conference focusing on issues relevant to large and/or complex financial institutions provided information from agency specialists on the implementation and examination implications of various Dodd-Frank Act initiatives, as well as industry perspectives on the commercial real estate market, the U.S. and global economy, and the U.S. banking industry. The conference focusing on issues relevant to community financial institutions provided information on the U.S. economy, accounting updates, commercial real estate and other lending issues, and interest rate risk, among other topics.

Annual Specialists Conferences

In addition to the classes and conferences designed to meet the needs of generalist commissioned examiners, the EEO curriculum also includes five annual specialists conferences designed to address important emerging topics and regulatory updates. The conferences provide the examiners the opportunity to network with others in their specialty area and to share their observations on what is happening in the field with those from other agencies and from other parts of the country. The specialists conferences include a number of influential speakers, including senior level officials from member agencies, policymakers, and industry speakers who are experts in their field.

The Advanced BSA/AML Specialists Conference provides training to staff experienced in conducting BSA compliance examinations. Notable topics covered in this year's conference included risks related to virtual currency, trade-based money laundering risks, and case studies regarding inadequate BSA compliance programs.

The Asset Management Forum is designed for examiners responsible for supervision of trust and asset/wealth management activities and those needing to incorporate risk for these activities into overall supervisory plans and risk assessments. Highlights from this year's forum included general sessions with updates on the economy, personal trust, Employee Retirement Income Security Act (ERISA), litigation, Individual Retirement Arrangement (IRA) account administration, and municipal/fixed-income markets. In addition, participants in this year's forum could choose to attend a session on either charitable/philanthropic or corporate trust and a session on either unique assets or operational risk.

The Capital Markets Specialists Conference is for examiners dedicated as capital markets specialists. The subject matter primarily includes current supervisory priorities specific to capital markets examinations, industry trends in securities and other capital markets products, and innovative techniques used in the measurement and management of liquidity and interest rate risk, and the impact on earnings and capital. The 2014 conference included content on the implementation of the Volcker Rule, stress testing requirements for capital management, derivatives reform, interest rate risk management, and other updates on other regulatory initiatives specific to capital markets examiners.

The Consumer Compliance Conference is designed for those with responsibility for examining for compliance with consumer protection laws and regulations and for assessing consumer compliance-related risks. Among other topics, the 2014 conference addressed amendments to the mortgage regulations that went into effect in January 2014. Speakers provided details on the related examination process and discussed answers to common questions that bankers are asking examiners. Conference speakers also discussed case studies relating to fair lending and unfair, deceptive, or abusive acts or practices.

The IT Conference is held for examiners conducting information technology examinations. The conference informs examiners of current and prospective developments in the area of IT, systems controls, and security. The 2014 conference theme was Cybersecurity and Emerging Technology Risks.

Educational InfoBases

In addition to classroom training, the TFEE implemented and annually approves the maintenance of its two InfoBases, (1) BSA/AML and (2) IT Handbook. These two InfoBases are online products that efficiently and effectively centralize and facilitate prompt access to examination resource and reference materials on topics of interest to both financial institution regulators and the industry. The electronic delivery medium enables the content to be readily updated as needed.

The BSA/AML InfoBase contains the examination manual and links to relevant laws, regulations, forms, and supervisory guidance. The InfoBase content is updated on an as-needed basis by the TFOS's BSA/AML Working Group. The FFIEC EEO works collaboratively with the working group to coordinate the implementation of the content revisions and other enhancements to the InfoBase. On December 2, 2014, the FFIEC announced the revision of the *BSA/AML Examination Manual*. In anticipation of the expected release of the updated manual content, the TFEE and EEO coordinated with the SME resources to ensure the timely updating of the InfoBase by year-end 2014 and the establishment of an interagency group to update the training materials for all 2015 sessions of the AML Workshop.

The IT Handbook InfoBase contains the current set of IT examination booklets, agency resource materials, reference materials, a glossary, and master table of contents. The InfoBase content is updated on an as-needed basis by the TFOS's IT Subcommittee. The FFIEC EEO works collaboratively with the subcommittee to coordinate the implementation of the content revisions and other enhancements to the InfoBase. Additionally, the IT InfoBase offers an RSS feed subscription option to notify users of any content updates or other changes to the respective InfoBase via email alerts. In 2014, the IT InfoBase was updated with two joint statements related to cyberattacks.

Alternative Delivery Training

Alternative delivery training is offered on an as-needed basis. Currently, the FFIEC EEO offers three alternative delivery courses. The Basic International Banking Self Study Course, provided in a web-based format, was updated in 2013. The updated course was made available in 2014 to registrants from the member agencies and the public. Both the Real Estate Appraisal Review Online Course and the Fraud Identification Online Course are available to examiners and bankers through collaboration with the CSBS. Real Estate Appraisal Review is for those who want to enhance their skills in reviewing and analyzing commercial real estate appraisals. Fraud Identification Training provides information on identifying and correcting weaknesses in financial institution practices and procedures that make them more susceptible to possible fraudulent activities.

Additionally, in 2014 the TFEE approved the establishment of a partnership between the EEO and the Federal Reserve Bank of St. Louis Center for Learning Innovation. The partnership will provide webinar services starting in 2015 that support training and outreach initiatives for FFIEC task forces in order to convey timely and pertinent information to federal and state examiners and the industry as applicable.

Continuing Education Credits

Several FFIEC courses are assessed and approved annually for continuing education credits, evidencing the high-quality content of EEO's programming. Accreditation of EEO training events provides examiners the opportunity to maintain their certifications, as they would by attending industry-sponsored training, while still being able to hear from subject matter experts on topics of interest to examiners. Through a collaborative relationship between the FDIC and an FFIEC program sponsor, a number of classes and conferences are reviewed and approved for Continuing Professional Education credits, which are required for those examiners who are Certified Public Accountants. There are also other EEO accreditations that are available to examiners with industry-recognized designations, such as Certified AML Specialist, Certified Fraud Examiner, Certified Regulatory Compliance Manager, and Certified Trust and Financial Advisor. 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

2014 Participation in FFIEC Training by Program and Entity-Actual as of December 31, 2014

Program Title	FRB	FRB State Sponsored	FDIC	FDIC State Sponsored	NCUA	OCC	CFPB	FCA	FHFA	Other	Total
Advanced BSA/AML Specialists Conference	18	17	39	16	2	28	0	0	1	14	135
Advanced Cash Flow Concepts & Analysis: Beyond the Numbers	35	4	61	0	13	37	0	5	1	1	157
Advanced Commercial Credit Analysis	24	12	33	18	7	32	0	1	0	1	128
Agricultural Lending	8	6	139	0	13	4	0	15	0	29	214
Anti-Money Laundering Workshop	11	20	51	14	8	0	0	0	1	4	109
Asset Management Forum	27	12	61	22	0	21	0	0	0	3	146
Capital Markets Conference	25	30	74	14	25	13	0	0	0	1	182
Capital Markets Specialists Conference	34	9	84	10	2	11	0	12	9	2	173
Cash Flow Construction & Analysis from Federal Tax Returns	38	18	96	25	15	47	0	5	0	1	245
Commercial Real Estate Analysis	53	29	123	25	11	28	1	1	3	5	279
Consumer Compliance Specialists Conference	1	11	73	0	10	23	78	0	1	1	198
Distressed Commercial Real Estate	26	5	81	8	6	20	1	0	1	0	148
Financial Crimes Seminar	31	16	139	7	15	16	1	4	7	7	243
Fraud Identification Training Online	1	0	33	0	5	4	0	0	1	0	44
Fraud Investigation Techniques for Examiners	1	6	10	0	11	4	2	1	4	0	39
Fundamentals of Fraud	17	12	24	9	11	19	10	0	6	4	112
Global Cash Flow Concepts & Construction	20	3	56	0	6	14	0	1	0	0	100
Information Technology Conference	33	16	63	14	16	41	5	13	11	2	214
Information Technology Symposium	0	0	0	0	0	0	0	0	0	0	0
Instructor Training School	27	0	0	0	0	10	11	1	0	0	49
International Banking (Self-Study)	3	0	48	0	0	0	1	0	0	3	55
International Banking Conference	33	2	31	0	0	17	0	0	0	0	83
International Banking School	12	2	17	3	0	4	0	0	1	0	39
Payments Systems Risk Conference	21	16	54	7	6	16	2	0	2	6	130
Real Estate Appraisal Review Online	0	0	44	0	3	0	0	1	0	0	48
Real Estate Appraisal Review School	30	8	49	0	3	15	1	2	1	3	112
Structured Finance: Investment Analysis & Risk Management	33	6	49	9	11	8	0	1	6	0	123
Supervisory Updates & Emerging Issues for Community Financial Institutions	51	28	161	31	4	30	0	6	0	3	314
Supervisory Updates & Emerging Issues for Large, Complex Financial Institutions	28	13	92	6	18	31	4	4	15	0	211
Testifying School	0	7	8	0	3	8	2	0	0	0	28
Grand Total	*641*	*308*	*1,793*	*238*	*224*	*501*	*119*	*73*	*71*	*90*	*4,058*
Percentage	15.80	7.59	44.18	5.86	5.52	12.35	2.93	1.80	1.75	2.22	100
Combined Agency and Sponsored Percentage	23.39	NA	50.05	NA	5.52	12.35	2.93	1.80	1.75	2.22	100

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

Task Force on Information Sharing.

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, and supervisory information. The TFIS and its working groups use a collaborative website to share information among the Council members. The TFIS maintains a "Data Exchange Summary" listing the data files exchanged among the Council members and a repository of communications and documents critical to information sharing.

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

Initiatives Addressed in 2014

Technology Issues

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

The TWG continues to develop necessary links and processes to exchange electronic documents, develop an inventory of future technology projects, and upload information to the collaborative website where documents and critical materials pertaining to interagency information exchanges are stored.

Structure Data Reconciliation

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

Coordination with Other Interagency Information Sharing Entities

The TFIS continues to coordinate with interagency information sharing entities including the Financial Stability Oversight Council (FSOC) and the Office of Financial Research. These coordination efforts enable the TFIS to keep apprised of new and emerging issues and to monitor progress on initiatives such as the Global Legal Entity Identifier initiative.

Collaboration Tools

The TFIS continues to coordinate with the Federal Reserve System's Interagency Collaboration Program to encourage knowledge sharing and collaboration capabilities among member 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, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. The TFOR is also 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 database for collecting, managing, validating, and distributing data reported in the quarterly Call Reports filed by insured banks and savings associations. The CDR also processes and distributes the UBPR under the oversight of the Task Force on Surveillance Systems (TFSS).

Initiatives Addressed in 2014

Call Report Revisions Proposed in February 2013

In late 2013, the TFOR concluded its deliberations on a number of Call Report revisions for which an initial Paperwork Reduction Act (PRA) *Federal Register* notice had been published in February 2013. In final form, the reporting changes incorporated modifications to the original proposal in response to comments received, including concerns about reporting burden, and a two-stage implementation schedule. After the Council approved these reporting changes, the FDIC, the FRB, and the OCC (collectively,

Task Force on Reports meeting.

the banking agencies) published a final PRA *Federal Register* notice for the changes in January 2014. The Council also notified reporting institutions about these Call Report revisions. In March 2014, the U.S. Office of Management and Budget (OMB) approved the reporting changes under the PRA.

Effective March 31, 2014, institutions began to report trade names used by physical offices and addresses of Internet websites at which deposits are accepted or solicited. All institutions started to indicate whether they offer any deposit account products (other than time deposits) primarily intended for consumers, and those institutions with $1 billion or more in total assets that offer such products began to report the total balances of their consumer deposit account products. Institutions provided information about international remittance transfer activity initially as of March 31, 2014, but thereafter began reporting on this activity only semi-annually as of each June 30 and December 31, with the amount of information reported dependent on the number of an institution's transactions per calendar year. Effective March 31, 2015, institutions with $1 billion or more in total assets that offer consumer deposit account products will begin to report three categories of service charge income earned on these products.

Proposed Regulatory Capital Reporting Changes

In July 2013, the banking agencies approved revised regulatory capital rules that applied to advanced approaches institutions beginning January 1, 2014, and to all other institutions beginning January 1, 2015. In general, an advanced approaches institution is an FDIC-insured depository institution or depository institution holding company with consolidated total assets of $250 billion or more or consolidated total on-balance sheet foreign exposure of $10 billion or more, a subsidiary of such an institution or holding company, or an entity that elects to apply the advanced approaches capital rules.

Following the approval of the revised regulatory capital rules, banking agency capital experts and the TFOR completed proposed changes to the regulatory capital components and ratios portion of Call Report Schedule RC-R, Regulatory Capital, which would align it with the revised rules. These experts and the TFOR also developed proposed revisions to the regulatory capital schedule and nine of the risk-weighted assets schedules in the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101 report). After the Council approved these proposed regulatory capital reporting changes, the banking agencies published an initial PRA *Federal Register* notice requesting comment on the proposal in August 2013.

Consistent with the effective dates of the revised regulatory capital rules, the revisions to the FFIEC 101 report and the revised regulatory capital components and ratios portion of Call Report Schedule RC-R were proposed to take effect for advanced approaches institutions as of March 31, 2014. All other institutions were to continue to complete the existing regulatory capital components and ratios portion of Schedule RC-R for report dates during 2014 and would then migrate to the revised version of this portion of Schedule RC-R effective March 31, 2015.

After the comment period for the proposed regulatory capital reporting changes ended in October 2013, banking agency regulatory capital experts and the TFOR modified the proposed versions of the revised regulatory capital components and ratios portion of Call Report Schedule RC-R and the revised FFIEC 101 report to address the comments received. The Council approved these regulatory capital reporting changes in final form in December 2013. The banking agencies published a final PRA *Federal Register* notice for these reporting changes, and the Council advised reporting institutions about the outcome of the proposal in January 2014. After receiving approval of the changes to Call Report Schedule RC-R and the FFIEC 101 report from the OMB, the banking agencies implemented the reporting changes as of March 31, 2014, for advanced approaches institutions. All other institutions will begin to complete the revised regulatory capital components and ratios portion of Call Report Schedule RC-R as of March 31, 2015.

In addition, during the latter part of 2013, banking agency regulatory capital experts and the TFOR began developing a proposal to implement a revised version of the risk-weighted assets portion of Call Report Schedule RC-R effective March 31, 2015, that would incorporate the standardized approach for calculating risk-weighted assets under the revised regulatory capital rules. The proposal also included a related change to the reporting of securities borrowed in Call Report Schedule RC-L, Derivatives and Off-Balance Sheet Items. Upon completion of the proposal and its approval by the Council, the banking agencies published an initial PRA *Federal Register* notice in June 2014 requesting comment on the proposed revisions to the reporting of risk-weighted assets in the Call Report. The Council notified reporting institutions about the proposed risk-weighted assets reporting changes, and the TFOR, together with regulatory capital experts, conducted a banker teleconference in June 2014 to describe the proposed changes and respond to questions about the proposal.

After the close of the comment period in August 2014, banking agency regulatory capital experts and the TFOR revised the proposed risk-weighted assets portion of Schedule RC-R in response to comments and technical questions received. In January 2015, the Council approved the final version of the revised risk-weighted assets and securities borrowed reporting changes, after which the banking agencies published a final PRA *Federal Register* notice for the changes. The Council also advised reporting institutions about the revised reporting requirements, which are scheduled to be implemented as of March 31, 2015. Approval of these Call Report changes by the OMB is pending.

Community Bank Call Report Burden

At the Council's direction, the TFOR launched a formal initiative in December 2014, to identify potential opportunities to reduce burden associated with Call Report requirements for community banks. The TFOR's efforts include developing a set of guiding principles for use prospectively as the basis for evaluating potential additions and deletions of data items to and from the Call Report.

Proposed Market Risk Regulatory Report

During 2014, banking agency market risk capital experts and the TFOR completed the development of a proposed new market risk regulatory report (FFIEC 102 report) on which work had begun the preceding year. Insured depository institutions and holding companies subject to the market risk capital rule as incorporated into the banking agencies' July 2013 revised regulatory capital rules (market risk institutions) would complete this proposed new report, which would collect key information from these institutions on how they measure and calculate market risk under the revised rules. The revised market risk capital rule took effect on January 1, 2015, and the proposed FFIEC 102 reporting requirements would take effect at the end of the first quarter of 2015. After the Council approved this proposal, the banking agencies published an initial PRA *Federal Register* notice for the new market risk regulatory report in September 2014. The Council then notified the limited number of market risk institutions about the proposal.

The banking agencies received one comment on the FFIEC 102 proposal, which led the agencies' market risk capital experts and the TFOR to modify the originally proposed reporting requirements.

The banking agencies published a final PRA *Federal Register* notice for this new report following Council approval of the revised market risk regulatory reporting proposal in February 2015. The Council also apprised market risk institutions about the final version of the new FFIEC 102 report and its implementation as of March 31, 2015. Approval of the market risk regulatory report by the OMB is pending.

Central Data Repository

In September 2014, the banking agencies implemented a major CDR enhancement release, which consisted of improvements to Call Report processing, as well as improvements to enhance the user experience in the CDR for the agencies' Call Report analysts and the public. In conjunction with the September 2014 enhancement release, a significant technology refresh was completed. This effort included procuring new equipment, virtualizing servers, and upgrading the operating system and the latest development framework.

The CDR team began analyzing and prioritizing open issues for inclusion in the 2015 CDR enhancement release, which is planned for implementation in December 2015. In addition to enhancements that will be shared by the banking agencies, the FDIC will fund enhancements to the CDR to collect the Summary of Deposits data series beginning in 2016.

Instructional Guidance

The TFOR continued to conduct monthly interagency conference calls during 2014 to discuss instructional matters pertaining to FFIEC reports and related accounting issues to reach uniform interagency positions on these issues.

Task Force on Supervision.

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 action, the Council has delegated to the TFOS the authority to make certain decisions and recommendations, provided all TFOS members agree. 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 and also establishes working groups to handle individual projects and assignments, as needed.

- The IT Subcommittee serves as a forum to address information systems and technology policy issues as they relate to financial institutions and their technology service providers (TSPs).

The IT Subcommittee develops and maintains the *FFIEC IT Examination Handbook*, which consists of a series of topical booklets addressing issues such as information security. This resource is available through an InfoBase on the FFIEC website. In conjunction with the TFEE, the IT Subcommittee sponsors an annual FFIEC Information Technology Conference for examiners and periodically holds symposia on emerging information technology and related risks. The IT Subcommittee specifically coordinates with the TFOS's CCIWG.

- The BSA/AML Working Group seeks to enhance coordination of BSA/AML guidance, policy, and other issues related to consistency of BSA/AML supervision. Working group coordination includes ongoing communication among representatives from federal and state banking agencies, the Financial Crimes Enforcement Network (FinCEN), and periodically with other federal agencies that have BSA responsibility.

- 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 of all sizes. The CCIWG promotes coordination across the FFIEC member agencies on cybersecurity and critical infrastructure issues. The group provides a forum for addressing policy issues relating to cybersecurity and critical infrastructure security and the resilience of financial institutions and technology service providers. Working group coordination includes ongoing communications with the intelligence community, law enforcement, and homeland security agencies. The CCIWG 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 CCIWG specifically coordinates with the TFOS's IT Subcommittee.

Initiatives Addressed in 2014

Cybersecurity Guidance

In April 2014, the FFIEC issued three cybersecurity warnings to financial institutions: (1) the "Statement on Cyber-Attacks on Financial Institutions' Automated Teller Machine (ATM) and Card Authorization Systems"; (2) the "Statement on Distributed Denial of Service (DDoS) Attacks, Risk Mitigation and Additional Resources"; and (3) the "OpenSSL 'Heartbleed' Vulnerability Alert."

The "Statement on Cyber-Attacks on Financial Institutions' Automated Teller Machine (ATM) and Card Authorization Systems" noted that cyber-attacks on financial institutions to gain access to, and alter the settings on, web-based ATM control panels used by small- to medium-sized institutions are on the rise. The statement shared the FFIEC members' expectation that financial institutions take steps to address this threat by reviewing the adequacy of their controls over information technology networks, card issuer authorization systems, ATM usage parameters, and fraud detection processes. In addition, the members shared their expectation that financial institutions have effective response programs to manage this type of incident.

The "Statement on DDoS Attacks, Risk Mitigation and Additional Resources" shared the FFIEC members' expectation that financial institutions address DDoS readiness as part of their ongoing information security and incident response plans. More specifically, each institution is expected to monitor incoming traffic to its public website, activate incident response plans if it suspects that a DDoS attack is occurring, and ensure sufficient staffing for the duration of the attack, including the use of pre-contracted third-party servicers, if appropriate.

The "OpenSSL 'Heartbleed' Vulnerability Alert" shared the FFIEC members' expectation for financial institutions to incorporate patches on systems and services, applications, and appliances using OpenSSL, and upgrade systems as soon as possible to address the vulnerability. Further, the alert directed financial institutions relying upon third-party service providers to ensure those providers are aware of the vulnerability and are taking appropriate mitigation action.

In September 2014, the FFIEC issued a statement urging institutions to quickly address the "Shellshock" vulnerability by applying patches to their Bash system software. The "Shellshock" vulnerability could allow an attacker to execute malicious code on Bash system software and gain control over a targeted system. The pervasive use of Bash system software and the potential for this vulnerability to be automated presents a material risk. Financial institutions and their service providers were instructed to assess the risk to their infrastructures and execute mitigation activities with appropriate urgency. Further, the statement directed financial institutions relying upon third-party service providers to ensure those providers are aware of the vulnerability and are taking appropriate mitigation action.

In November 2014, the FFIEC issued a statement providing financial institutions with information on available resources to mitigate potential cyber threats and highlighting the value for institutions of all sizes to participate in cyber-related information sharing forums, such as the Financial Services Information Sharing and Analysis Center (FS-ISAC). The statement encouraged financial institutions to participate in the FS-ISAC as part of their process to identify, respond to, and mitigate cybersecurity threats and vulnerabilities.

Finally, at the end of 2014, the FFIEC published a brochure on its website titled "Cybersecurity and Resilience Against Cyber Attacks." The brochure, in pocket-guide form, provides an overview of cyber threats, and provides a quick guide to responding to an incident, additional cybersecurity resources, and FFIEC agency contacts.

Cybersecurity Webinar

In May 2014, TFOS members from both the CCIWG and the IT Subcommittee conducted a webinar for chief executives on Executive Leadership of Cybersecurity: What Today's CEOs Need to Know About the Threats They Don't See. Approximately 5,000 chief executive officers and senior managers from community financial institutions participated. The FFIEC offered this webinar to raise awareness about the pervasiveness of cyber threats, to discuss the role of executive leadership in managing these risks, and to share actions being taken by the FFIEC. The webinar highlighted key focus areas for senior management and boards of directors of community institutions as they assess their institutions' abilities to identify and mitigate cybersecurity risks, including:

- Setting the tone from the top and building a security culture;
- Identifying, measuring, mitigating, and monitoring risks;
- Developing risk-management processes commensurate with the risks and complexity of the institutions;
- Aligning cybersecurity strategy with business strategy and accounting for how risks will be managed both now and in the future;
- Creating a governance process to ensure ongoing awareness and accountability; and
- Ensuring timely reports to senior management that include meaningful information addressing the institution's vulnerability to cyber risks.

Cybersecurity Webpage

In June 2014, the FFIEC created a dedicated page for cybersecurity issues on the FFIEC home page.

Cybersecurity Assessment

In June 2014, the FFIEC launched a cybersecurity assessment at more than 500 community institutions to evaluate the institutions' preparedness to mitigate cybersecurity risks. The assessment supplemented regularly scheduled examinations and built upon key supervisory expectations contained within existing FFIEC IT handbooks and other regulatory guidance. The assessment reviewed an institution's current practices and overall cybersecurity preparedness, with a focus on the following key areas:

- Risk management and oversight;
- Threat intelligence and collaboration;
- Cybersecurity controls;
- External dependency management; and

- Cyber incident management and resilience.

The FFIEC issued "FFIEC Cybersecurity Assessment General Observations," in November 2014, to share themes from the assessment and suggest questions that chief executive officers and boards of directors may consider when assessing their institutions' cybersecurity preparedness.

In December 2014, the CCIWG completed the vulnerability and risk-mitigation assessment, as well as a regulatory self-assessment of supervisory policies and processes. These assessments help the FFIEC member agencies identify and prioritize actions to enhance the effectiveness of cybersecurity-related programs, guidance, and examiner training.

Information Technology

In September 2014, the IT Subcommittee sponsored its annual FFIEC IT Conference for examiners, which highlights current and emerging technology issues affecting insured institutions and their service providers. The conference included presentations on the cybercrime underground, cybersecurity, cloud backup and disaster recovery, Automated Clearing House (ACH) risks and third-party relationships, and mobile banking and payments security, among others. In lieu of sponsoring an FFIEC IT Symposium in 2014, the IT Subcommittee dedicated its resources to collaborating on the completion of the Cybersecurity Assessment. The IT Subcommittee also worked on revisions to the IT handbooks.

BSA/AML

In December 2014, the BSA/AML Working Group released the revised *FFIEC BSA/AML Examination Manual*. The revisions clarify supervisory expectations, include regulatory changes, and incorporate feedback from the banking industry and examination staff. The FFIEC agencies revised the manual in collaboration with the FinCEN, the administrator of the BSA, and the Office of Foreign Assets Control (OFAC).

Supplemental Guidance on Income Tax Allocation Agreements

In 2014, the FDIC, FRB, and OCC issued an addendum to the "Interagency Policy Statement on Income Tax Allocation Agreements" to ensure that insured depository institutions in a consolidated group maintain an appropriate relationship regarding the payment of taxes and the treatment of tax refunds. Since the adoption of the 1998 interagency policy statement, disputes have occurred between holding companies in bankruptcy and failed insured depository institutions regarding the ownership of tax refunds generated by the institutions. The addendum to the interagency policy statement is intended to ensure that tax allocation agreements explicitly acknowledge that an agency relationship exists between a holding company and its subsidiary institution with respect to tax refunds attributable to the institution. Further, the addendum clarifies how certain requirements of sections 23A and 23B of the Federal Reserve Act apply to tax allocation agreements.

Interest Rate Risk

In June 2014, the TFOS established an Interest Rate Risk Project Group to discuss supervisory strategies for monitoring and addressing interest rate risk at insured institutions. The project group members are currently focused on the development of examiner interest rate risk training.

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

Task Force on Surveillance Systems meeting.

insured bank and savings association in the United States that is supervised by the FRB, FDIC, or OCC. UBPR data are also available to all state bank supervisors. 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.

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 2014

Content Working Group

The Content Working Group recommended to the TFSS modifications to the UBPR capital pages addressing changes to the March 2014 Call Report Schedule RC-R, Part I.B., Regulatory Capital Components and Ratios, which the TFSS accepted and implemented. The working group formed a subgroup comprised of agency capital SMEs to make recommendations addressing changes to the March 2015 Call Report Schedule RC-R, Part II, Risk-Weighted Assets, which the TFSS accepted and will implement in 2015. The working group also recommended improvements to the UBPR credit pages, which the TFSS approved and will implement in 2015.

In response to a request by the TFOR the working group identified Call Report concepts used in the production of the UBPR as part of an initiative to reduce Call Report burden. The working group continues this work by identifying Call Report and UBPR concepts used in downstream surveillance systems of the various agencies.

Supplementary Analysis Working Group

The Supplementary Analysis Working Group worked with agency staff to coordinate a demonstration of the OCC's National Scheduling Application. The group has created a list of other agency analytical tools and datasets, which will be demonstrated in 2015.

UBPR Production and Delivery

During 2014, UBPRs for December 31, 2013; March 31, 2014; June 30, 2014; and September 30, 2014, 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 is updated nightly and the data for previous quarters is 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 Users Guide, is 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:

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

The Federal Financial Institution Regulatory Agencies and Their Supervised Institutions

The FRB, FDIC, OCC, and NCUA have primary federal supervisory jurisdiction over 13,058 domestically chartered banks, savings associations, and federally insured credit unions. On December 31, 2014, these financial institutions held total assets of more than $19.2 trillion. The FRB has primary federal supervisory responsibility for commercial bank holding companies (BHCs) and for savings and loan holding companies (SLHCs).

Three banking agencies on the Council have authority to oversee the operations of U.S. branches and agencies of foreign banks. The International Banking Act of 1978 (IBA) authorizes the OCC to license federal branches and agencies of foreign banks and permits U.S. branches that accept only wholesale deposits to apply for insurance with the FDIC. According to the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), foreign banks that wish to operate insured entities in the United States and accept retail deposits must organize under separate U.S. charters. 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 and the Bank Holding Company Act. The IBA gives primary examining authority to the OCC, FDIC, and various state authorities for the offices within their jurisdictions. The IBA also gives the FRB residual examining authority over all U.S. banking operations of foreign banks.

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

Board of Governors of the Federal Reserve System

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

- overseeing the quality and efficiency of the examination and supervision function of the 12 Federal Reserve Banks;
- developing, issuing, implementing, and communicating regulations, supervisory policies, and guidance, and taking appropriate enforcement actions applicable to those organizations that are within the FRB's supervisory oversight authority;
- approving or denying applications for mergers, acquisitions, and changes in control by state member banks, SLHCs, and BHCs (including financial holding companies (FHCs)); applications for foreign operations of member banks and Edge Act and agreement corporations; and applications by foreign banks to establish or acquire U.S. banks and to establish U.S. branches, agencies, or representative offices; and
- supervising and regulating:
  - — State member banks (i.e., state-chartered banks that are members of the Federal Reserve System);
  - — BHCs and SLHCs, including FHCs[1];
  - — 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.

Other supervisory and regulatory responsibilities of the FRB include monitoring compliance by entities under the Board's jurisdiction with other statutes (e.g., the anti-

[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, securities, or insurance subsidiaries.

money laundering provisions of the Bank Secrecy Act), 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 for the Division of Banking Supervision and Regulation, the Director of the Division of Consumer and Community Affairs, and to the 12 Federal Reserve Banks—each of which has operational responsibility within a specific geographical area. The Reserve Bank Districts are headquartered in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. Each Reserve Bank has a president (chief executive officer) who serves for five years and is appointed by the Reserve Bank's class B and class C directors, and other executive officers who report directly to the president. Among other responsibilities, a Reserve Bank employs a staff of examiners who examine state member banks and Edge Act and agreement corporations, conduct BHC and SLHC inspections, and examine the international operations of foreign banks—whose head offices are usually located within the Reserve Bank's District. When appropriate, examiners also visit the overseas offices of U.S. banking organizations to obtain financial and operating information to evaluate adherence to safe and sound banking practices.

National banks, which must be members of the Federal Reserve System, are chartered, regulated, and supervised by the OCC. State-chartered banks may apply to and be accepted for membership in the Federal Reserve System, after which they are subject to the supervision and regulation of the FRB, which is coordinated with a state's banking authority. Insured state-chartered banks that are not members of the Federal Reserve System are regulated and supervised by the FDIC. The FRB also has overall responsibility for the supervision of foreign banking operations, including both U.S. banks operating abroad and foreign banks operating branches within the United States.

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

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

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

Consumer Financial
Protection Bureau

Consumer Financial Protection Bureau

The CFPB was created in 2010 by the Dodd-Frank Act and assumed transferred authorities from other federal agencies, and other new authorities, on July 21, 2011. The CFPB is an independent agency and is funded principally by transfers from the FRB up to a limit set forth in the statute. The CFPB requests transfers from the Board in amounts that are reasonably necessary to carry out its mission. Funding is capped at a pre-set percentage of the total 2009 operating expenses of the Federal Reserve System, subject to an annual adjustment. The Director of the CFPB serves on the FDIC Board of Directors and the FSOC.

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

The Dodd-Frank Act sets forth the following functions for the CFPB:

- conducting financial education programs;
- collecting, investigating, and responding to consumer complaints;
- collecting, researching, monitoring, and publishing information relevant to the identification of risks to consumers and the proper functioning of financial markets;
- issuing rules, orders, and guidance implementing federal consumer financial laws;
- taking appropriate enforcement action to address violations of federal consumer financial law; and
- supervising covered entities to assess compliance with federal consumer financial law, obtain information about the activities and compliance systems or procedures of such persons, and detect and assess risks to consumers and markets for consumer financial products and services.

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

- Insured depository institutions and credit unions with total assets over $10 billion and their affiliates. These institutions collectively hold more than 75 percent of the banking industry's assets.
- Certain nondepository entities

regardless of size—mortgage companies (originators, brokers, and servicers, as well as related loan modification or foreclosure relief services firms), payday lenders, and private education lenders. The CFPB can also supervise the larger players, or "larger participants," as defined by rule, in consumer financial markets, and certain nondepository entities that it determines are posing a risk to consumers in connection with the offering or provision of consumer financial products or services. To date, the CFPB has published final rules that allow it to supervise larger participants in the

- consumer reporting market (these entities have more than $7 million in annual receipts resulting from consumer reporting);
- consumer debt collection market (these entities have annual receipts of more than $10 million resulting from consumer debt collection);
- student loan servicing market, effective March 1, 2014 (these entities have account volume that exceeds one million); and
- international money transfer market, effective December 1, 2014 (these entities have at least one million aggregate annual international money transfers).

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

Federal Deposit Insurance Corporation

Congress created the FDIC in 1933 to promote stability and public confidence in our nation's banking system. The FDIC accomplishes its mission by insuring deposits, examining and otherwise supervising financial institutions for safety and soundness and consumer protection, 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 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 the U.S. financial system by providing deposit insurance. As insurer, the FDIC must continually evaluate and effectively manage how changes in the economy, financial markets, and banking system affect the adequacy and the viability of the DIF. 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, 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 cyclicality 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.

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 Community Reinvestment Act, without regard to the size of an institution.

As deposit insurer, the FDIC has backup examination and enforcement authority over all 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 for overseeing and monitoring the largest, most complex BHCs and large, nonbank systemically important financial institutions (SIFIs). 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 and DCP are further organized into six regional offices located in Atlanta, Chicago, Dallas, Kansas City, New York, and San Francisco. There are two area offices located in Boston (reporting to New York) and Memphis (reporting to Dallas). In addition to the regional and area offices, the FDIC maintains 86 field offices for risk management and 76 field offices for compliance.

Receivership Management: Bank resolutions are handled by the FDIC's Division of Resolutions and Receiverships (DRR). In protecting insured depositors, the FDIC is statutorily charged with resolving failed depository institutions at the least possible cost to the DIF. In carrying out this responsibility, the FDIC has several methods to resolve banks, including paying off depositors, arranging the purchase of assets and assumption of liabilities of failed institutions, effecting insured deposit transfers between institutions, 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 FDIC's Office of Complex Financial Institutions (OCFI) implements its systemic resolution responsibilities under the Dodd-Frank Act, including resolution planning and promoting cross-border cooperation and coordination with respect to an orderly resolution of a globally active SIFI. OCFI coordinates with RMS's CFI Group in reviewing resolution plans. Prior to the 2008 financial crisis, the FDIC's receivership authority was limited to federally insured banks and thrift institutions. No regulator had the authority to place the holding company or affiliates of an insured depository institution, or to place any other nonbank financial company, into an FDIC receivership.

The preferred option for the resolution of a SIFI is for the firm to file for reorganization or liquidation under the U.S. Bankruptcy Code, just as any failed nonfinancial company would. The Orderly Liquidation Authority under the Dodd-Frank Act gives the FDIC the powers necessary to potentially resolve a failing systemic bank holding company or a systemic financial company in an orderly manner that imposes accountability on shareholders, creditors, and the management of the failed company, while mitigating systemic risk and imposing no cost on taxpayers. This serves as a potential alternative when bankruptcy would have serious adverse effects on U.S. financial stability.

National Credit Union Administration

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

The NCUA's main responsibilities are as follows:

- charter, regulate, and supervise more than 3,900 federal credit unions in the United States and its territories;
- administer the National Credit Union Share Insurance Fund (NCUSIF), which insures member share accounts in almost 6,300 federal and state-chartered credit unions;
- administer the Temporary Corporate Credit Union Stabilization Fund, which has borrowing authority from the U.S. Treasury and assessment authority to resolve corporate credit union issues; and
- manage the Central Liquidity Facility, created to improve the financial stability of credit unions by providing liquidity to the credit union system.

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

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

Office of the Comptroller of the Currency

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

The OCC was created by Congress to charter, regulate, and supervise national banks. On July 21, 2011, pursuant to the Dodd-Frank Act, the OCC assumed supervisory responsibility for federal savings associations, as well as rulemaking authority relating to all savings associations. The OCC regulates and supervises 1,152 national banks and trust companies, 462 federal savings associations, and 49 federal branches of foreign banks—accounting for approximately 69 percent of the total assets of all U.S. commercial banks, federal savings associations, and branches of foreign banks. The OCC seeks to ensure that national banks and federal savings associations (collectively "banks") safely and soundly manage their risks, comply with applicable laws, compete effectively with other providers of financial services, offer products and services that meet the needs of customers, and provide fair access to financial services and fair treatment of their customers.

The OCC's mission-critical programs include:

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

To meet its objectives, the OCC maintains a nationwide staff of bank examiners and other professional and support personnel. Headquartered in Washington, DC, the OCC has four district offices, which are located in Chicago, Dallas, Denver, and New York. In addition, the OCC maintains a network of field offices and 22 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, 2014[1]

Billions of dollars

Item	Total	U.S. Commercial Banks[2]			U.S. Branches and Agencies of Foreign Banks[6]	Savings Institutions[4]		Credit Unions[3]	
		National	State Member[5]	State Non-Member		OCC Regulated Federal Charter	FDIC Regulated State Charter[7]	Federal Charter	State Charter
Total assets	*19,216*	*9,963*	*2,233*	*2,296*	*2,532*	*707*	*363*	*596*	*526*
Total loans and receivables (net)	9,542	4,950	1,044	1,538	639	409	253	372	337
Loans secured by real estate[8]	4,572	2,247	542	917	38	247	217	187	177
Consumer loans[9]	1,761	951	78	270	0	113	7	185	157
Commercial and industrial loans	2,051	1,101	272	273	333	37	27	3	5
All other loans and lease receivables[10]	1,290	729	166	100	268	20	5	1	1
LESS: Allowance for loan and lease losses	130	78	13	22	0	7	3	4	3
Federal funds sold and securities purchased under agreements to resell	577	309	38	9	218	1	1	0	1
Cash and due from depository institutions[11]	2,974	1,311	387	158	916	53	15	68	66
Securities and other obligations[12]	3,573	1,984	528	425	127	214	69	129	97
U.S. government obligations[13]	890	374	103	93	37	37	54	109	83
Obligations of state and local governments[14]	316	164	53	87	0	6	6	–	–
Other securities	2,367	1,446	372	245	90	171	9	20	14
Other assets[15]	2,548	1,408	235	166	632	30	25	27	25
Total liabilities	*17,345*	*8,858*	*1,992*	*2,019*	*2,532*	*625*	*318*	*531*	*470*
Total deposits and shares[16]	13,936	7,361	1,787	1,797	1,222	547	272	499	451
Federal funds purchased and securities sold under agreements to repurchase	690	215	48	31	371	16	7	2	0
Other borrowings[17]	1,415	756	84	159	296	49	35	24	12
Other liabilities[18]	1,303	525	73	33	642	13	4	6	7
Net worth[19]	*1,870*	*1,105*	*240*	*277*	*1*	*81*	*45*	*65*	*56*
Memorandum: Number of institutions reporting	13,058	1,123	858	3,716	221	448	419	3,927	2,346

Footnotes to Tables

1. The table covers institutions, including those in Puerto Rico and U.S. territories and possessions, insured by the Federal Deposit Insurance Corporation or National Credit Union Savings Insurance Fund. All branches and agencies of foreign banks in the United States, but excluding any in Puerto Rico and U.S. territories and possessions, are covered whether or not insured. Excludes Edge Act and Agreement corporations that are not subsidiaries of U.S. commercial banks.
2. Reflects fully consolidated statements of FDIC-insured U.S. commercial banks—including their foreign branches, foreign subsidiaries, branches in Puerto Rico and U.S. territories and possessions, and FDIC insured banks in Puerto Rico and U.S. territories and possessions. Excludes bank holding companies.
3. Data are for federally insured natural person credit unions only.
4. Reflects fully consolidated statements of Savings Institutions—including Stock Savings Banks, Mutual Savings Banks, Stock Savings & Loan Associations, and Mutual Savings & Loan Associations that are Federally Chartered or that are State Chartered and not Federal Reserve Members.
5. Includes State Member Savings Banks and State Member Cooperative Banks.
6. These institutions are not required to file reports of income.
7. Includes State Chartered Savings Associations formerly regulated by the Office of Thrift Supervision.
8. Includes loans secured by residential property, commercial property, farmland (including improvements), and unimproved land; and construction loans secured by real estate.
9. Includes loans, except those secured by real estate, to individuals for household, family, and other personal expenditures including both installment and single payment loans. Net of unearned income on installment loans.
10. Includes loans to financial institutions, for purchasing or carrying securities, to finance agricultural production and other loans to farmers (except those secured by real estate), to states and political subdivisions and public authorities, and miscellaneous types of loans.

Notes continue on the next page

INCOME AND EXPENSES of U.S. Commercial Banks, Savings Institutions, and Credit Unions for the Twelve Months Ending December 31, 2014[1]

Billions of dollars

Item	Total	U.S. Commercial Banks[2]			Savings Institutions[4]		Credit Unions[3]	
		National	State Member[5]	State Non-Member	OCC Regulated Federal Charter	FDIC Regulated State Charter[7]	Federal Charter	State Charter
Operating income:	770	449	91	120	46	13	28	23
Interest and fees on loans	408	223	40	79	23	10	18	15
Other interest and dividend income	99	65	13	11	4	2	2	2
All other operating income	263	162	38	30	18	1	8	6
Operating expenses:	542	312	64	83	31	10	23	19
Salaries and benefits	207	121	28	30	7	4	9	8
Interest on deposits and shares	35	15	3	8	3	1	3	2
Interest on other borrowed money	19	11	2	3	2	1	0	0
Provision for loan and lease losses	33	18	2	6	4	0	2	1
All other operating expenses	251	148	29	37	16	4	9	8
Net operating income	*226*	*137*	*26*	*37*	*14*	*3*	*5*	*4*
Securities gains and losses	2	2	0	–	0	0	0	0
Extraordinary items	–	0	0	0	0	0	–	–
Income taxes	68	43	8	11	5	1	–	–
Net income	*162*	*96*	*19*	*26*	*10*	*2*	*5*	*4*
Memorandum: Number of institutions reporting	12,837	1,123	858	3,716	448	419	3,927	2,346

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 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.

Appendix A: Relevant Statutes

Federal Financial Institutions Examination Council Act

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

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

12 U.S.C. § 3302. Definitions

As used in this chapter—

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

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

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

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

(a) Establishment; composition

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

(1) the Comptroller of the Currency,

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

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

(4) the ***Director of the Consumer Financial Protection Bureau***,[1]

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

(6) the Chairman of the State Liaison Committee.

(b) Chairmanship

The members of the Council shall select the first chairman of the Council. Thereafter the chairmanship shall rotate among the members of the Council.

(c) Term of office

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

(d) Designation of officers and employees

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

(e) Compensation and expenses

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

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

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

1. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 amended several provisions in the relevant statutes, including excerpts contained in this appendix. Changes are shown as bolded and italicized. The amendments relating to the Consumer Financial Protection Bureau became effective on July 21, 2011.

ments may be made during the year if necessary.

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

(a) Establishment of principles and standards

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

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

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

(2) When a recommendation of the Council is found unacceptable by one or more of the applicable Federal financial institutions regulatory agencies, the agency or agencies shall submit to the Council, within a time period specified by the Council, a written statement of the reasons the recommendation is unacceptable.

(c) Development of uniform reporting system

The Council shall develop uniform reporting systems for federally supervised financial institutions, their holding companies, and nonfinancial institution subsidiaries of such institutions or holding companies. The authority to develop uniform reporting systems shall not restrict or amend the requirements of section 78l(i) of Title 15.

(d) Conducting schools for examiners and assistant examiners

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

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

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

(f) Annual report

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

(g) Flood insurance

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

12 U.S.C. § 3306. State liaison

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

Members of the Liaison Committee shall elect a chairperson from among the members serving on the committee.

12 U.S.C. § 3307. Administration

(a) Authority of Chairman of Council

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

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

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

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

In addition, the Council may—

(1) subject to the provisions of Title 5 relating to the competitive service, classification, and General Schedule pay rates, appoint and fix the compensation of such officers and employees as are necessary to carry out the provisions of this chapter, and to prescribe the authority and duties of such officers and employees; and (2) obtain the services of such experts and consultants as are necessary to carry out the provisions of this chapter.

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

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

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

(a) Seminars

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

(b) Study of risk management training program

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

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

(2) report to the Congress the results of such study.

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

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

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

(a) In general

Not less frequently than once every 10 years, the Council and each appropriate Federal banking agency represented on the Council shall conduct a review of all regulations prescribed by the

Council or by any such appropriate Federal banking agency, respectively, in order to identify outdated or otherwise unnecessary regulatory requirements imposed on insured depository institutions.

(b) Process

In conducting the review under subsection (a) of this section, the Council or the appropriate Federal banking agency shall—

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

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

(c) Complete review

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

(d) Regulatory response

The Council or the appropriate Federal banking agency shall—

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

(2) eliminate unnecessary regulations to the extent that such action is appropriate.

(e) Report to Congress

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

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

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

Excerpts from Statute Governing Appraisal Subcommittee

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

(a) In general

The Appraisal Subcommittee shall—

(1) monitor the requirements established by States—

(A) for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and

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

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

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

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

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

(4) Omitted.

(5) transmit an annual report to the Congress not later than June 15 of each year that describes the manner in

which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year. The report shall also detail the activities of the Appraisal Subcommittee, including the results of all audits of State appraiser regulatory agencies, and provide an accounting of disapproved actions and warnings taken in the previous year, including a description of the conditions causing the disapproval and actions taken to achieve compliance.

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

(b) Monitoring and reviewing Foundation

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

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

(a) Chairperson

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

(b) Meetings; quorum; voting

The Appraisal Subcommittee shall meet in public session after notice ***in the Federal Register, but may close certain portions of these meetings related to personnel and review of preliminary State audit reports***, at the call of the 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, 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 Board shall provide staff and data processing resources to the Council to enable it to carry out the provisions of subsection (a) of this section.

(c) Availability to public

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

Appendix B: 2014 Audit Report

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

March 17, 2015

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

Dear Federal Financial Institutions Examination Council Members:

This letter transmits the Independent Auditors' Report prepared by Deloitte & Touche LLP on the Federal Financial Institutions Examination Council's (FFIEC) financial statements. The Office of Inspector General contracted with Deloitte & Touche LLP to audit the financial statements of the FFIEC as of and for the years ended December 31, 2014 and 2013.

The contract requires the audits to be performed in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Office of Inspector General reviews and monitors the work of Deloitte & Touche LLP to ensure compliance with *Government Auditing Standards* and the contract. Deloitte & Touche LLP is responsible for the accompanying Independent Auditors' Report, dated March 17, 2015.

We do not express an opinion on the FFIEC's financial statements. In addition, we do not draw conclusions on the FFIEC's compliance with laws and regulations.

Sincerely,

Mark Bialek
Inspector General

cc: Judith Dupre, Executive Secretary, FFIEC
Amy Friend, Chairman, FFIEC Legal Advisory Group and Member, Office of the Comptroller of the Currency
William Mitchell, Chief Financial Officer and Director, Division of Financial Management, Board of Governors of the Federal Reserve System

Deloitte & Touche LLP
555 12th St. N.W.
Washington, DC 20004-1207
USA
Tel: +1 202 879 5600
Fax: +1 202 879 5309
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To 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 are comprised of the balance sheets as of December 31, 2014 and 2013, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 auditor's 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 Council'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 Council'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 Council as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Deloitte & Touche LLP

March 17, 2015

Member of
Deloitte Touche Tohmatsu

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Balance Sheets

	As of December 31, 2014	As of December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash	$ 701,084	$ 626,147
Accounts receivable from member organizations	705,340	1,090,147
Accounts receivable from non-members—net	116,907	129,855
Total current assets	1,523,331	1,846,149
NONCURRENT ASSETS:		
Equipment leased—net	195,007	58,231
Central Data Repository software—net	997,178	1,131,321
Home Mortgage Disclosure Act software—net	603,172	1,159,945
Total noncurrent assets	1,795,357	2,349,497
TOTAL ASSETS	$ 3,318,688	$ 4,195,646
LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities payable to member organizations	$ 564,199	$ 703,116
Other accounts payable and accrued liabilities	438,056	700,295
Accrued annual leave	56,415	43,103
Capital lease payable	47,348	42,830
Deferred revenue	764,868	1,688,095
Total current liabilities	1,870,886	3,177,439
LONG-TERM LIABILITIES:		
Capital lease payable	156,288	18,956
Deferred revenue	835,480	603,171
Deferred rent	—	6,783
Total long-term liabilities	991,768	628,910
Total liabilities	2,862,654	3,806,349
CUMULATIVE RESULTS OF OPERATIONS	456,034	389,297
TOTAL LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS	$ 3,318,688	$ 4,195,646

See notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Statements of Operations

	For the years ended December 31,	
	2014	2013
REVENUES:		
Assessments on member organizations	$ 773,165	$ 705,555
Central Data Repository	3,842,296	5,443,813
Home Mortgage Disclosure Act	4,063,765	3,820,734
Tuition	4,037,830	3,983,198
Community Reinvestment Act	1,104,290	969,328
Uniform Bank Performance Report	674,391	359,196
Total revenues	14,495,737	15,281,824
EXPENSES:		
Data processing	4,611,282	4,233,290
Professional fees	4,836,412	5,109,779
Salaries and related benefits	2,282,907	2,065,455
Depreciation, amortization, and net gains or losses on disposals	1,499,745	2,859,113
Rental of office space	264,989	270,489
Administration fees	245,000	223,000
Travel	512,824	310,138
Other seminar expenses	55,455	46,525
Rental and maintenance of office equipment	34,840	34,097
Office and other supplies	46,217	43,695
Printing	15,405	22,416
Miscellaneous	23,924	8,762
Total expenses	14,429,000	15,226,759
RESULTS OF OPERATIONS	66,737	55,065
CUMULATIVE RESULTS OF OPERATIONS—Beginning of year	389,297	334,232
CUMULATIVE RESULTS OF OPERATIONS—End of year	$ 456,034	$ 389,297

See notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Statements of Cash Flows

	For the years ended December 31, 2014	2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Results of operations	$ 66,737	$ 55,065
Adjustments to reconcile results of operations to net cash provided by operating activities:		
Depreciation	1,502,906	2,859,113
Net loss (gain) on disposal of property and equipment	(3,161)	—
(Increase) decrease in assets:		
Accounts receivable from member organizations	384,807	(204,947)
Other accounts receivable	12,948	60,075
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities payable to member organizations	(138,917)	(137,603)
Other accounts payable and accrued liabilities	(339,704)	306,176
Accrued annual leave	13,312	4,223
Deferred revenue (current and non-current)	(690,917)	(2,819,416)
Deferred rent	(6,783)	(3,302)
Net cash provided by operating activities	801,228	119,384
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Capital expenditures	(688,280)	(88,604)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Capital lease payments	(38,011)	(43,183)
NET INCREASE (DECREASE) IN CASH	74,937	(12,403)
CASH BALANCE—Beginning of year	626,147	638,550
CASH BALANCE—End of year	$ 701,084	$ 626,147

See notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Notes to Financial Statements as of and for the Years Ended December 31, 2014 and 2013

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 five agencies represented on the Council during 2014, referred to collectively as member organizations, are as follows:

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

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

The Council was given additional statutory responsibilities by Section 340 of the Housing and Community Development Act of 1980, Public Law 96-399. Among these responsibilities is the implementation of a system 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.

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. Amounts over- or under- assessed due to differences between assessments and actual expenses are presented in the "Cumulative Results of Operations" line item during the year and then may be used to offset or increase the next year's assessment. Deficits in "Cumulative Results of Operations" can be recouped in the following year's assessments.

The Council provides training seminars in the Washington, D.C. area and at locations throughout the country for member organizations and other agencies. The Council also coordinates 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 Community Reinvestment Act (CRA) processing system and the HMDA processing system. The Council also recognizes revenue from other agencies related to the Home Mortgage Disclosure Act when appropriate, and did such in 2013.

Capital Assets—Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from four to ten 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 Central Data Repository (CDR) and the HMDA processing system, internally developed software projects, are recorded at cost less accumulated depreciation.

Deferred Revenue—Deferred revenue includes cash collected and accounts receivable from member organizations to fund the development of CDR and the HMDA processing system. Revenue is recognized over the useful life of the system.

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.

Allowance for Doubtful Accounts—Accounts receivable for non-members are shown net of the allowance for doubtful accounts. Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance for doubtful accounts is adjusted

Notes continue on the following page.

monthly, based upon a review of outstanding receivables.

3. Transactions with Member Organizations

	2014	2013
Accounts receivable:		
Board of Governors of the Federal Reserve System	$ 132,125	$ 326,875
Consumer Financial Protection Bureau	12,364	31,371
Federal Deposit Insurance Corporation	330,290	364,244
National Credit Union Administration	16,278	33,624
Office of the Comptroller of the Currency	214,283	334,033
	$ 705,340	$1,090,147
Accounts payable and accrued liabilities:		
Board of Governors of the Federal Reserve System	$ 221,749	$ 442,749
Consumer Financial Protection Bureau	4,905	3,824
Federal Deposit Insurance Corporation	117,666	143,440
National Credit Union Administration	25,427	20,087
Office of the Comptroller of the Currency	194,452	93,016
	$ 564,199	$ 703,116
Operations:		
Council operating expenses reimbursed by members	$ 773,165	$ 705,555
FRB-provided administrative support	$ 245,000	$ 223,000
FRB-provided data processing	$ 4,611,282	$ 4,233,290

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

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

In 2014, the Council authorized the OCC to contract with a third party on behalf of the Council to perform a cyber risk assessment related to financial institutions, and other third parties and critical infrastructures upon which the financial services sector depends. The OCC collected the cost of the cyber risk assessment directly from the Council member agencies. The Council's financial statements do not reflect any activity related to the cyber risk assessment or contract.

4. Central Data Repository (CDR)

In 2003, the Council entered into an agreement with UNISYS to enhance the methods and systems used to collect, validate, process, and distribute Call Report information used by member organizations, and to store this information in CDR. CDR was placed into service in October 2005. At that time, the Council began depreciating CDR on the straight-line basis over its estimated useful life of 63 months. In 2009, the Council reevaluated the useful life of CDR and decided to extend the estimated useful life by an additional 36 months based on enhanced functionality of the software. In 2013, the Council again reevaluated the useful life of CDR and decided to extend the estimated useful life by an additional 12 months to December 31, 2014. In 2014, the Council added additional enhancements of $688,281 and extended the useful life of the asset, including the enhancements, for an additional 56 months. The Council records depreciation expenses and recognizes the same amount of revenue. The Council also pays for hosting and maintenance expenses for CDR and recognizes the associated revenue from members. Software in process represents a year-end accrual for work performed and is therefore a non-cash activity excluded from the Statements of Cash Flows.

	2014	2013
Capital Asset CDR		
Beginning balance	$21,151,575	$21,151,575
Software placed in use during the year	688,281	—
Software in process	78,091	—
Total asset	$ 21,917,947	$ 21,151,575
Less accumulated depreciation	(20,920,769)	(20,020,254)
Central Data Repository software—net	$ 997,178	$ 1,131,321
Depreciation		
Depreciation for the CDR project	$ 900,515	2,262,642

CDR *Financial Activity*—The Council is funding the project by billing the three participating Council member organizations (FRB, FDIC, and OCC). Activity for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Deferred Revenue		
Beginning balance	$ 1,131,321	$ 3,393,963
Additions	766,372	—
Less revenue recognized	(900,515)	(2,262,642)
Ending balance	$ 997,178	$ 1,131,321
Current portion deferred revenue	$ 208,095	$ 1,131,321
Long-term deferred revenue	789,083	—
Total Deferred Revenue	$ 997,178	$ 1,131,321
Total CDR Revenue		
Deferred revenue recognized	$ 900,515	$ 2,262,642
Hosting and maintenance revenue	2,941,781	3,181,171
Total CDR Revenue	$ 3,842,296	$ 5,443,813
Accounts payable and acccrued liabilities related to CDR:		
Payable to UNISYS for the CDR	$ 346,284	$ 601,173

Notes continue on the following page.

5. Home Mortgage Disclosure Act (HMDA)

FRB provides maintenance and support for the HMDA processing system. In 2007, the Council began a rewrite of the entire HMDA processing system, which went into service in 2011. At that time, the Council began depreciating the system on the straight-line basis over its estimated useful life of 60 months.

	2014	2013
Capital Asset HMDA		
Beginning balance	$ 2,783,868	$ 2,783,868
Total asset	$ 2,783,868	$ 2,783,868
Less accumulated depreciation	(2,180,696)	(1,623,923)
HMDA software—net	$ 603,172	$ 1,159,945
Depreciation		
Depreciation for the HMDA Rewrite project	$ 556,773	556,773

The Council records depreciation expenses and recognizes the same amount of revenue each year. The Council also pays for maintenance expenses for the HMDA processing system and recognizes the associated revenue from the members and non-members. The financial activity associated with the processing system for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Deferred Revenue		
Beginning balance	$ 1,159,945	$ 1,716,718
Additions	—	—
Less revenue recognized	(556,773)	(556,773)
Ending balance	603,172	1,159,945
Current portion deferred revenue	$ 556,774	$ 556,774
Long-term deferred revenue	46,398	603,171
Total Deferred Revenue	$ 603,172	$ 1,159,945

	2014	2013
Total HMDA Revenue		
The Council recognized the following revenue from:		
Member organizations for the production and distribution of reports under the HMDA (includes the deferred revenue recognized in 2014)	$ 3,461,874	$ 2,987,385
Department of Housing and Urban Development's participation in the HMDA project	601,891	514,104
Mortgage insurance companies for HMDA-related work	—	319,245
Total HMDA Revenue	$ 4,063,765	$ 3,820,734

6. Leases

Capital Leases—The Council terminated existing capital leases for printing equipment in February 2014, which is a non-cash event of $54,800 excluded from Statement of Cash Flows, and subsequently entered into new capital leases in March 2014. Equipment consists of $234,000 and $198,485 for the capital leases as of December 31, 2014 and 2013, respectively; the $234,000 is a non-cash event excluded from the Statement of Cash Flows. Accumulated depreciation was $39,000 and $140,254 for 2014 and 2013, respectively. The depreciation expense for the printing equipment was $46,000 and $39,697 for 2014 and 2013, respectively. Contingent rentals for excess usage of the printing equipment amounted to $14,000 and $18,668 in 2014 and 2013, respectively.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2014 are as follows:

Years ending December 31,	Amount
2015	$ 72,821
2016	72,821
2017	72,821
2018	72,821
2019	12,138
Total minimum lease payments	303,422
Less amount representing maintenance	(90,980)
Net minimum lease payments	212,442
Less amount representing interest	(8,806)
Present value of net minimum payments	203,636
Less current maturities of capital lease payments	(47,348)
Long-term capital lease obligations	$ 156,288

Operating Leases—The Council extended the operating lease with the FDIC in January 2015 for an additional twelve months to secure office and classroom space.

7. Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2014. Subsequent events were evaluated through March 17, 2015, which is the date the financial statements were available to be issued.

Deloitte & Touche LLP
555 12th St. N.W.
Washington, DC 20004-1207
USA
Tel: +1 202 879 5600
Fax: +1 202 879 5309
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Federal Financial Institutions Examination Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Federal Financial Institutions Examination Council (the "Council"), as of and for the years ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated March 17, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings to be a material weakness. 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.

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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Council's Response to Findings

The Council's response to the findings identified in our audit is described in the accompanying Schedule of Findings. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Deloitte & Touche LLP

March 17, 2015

Member of
Deloitte Touche Tohmatsu

Schedule of Findings

Material Weakness in Internal Control Over Financial Reporting

Useful life of Internal-Use Software

As part of our 2014 audit, a material weakness was identified related to the periodic determination and review of the useful life assigned to certain internal-use software. Specifically, the useful life assigned to a portion of the Central Data Repository ("CDR") software was not appropriately reassessed in connection with enhancements to the software which extended the expected useful life of the CDR software in accordance with accounting principles generally accepted in the United States of America and the Council's policy. Accounting Standards Codification 350-40, *Internal-Use Software,* requires the capitalized costs of internal-use software to be amortized over the useful life of the software, as determined and periodically reassessed by management. The appropriate determination, review and periodic reassessment of internal-use software useful life was not performed. The material weakness identified by us resulted in 2014 amortization expense being overstated by $267,679. This misstatement was corrected by management in the 2014 financial statements.

Recommendation:

We recommend that the Council enhance its process to determine, review and periodically reassess the useful life assigned to internal-use software, including periods in which enhancements are made that extend the expected useful life of the internal-use software. The Council should implement the controls necessary to prevent, or detect and correct, misstatements that result from using improper useful life on a timely basis.

Management's Response:

Management has routinely evaluated the CDR software's useful life (including the associated enhancements) as evidenced by the useful life extensions in 2009 and 2013. When the most recent enhancement was placed in service in September 2014, management noted that there were only three months remaining in the life of the existing CDR software, that the book value represented approximately two percent of the total cost capitalized-to-date, and that the original asset had been depreciating for over nine years. Since the new enhancement did not significantly alter the existing asset, and given the unique circumstances surrounding the one-year extension made in 2013, management decided to allow the original asset to finish depreciating over the three months of its remaining useful life. Management agrees the internal controls over the process of evaluating internal-use software functionality and associated useful lives should be improved.

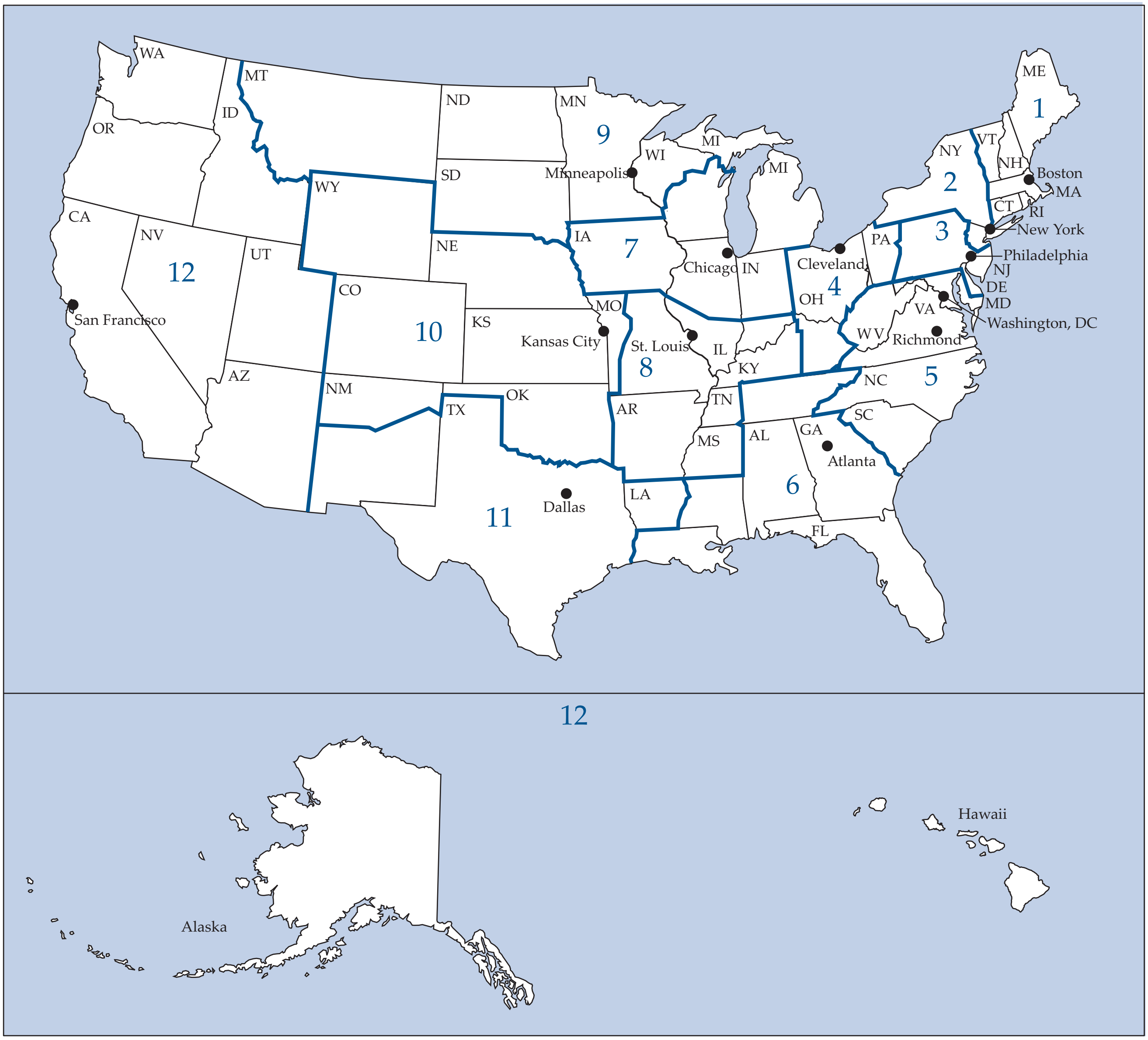
Auditors' Response:

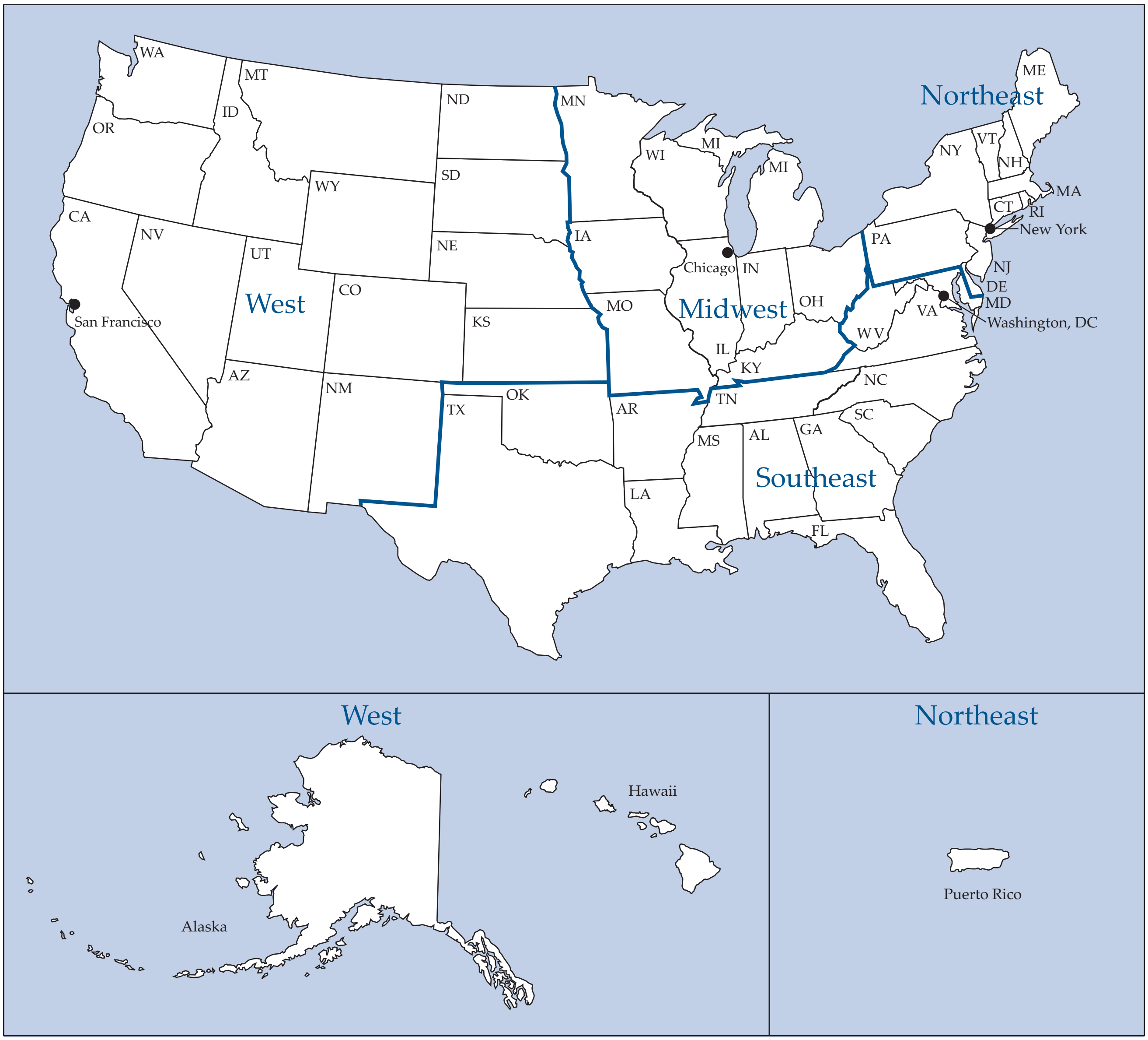
The Council's controls failed to prevent or detect an error in amortization expense of $267,679, which was material to the Council's basic financial statements; accordingly, a material weakness exists related to the periodic determination and review of the useful life assigned to internal-use software.

Member of
Deloitte Touche Tohmatsu

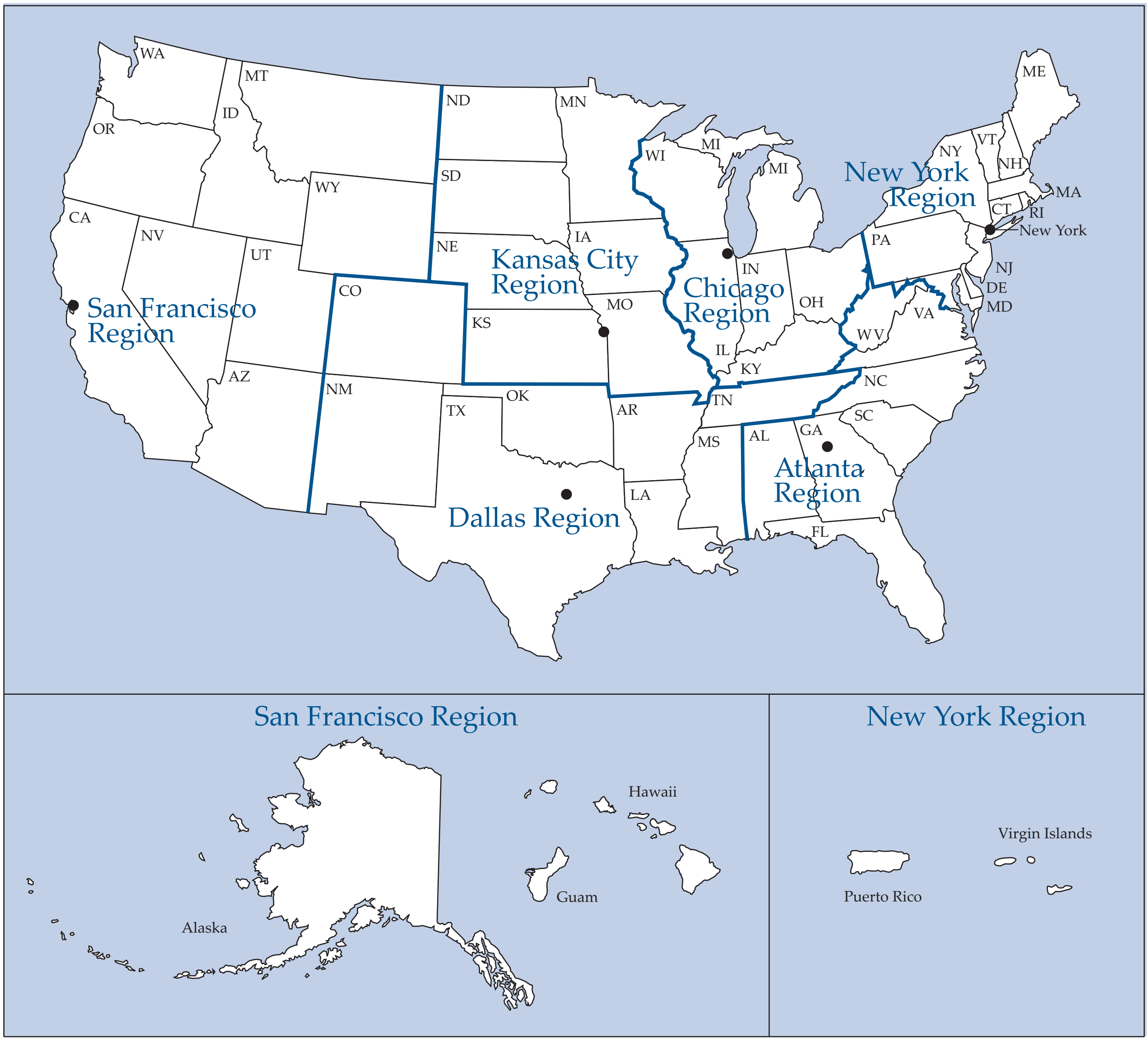
Appendix C: Maps of Agency Regions and Districts

Board of Governors of the Federal Reserve System



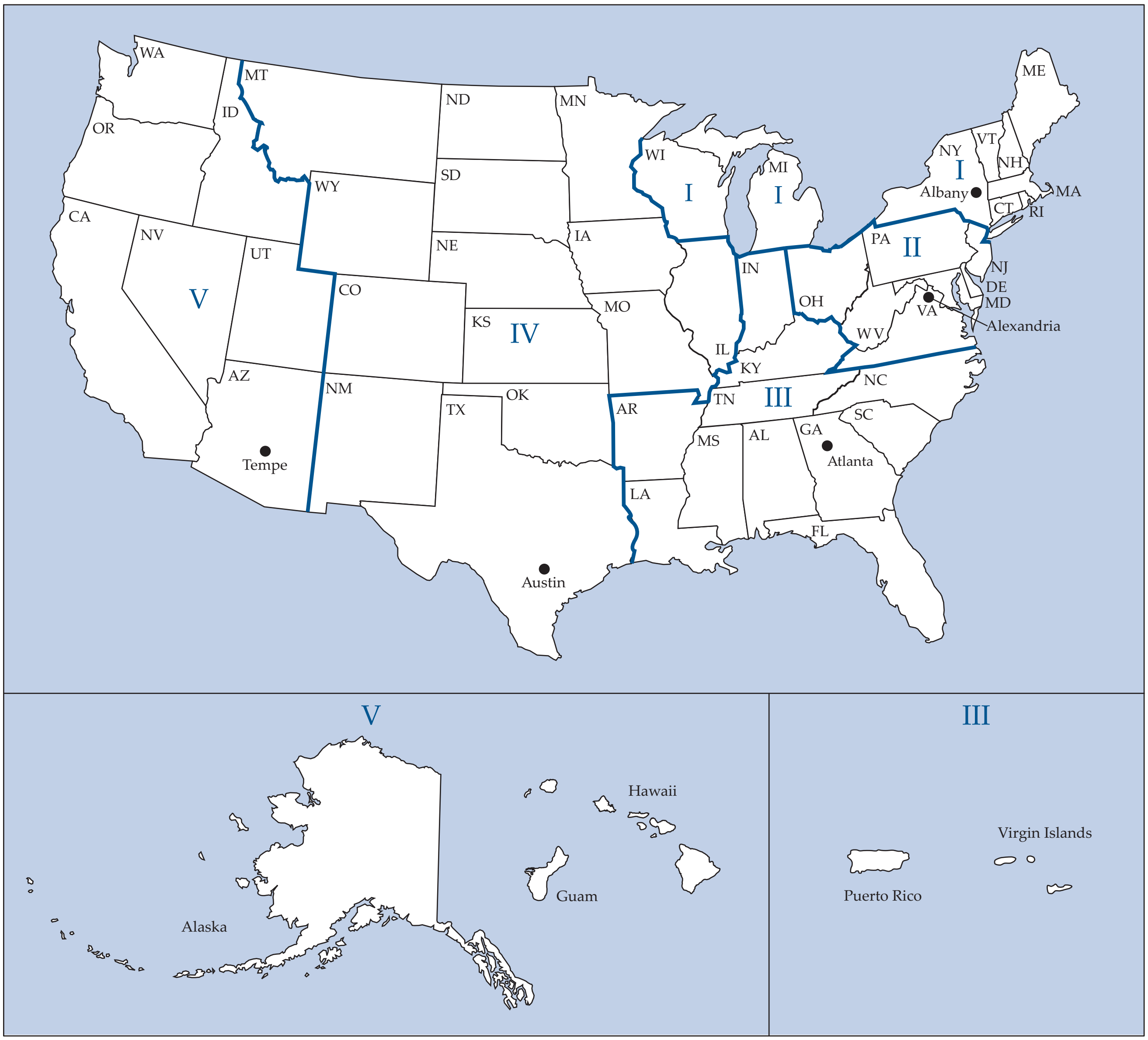

WA
MT
ND
MN
ME
Northeast
OR
ID
WI
MI
MI
NY
VT
NH
SD
WY
MA
CT
RI
CA
NV
UT
NE
IA
PA
New York
Chicago
IN
NJ
CO
West
MO
Midwest
OH
DE
San Francisco
KS
VA
MD
Washington, DC
WV
IL
KY
AZ
NM
OK
NC
TN
TX
AR
SC
MS
AL
GA
Southeast
LA
FL
West
Northeast
Hawaii
Alaska
Puerto Rico

Federal Deposit Insurance Corporation Regions (Supervision and Compliance)

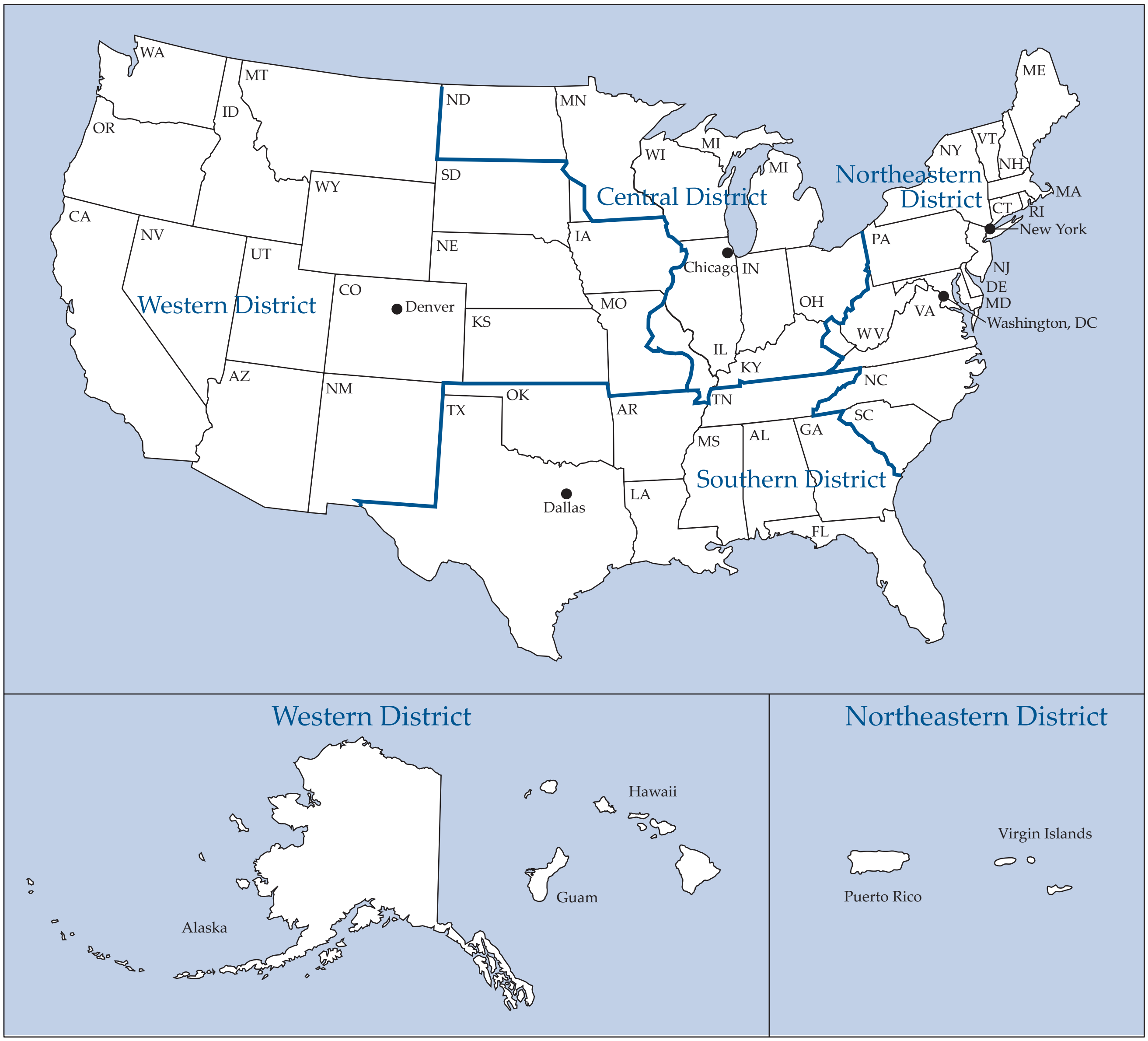


* Two area offices are located in Boston (reports to New York) and Memphis (reports to Dallas)

National Credit Union Administration



OFFICE OF THE COMPTROLLER OF THE CURRENCY



Appendix D: Organizational Listing of Personnel

December 31, 2014

Members of the Council

Thomas J. Curry, *Chairman*
Comptroller of the Currency
Office of the Comptroller of the Currency (OCC)

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

Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation (FDIC)

Richard Cordray
Director
Consumer Financial Protection Bureau (CFPB)

Debbie Matz
Chairman
National Credit Union Administration (NCUA)

David J. Cotney
Chairman
State Liaison Committee (SLC)
Commissioner of Banks
Commonwealth of Massachusetts

State Liaison Committee (SLC)

David J. Cotney, *Chairman*
Commissioner of Banks
Commonwealth of Massachusetts

Thomas Candon
Deputy Commissioner
Banking and Securities
Vermont Department of Financial Regulation

Lauren Kingry
Superintendent
Arizona Department of Financial Institutions

Michael Mach
Administrator
Division of Banking
Wisconsin Department of Financial Institutions

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

Council Staff Officer

Judith Dupre
Executive Secretary

Interagency Staff Groups

Agency Liaison Group

Jennifer Kelly (OCC)
Arthur Lindo (FRB)
Doreen Eberley (FDIC)
Steven Antonakes (CFPB)
Larry Fazio (NCUA)
Mary Beth Quist (SLC Representative/CSBS)

Legal Advisory Group

Amy Friend, *Chairman* (OCC)
Scott Alvarez (FRB)
Richard Osterman, Jr. (FDIC)
Meredith Fuchs (CFPB)
Michael McKenna (NCUA)
Margaret Liu (SLC Representative/CSBS)

Task Force on Consumer Compliance

Carol Evans, *Chairman* (FRB)
Matthew Biliouris (NCUA)
Luke Brown (FDIC)
Carmine Costa (SLC Representative/Connecticut)
Grovetta Gardineer (OCC)
Alice Hrdy (CFPB)

Task Force on Examiner Education

Philip Mento, *Chairman* (FDIC)
Joseph Arleth (CFPB)
Norbert Cieslack (FRB)
JeanMarie Komyathy (NCUA)
Thomas Rollo (OCC)
Wendy Spicher (SLC Representative/Pennsylvania)

Task Force on Information Sharing

Jami Blume, *Chairman* (CFPB)
John Kolhoff (SLC Representative/Michigan)
Michael Kraemer (FRB)
Todd Roscoe (NCUA)
Robin Stefan (OCC)
Terrie Templemon (FDIC)

Task Force on Reports

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

Task Force on Supervision

Doreen Eberley, *Chairman* (FDIC)
Michael Gibson (FRB)
Steve Kaplan (CFPB)
Jennifer Kelly (OCC)
Karen Lawson (SLC Representative/Michigan)
D. Scott Neat (NCUA)

Task Force on Surveillance Systems

Robin Stefan, Chairman (OCC)
Charles Collier (FDIC)
Matt Mattson (FRB)
Kyle Thomas (SLC Representative/CSBS)
Kim Tuttle (NCUA)
Andrew White (CFPB)

Council Staff

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