



ANNUAL REPORT 2004



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MEMBERS OF THE COUNCIL



James E. Gilleran, *Chairman*
Director
Office of Thrift Supervision



JoAnn Johnson, *Vice Chairman*
Chairman
National Credit Union Administration

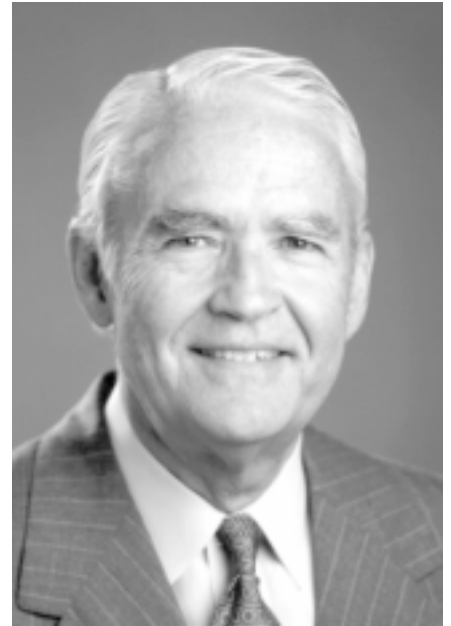


Susan Schmidt Bies
Member
Board of Governors of the
Federal Reserve System



Julie L. Williams*
Acting Comptroller of the Currency
Office of the Comptroller of the Currency

* John D. Hawke, Jr. served as the Office of the Comptroller of the Currency member of the FFIEC for the majority of 2004. He retired as the Comptroller of the Currency in October 2004 and Ms. Williams has assumed the Comptroller's position on an acting basis.



Donald E. Powell
Chairman
Federal Deposit Insurance Corporation

LETTER OF TRANSMITTAL

Federal Financial Institutions
Examination Council
Arlington, VA 22226
March 28, 2005

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

Pursuant to the provisions of section 1006(f) of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 USC 3305), I am pleased to submit the 2004 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,

A handwritten signature in black ink, reading "James E. Gilleran". The signature is written in a cursive style with a large, sweeping initial "J".

James E. Gilleran
Chairman

TABLE OF CONTENTS

vii	Message from the Chairman
1	Overview of the Federal Financial Institutions Examination Council Operations
3	Record of Council Activities
5	State Liaison Report
7	Activities of the Interagency Staff Task Forces
17	The Federal Financial Institution Regulatory Agencies and Their Supervised Institutions
21	Assets, Liabilities, and Net Worth of U.S. Commercial Banks, Thrift Institutions, and Credit Unions as of June 30, 2004
22	Income and Expenses of U.S. Commercial Banks and Thrift Institutions for Twelve Months Ending June 30, 2004
23	Appendix A: Relevant Statutes
27	Appendix B: 2004 Audit Report
35	Appendix C: Maps of Agency Regions and Districts
41	Appendix D: Organizational Listing of Personnel

MESSAGE FROM THE CHAIRMAN



James E. Gilleran

In 2004, the FFIEC continued its high-level of performance and productivity. As regulators, we continued to work together to advance our mission of promoting uniformity and consistency in the supervision of financial institutions. We also continued to foster communication, cooperation, and coordination among the member agencies that comprise the Council, its task forces, the State Liaison Committee (SLC), an advisory committee comprised of five representatives of state agencies that supervise financial institutions, and with the Financial Crimes Enforcement Network—the agency whose mission, with various other outside agencies, is to safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity.

More specific details on the 2004 achievements are included in the Record of Council Activities and Activities of the Interagency Staff Task Forces sections of this report. However, I am pleased to mention some of the more significant initiatives undertaken by the Council, its task forces, and interagency working groups in 2004. These initiatives included the following:

- Establishment of a working group, that includes representatives from all FFIEC member agencies and the Financial Crimes Enforcement Network (FinCEN), to facilitate communication and provide the Council with updates on actions being taken by the various interagency Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) groups.
- Signing of Memorandums of Understanding between the FFIEC and the State Liaison Committee to further facilitate

the sharing of confidential information.

- Issuance of interagency guidance and rules related to numerous banking practices and activities, including guidance on the following:
 - a. The remaining six FFIEC Information Systems examination booklets that address the issues of Retail Payment Systems, Development and Acquisition, Outsourcing Technology Services, Management, Wholesale Payment Systems, and Operations.
 - b. A policy statement that alerts financial institutions to the safety and soundness and legal issues involved in providing financial support to advised investment funds.
 - c. An advisory discussing the appropriate accounting treatment for deferred compensation agreements and for bank-owned life insurance.
 - d. An update on accounting for loan and lease losses that addresses recent developments and lists current authoritative sources of generally accepted accounting principles and gives supervisory guidance on the allowance for loan and lease losses.
 - e. A uniform agreement on the classification of assets and the appraisal of securities held by banks. The agreement retains the external rating methodology for securities and provides guidance for assessing non-rated instruments.
 - f. A statement on the purchase and risk management of life insurance that indicates that institutions should have

-
- a comprehensive risk-management process for purchasing and holding bank-owned life insurance.
- g. Interim technical amendments to the CRA regulations to conform with actions taken by the Office of Management and Budget, the Census Bureau, and the Board of Governors of the Federal Reserve.
- h. A policy implementing flexibility in the display of the Interagency Core Tables in CRA Performance Evaluations.
- i. Additional guidance on HMDA reporting.
- Continuation of a review of regulations to identify and eliminate those that are outdated, unnecessary, or unduly burdensome on insured depository institutions, pursuant to Section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA). Specifically, in 2004, the agencies published two notices requesting comments on consumer protection regulations. More than 700 comment letters were received and analyzed by the agencies. The agencies also held three outreach meetings with bankers as well as three consumer and community group outreach meetings in locations across the United States.
 - Addition of a review of domestic capital as a Task Force on Supervision priority project.
 - Redesign of the HMDA Aggregate and Disclosure tables used for public disclosure of the data collected and reported by lenders.
- Conducting of a CRA efficiency review to identify and implement cost saving measures in the collection, processing, and reporting of CRA data.
 - Issuance of revised Interagency Fair Lending Examination Procedures reflecting changes to Regulation B.
 - Formation of three working groups to keep abreast of potential implications of legal and regulatory developments with emerging issues related to Check 21, the Fair and Accurate Credit Transaction Act, and the FTC Telemarketing Sales Rule and CAN-SPAM Act of 2003.
 - Delivery of pertinent training to 2,740 state and federal employees, including more advanced focus in credit analysis, fraud and anti-money laundering, and the continuation of the broad-based Supervisory Updates and Emerging Issues conferences.
 - Continued enhancements to the speed and accuracy of financial data shared between the agencies.
 - Use of focus groups to test and obtain input related to the development and implementation of the Central Data Repository system that will consolidate the collection, validation, storage, and distribution of Call Report information.
 - Reduction in the Call Report filing period for some banks and a review of a series of recommended reporting changes from two interagency staff working groups that evaluated the agencies' needs for data to more effectively evaluate banks' credit risk and their liability structure and liquidity.
 - Enhancements to the Uniform Bank Performance Report (UBPR), specifically some related to the use of the report to obtain custom peer group information, and a new process that will allow UBPR data to be published more timely.
- I remain extremely pleased about the many accomplishments achieved by the FFIEC and its task forces, with assistance from the State Liaison Committee in 2004. I am also pleased with the enhanced communication with other agencies such as FinCEN for Bank Secrecy Act related information and with the Securities and Exchange Commission, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants for information pertaining to the reporting of information needed for effective supervision, the application of accounting standards, and the assessment of reporting burden. We will continue to promote our efforts to work together on an interagency basis and with these institutions to advance our mission of promoting uniformity and consistency in the supervision of our financial institutions.

OVERVIEW OF THE FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL (FFIEC) OPERATIONS

The FFIEC was established on March 10, 1979, pursuant to title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA), Public Law 95-630. The purpose of title X, entitled 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 Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) and to make recommendations to promote uniformity in the supervision of financial institutions. The Council is also 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 agencies represented on the Council and makes those schools available to employees of state agencies that supervise financial institutions.

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 (MSA).

Title XI of the Financial Institutions

Reform, Recovery, and Enforcement Act of 1989, established the Appraisal Subcommittee within the Council. The functions of the subcommittee are (1) monitoring the requirements, including a code of professional responsibility, established by states for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions; (2) monitoring the appraisal standards established by the federal financial institutions regulatory agencies and the former Resolution Trust Corporation; (3) maintaining a national registry of appraisers who are certified and licensed by a state and who are also eligible to perform appraisals in federally related transactions; and (4) monitoring the practices, procedures, activities, and organizational structure of the Appraisal Foundation, a nonprofit educational corporation established by the appraisal industry in the United States.

The Council has five members: the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, a member of the Board of Governors of the Federal Reserve System appointed by the Chairman of the Board, the Chairman of the Board of the National Credit Union Administration, and the Director of the Office of Thrift Supervision. In addition, 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 the statute, an advisory State Liaison Committee (SLC).

To effectively administer projects in all its functional areas, the Council established six interagency staff task forces, each of which includes

one senior official from each of the member agencies:

- Consumer Compliance;
- Examiner Education;
- Information Sharing;
- Reports;
- Supervision; and
- Surveillance Systems.

The Council also established the Legal Advisory Group, composed of the general or chief counsel of each of the member agencies, to provide support to the Council and staff in the substantive areas of concern; and the Agency Liaison Group, composed of senior officials responsible for coordinating the efforts of their respective agencies' staff members. The task forces and the Legal Advisory Group provide research and analytical papers and proposals on the issues that the Council addresses.

Administration of the Council

The Council holds regular meetings at least twice a year. It holds other meetings whenever called by the Chairman or three or more Council members.

The Council's activities are funded in several ways. Most of the Council's funds are derived from semiannual assessments on its five constituent agencies. The Council also receives reimbursement for the services it provides to support preparation of the quarterly Uniform Bank Performance Report (UBPR). It receives tuition fees from non-agency attendees to cover some of the costs associated with its examiner education program.

In 2004, the FRB provided budget and accounting services to the

Council, and the Federal Reserve's Associate Director for Finance served as the Council's controller. The Council is supported by a small, full-time administrative staff in its operations office and its examiner education program that is located at the Council's examiner training facility in Arlington, Virginia. Each Council staff member is detailed from one of the five agencies represented on the Council but is considered an employee of the Council.

RECORD OF COUNCIL ACTIVITIES

The following section is a chronological record of the official actions taken by the FFIEC during 2004 pursuant to the Federal Financial Institutions Examination Council Act of 1978, as amended, and the Home Mortgage Disclosure Act.

January 20, 2004

Action. Approved Memorandums of Understanding (MOUs) with each of the State Liaison Committee agencies (Conference of State Bank Supervisors, American Council of State Savings Supervisors, and the National Association of State Credit Unions).

Explanation. The MOUs were developed in response to the Chairman of the FFIEC and the State Liaison Committee (SLC) members' request to provide guidance concerning the confidential treatment of information that the SLC agencies receive as nonvoting participants in various FFIEC task forces, working groups, and Council meetings.

February 18, 2004

Action. Approved the 2003 annual report of the Council to the Congress.

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

March 19, 2004

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 man-



The Examination Council in Session.

agement and staff of the five member agencies.

March 31, 2004

Action. Approved the appointment of Virginia Gibbs as the Appraisal Subcommittee Chairperson for a two-year term.

Explanation. The Council is legislatively required to approve the chairperson of the Appraisal Subcommittee.

April 1, 2004

Action. Accepted the annual external audit report.

Explanation. The Council is audited by an outside accounting firm annually. The audit report includes a review of the Council's financial statements as well as a report on internal controls and compliance with government accounting standards.

April 1, 2004

Action. Endorsed the project milestones each FFIEC task force established, with target completion dates set for 2004.

Explanation. Each of the six task forces compiled a summary report that identified planned 2004 projects, projected completion dates, and the staff assigned to them. On a quarterly basis, the Council reviews status updates of the projects.

April 2, 2004

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.

May 14, 2004

Action. Approved the retention of the Federal Reserve Board as the FFIEC's administrative service provider.

Explanation. Due to the limited size of the FFIEC's staff, it is unable to efficiently provide its own financial, human resources, procurement, and information technology services. As a result, another FFIEC member agency or outside agency that specializes in providing these types of services is requested to perform these services. In 2004, a solicitation was made to outside agencies to provide these services, however, after review, the FFIEC decided to retain the services of the Federal Reserve Board as the administrative service provider.

June 25, 2004

Action. Approved the establishment of a working group within the FFIEC's Task Force on Supervision to facilitate communication and provide the Council with updates on actions being taken by the various

interagency Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) groups. The group is also responsible for monitoring training in these areas between the banking agencies, including state banking agencies, and FinCEN.

Explanation. In testimony during a hearing on the Bank Secrecy Act before the Committee on Banking, Housing, and Urban Affairs of the United States, the FFIEC's Chairman, James E. Gilleran, stressed the importance of working cooperatively with the regulatory agencies and with FinCEN in the supervision of BSA activities in light of the global impact of money laundering and the financing of terrorism. During that testimony, Mr. Gilleran noted that he would make a recommendation to the Council to establish a working group to focus on BSA/AML issues on an interagency basis and with FinCEN.

September 9, 2004

Action. Approved a delay in the original plans to meet an October 1,

2004, deadline for implementation of the Central Data Repository (CDR) system, a system that will modernize and streamline the way that agencies collect banking information, and process and distribute quarterly bank financial reports. The data maintained in the CDR will be accessible to banking regulators, financial institutions, and the public.

Explanation. The original time frame for implementing the CDR was October 2004. However, the project was delayed to address industry feedback and to allow more time for testing and enrollment. Banks are now expected to begin submitting their Call Report data to the CDR in October 2005.

December 30, 2004

Action. Approved the 2005 Council budget.

Explanation. The Council is required to approve the annual budget.

STATE LIAISON REPORT

The State Liaison Committee (SLC) consists of five representatives of state agencies that supervise financial institutions. The representatives are appointed for two-year terms. An SLC member may have his or her two-year term extended by the appointing organization for an additional, consecutive two-year term. Each year, the SLC elects one of its members to serve as chair for twelve months. The Council elects two of the five members. The American Council of State Savings Supervisors (ACSSS), the Conference of State Bank Supervisors (CSBS), and the National Association of State Credit Union Supervisors (NASCUS) designate the other three members. A list of the SLC members appears in appendix D of this report.

In 2004, the SLC welcomed the final approval of memorandums of understanding that opened the door to expanded coordination between state banking and credit union regulators and the FFIEC.

Currently, state banking regulators and state credit union supervisors are represented in an observer capacity on the FFIEC's Task Force on Supervision. Additionally, state bank regulators are represented during monthly meetings of the FFIEC's Information Sharing and Consumer Compliance task forces and the BSA/AML working group. During the past year, representatives have also participated in various working groups, including groups addressing overdraft protection programs and issues associ-

ated with the allowance for loan and lease losses. The SLC's involvement with such groups enables state regulators through CSBS, NASCUS, and ACSSS to participate in substantive policy discussions on a broad range of important regulatory subjects, reflecting the spirit and intent of the Congress in establishing the SLC.

The SLC looks forward to continued cooperation of the state and federal regulators and is interested in expanding state participation in other areas of joint financial industry supervision.

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 task force identifies and analyzes emerging consumer compliance issues and develops proposed policies and procedures to foster consistency among the agencies. Additionally, the task force addresses legislation, regulations, and policies at the state and federal level that may have a bearing on the compliance responsibilities of the five agencies.

During 2004, the task force used two standing subcommittees to help promote its mission: The Community Reinvestment Act (CRA) Subcommittee and Home Mortgage Disclosure Act (HMDA)/CRA Data Collection Subcommittee. Ad hoc working groups are also created to handle particular projects and assignments. The task force meets monthly to address and resolve common issues in compliance supervision. While significant issues are referred, with recommendations, to the Council for action, the Council has delegated to the task force the authority to make certain decisions and recommendations, provided all task force members agree.

Initiatives Addressed in 2004

CRA Subcommittee Activities

The agencies jointly published interim technical amendments to the CRA regulations to conform the regulations to recent actions of the Office of Management and Budget, the Census Bureau, and the Board of Governors of the Federal Reserve

System. Their actions, including changes to metropolitan statistical areas, income data, and the HMDA regulation, affected CRA and HMDA data collection and program management. Therefore, in addition to the technical changes to the regulations, applicable guidance was posted on the FFIEC web site.

Additionally, the TFCC approved an updated policy implementing flexibility in display of the Interagency Core Tables in CRA Performance Evaluations. This guidance is intended to ensure that the public performance evaluations are comprehensive and include supporting facts and data. The CRA Subcommittee also launched a review of the "Interagency Questions and Answers Regarding Community Reinvestment" document and an analysis of the data contained in the Interagency Core Tables to confirm the continued utility of the information.

HMDA/CRA Data Collection Subcommittee Activities

The HMDA/CRA Data Collection Subcommittee completed its redesign of the HMDA Aggregate and Disclosure tables used for public disclosure of the data collected and reported by lenders. The newly formatted tables incorporate amendments that the Federal Reserve Board made to Regulation C and enhance the reports' utility. The TFCC approved the publication of these tables for display of HMDA data, beginning with the 2004 submissions.

The TFCC also approved issuance of additional guidance to the industry on HMDA reporting. Based on analysis of some preliminary 2004 data, the HMDA/CRA Data Collection Subcommittee developed guidance discussing the transition rules; ethnicity, race, and sex (government monitoring information); property



Task Force on Consumer Compliance meeting.

location information on refinancings and pre-approvals; lien status reporting; loans subject to the Home Ownership and Equity Protection Act (HOEPA loans); and reporting the sale of home purchase loans.

The HMDA/CRA Data Collection Subcommittee undertook a CRA efficiency initiative in late 2004 to identify and implement cost saving measures in the collection, processing, and reporting of CRA data. The subcommittee is currently drafting its recommendations and plans to present them to the TFCC in early 2005.

Also during 2004, the HMDA/CRA Data Collection Subcommittee drafted a Memorandum of Understanding (MOU) between the FFIEC and the Federal Reserve's HMDA Data Processing Unit, which processes the data for the FFIEC. This MOU was created to ensure understanding of expected levels of service between the two parties. Final approval is expected in early 2005.

Overdraft Protection Guidance

In response to the proliferation and variety of for-fee overdraft protection services, the TFCC, together with the Task Force on Supervision, at the Council's direction developed draft interagency guidance on overdraft protection programs. The draft guidance contains three primary sections relating to safety and soundness, legal risks, and best practices. The guidance was issued for public comment; staff members have analyzed the comments received; and the TFCC is developing a final document for consideration by the Council and the agencies.

The TFCC also approved the issuance of an interagency consumer educational brochure on overdraft protection programs.

Fair Lending Examination Procedures Update

The TFCC approved revised Inter-

agency Fair Lending Examination Procedures reflecting recent changes to Regulation B. One of those changes is the creation of an exception to the general prohibition against inquiring about, or noting, applicant characteristics for non-mortgage credit transactions for the purpose of conducting a self-test. The "Compliance Management Analysis Checklist" and the "Streamlining the Examination" sections of the examination procedures were updated to provide guidance in situations in which a bank has chosen to collect monitoring information on non-HMDA loans for the purpose of a self-test. In addition, the portion of the "Credit Scoring Analysis" section in the appendix to the examination procedures that discusses the use of age in a credit scoring system was revised to improve the clarity of the discussion.

Check Clearing for the 21st Century (Check 21) Act

The TFCC formed a working group to address the agencies' response to the Congress' enactment of the Check 21 Act and the Board of Governors of the Federal Reserve's reflection of that act in its Regulation CC. The Check 21 Working Group updated the interagency Regulation CC Examination Procedures and implemented an online Check 21 web site to train examiners and industry on the consumer compliance provisions of Check 21. The FFIEC Check 21 Infobase web site contains interactive training on the consumer compliance aspects of Check 21, a link to the updated interagency examination procedures for Regulation CC, an online "frequently asked questions" (FAQ) document, and an interactive Glossary of Check 21 Terminology. The web site also contains several links to external resources such as the Check Clearing for the 21st Century Act, the regulation, the agencies' web sites, and several industry web sites with Check 21 content.

Emerging Issues

To ensure that the TFCC would be kept abreast of potential implications of legal and regulatory developments, early in 2004 it formed three working groups to address identified emerging issues. The work of the Check 21 Working Group was discussed above. The additional two groups, the Fair and Accurate Credit Transaction Act Working Group and the FTC Telemarketing Sales/CAN-SPAM Working Group, began meeting in 2004. Each group has developed a strategy for addressing the requirements of its assigned issue and has received the task force's approval for that strategy. The efforts of these emerging issues working groups will continue in 2005.

Additionally, to help consumers identify and combat identify theft, the agencies issued a brochure that explains Internet "phishing" and steps that consumers can take to protect themselves against scams. This brochure, "Internet Pirates are Trying to Steal Your Information," was distributed to financial institutions in a format that could be used as a statement insert to educate their customers.

Task Force on Examiner Education

Responsible for overseeing the FFIEC's examiner education pro-



Advanced Commercial Credit Analysis workshop at the Seidman Center.



Task Force on Examiner Education meeting.

gram on behalf of the Council, the Task Force on Examiner Education promotes interagency education through timely, cost-efficient, state-of-the-art training programs for agency examiners and staff. The task force develops programs on its own initiative and in response to requests from the Council or other Council task forces. Each fall, it develops a program calendar based on training demand from the five member agencies and state financial institution regulators. The task force also oversees the delivery and evaluation of programs throughout the year. During the past year, 2,740 regulatory staff members attended training programs. (See the table for details of participation by program and agency.)

Initiatives Addressed in 2004

Throughout the year, the task force continued to pursue a more focused approach to the design and delivery of training and information through the use of targeted education and electronic technology. The InfoBase architecture implemented in 2001 continues to allow the FFIEC's

Examiner Education Office to produce training and reference materials that can be delivered on CDs directly to all examiners concurrent with, or shortly after, the issuance of interagency statements, Council courses, or conferences. For example, a Check 21 training prod-

uct was issued in October 2004 that was made available to all examiners and bankers on the FFIEC web site, www.ffiec.gov.

The task force also continued a joint project with the Information Technology Subcommittee of the Task Force on Supervision to prepare for the release of the updated FFIEC ***Information Technology Examination Handbook*** to examiners and the industry in a web-based format during 2004. This was one of the task force's major projects in 2004 and resulted in the final publication of all of the Information Technology booklets.

In addition to the focus on electronic delivery, the task force continued to pursue its initiative to improve classroom-based training programs. Significant activities that occurred during 2004 were the development of more advanced classes in credit analysis, continuation of the broad-based Supervisory Updates and Emerging Issues conferences, and modification of other courses and curricula as appropriate. The task force also continued its support and development of several examiner education programs in the fraud and anti-money laundering arenas



Supervisory Update Conference in the Auditorium at the Seidman Center.

and in advanced credit analysis skills.

the cities in which the district or Reserve Bank offices of the member agencies are located.

Karen K. Smith, Manager
FFIEC Examiner Education Office
3501 Fairfax Drive, Room 3086
Arlington, VA 22226-3550

Facilities

The Council training office and classrooms are located in the FDIC Seidman Center in Arlington, Virginia. Offices, classrooms, and lodging facilities are rented from the FDIC. This facility offers convenient access to a 100-seat auditorium and numerous classrooms. Regional sessions are usually conducted in

Course Catalogue and Schedule

The course catalogue and schedule are available online at www.ffiec.gov/exam/education.htm.

Additionally, a printed copy of the 2005 course catalogue and schedule are available from the Examiner Education Office. To obtain a copy, contact

Phone: (703) 516-5588

Task Force on Information Sharing

The Task Force on Information Sharing promotes the sharing of electronic information among FFIEC agencies in support of the supervi-

2004 FFIEC Training by Agency and Sponsored—Actual, as of December 31, 2004

Event Name	FRB	FRB State Sponsored	FDIC	FDIC State Sponsored	NCUA	OCC	OTS	FCA	FHFB	Other	Total
Advanced Commercial Credit											
Analysis	17	6	70	32	23	28	14	0	0	0	190
Anti-Money Laundering	72	15	61	0	11	0	22	0	0	5	186
Asset Management Forum	55	22	49	26	1	20	8	1	0	1	183
Beyond Advanced Commercial											
Credit Analysis	4	1	21	0	4	3	4	0	0	0	37
Capital Markets Conference	26	11	61	35	14	11	1	2	9	3	173
Capital Markets Specialists Conference	21	3	65	26	86	5	14	17	14	1	252
Cash Flow Construction and Analysis	43	10	70	44	78	56	14	4	0	2	321
Community Financial Institutions											
Lending Forum	25	8	41	28	4	22	1	1	0	0	130
Financial Crimes Seminar	69	18	73	47	8	0	16	1	3	0	235
Fraud Identification On-line Training	6	0	62	0	1	28	3	1	1	0	102
Fraud Investigations Symposium											
(postponed until 2005)	0	0	0	0	0	0	0	0	0	0	0
Information Technology Symposium	3	0	5	0	3	2	3	0	0	0	16
Information Technology Conference	56	10	47	0	11	25	22	14	2	4	191
Instructor Training School	40	0	16	0	0	9	1	14	0	1	81
International Banking Conference	25	6	23	0	0	9	7	0	0	0	70
International Banking (self study)	6	0	13	0	0	3	1	0	0	0	23
International Banking School	1	0	9	10	0	0	3	2	0	0	25
Payment Systems Risk Conference	27	7	47	18	9	4	11	0	2	0	125
Real Estate Appraisal Review School	19	14	42	0	2	0	7	0	0	0	84
Real Estate Appraisal Review On-line	3	0	16	0	2	0	1	0	0	0	22
Supervisory Updates & Emerging											
Issues	43	19	94	29	6	28	21	5	5	2	252
Testifying School	2	4	14	0	0	20	1	1	0	0	42
Grand Total	563	154	899	295	263	273	175	63	36	19	2,740
Percentage	20.55	5.62	32.81	10.77	9.60	9.96	6.39	2.30	1.31	0.69	100
Combined Agency and Sponsored											
Percentage	26.17	NA	43.58	NA	9.60	9.96	6.39	2.30	1.31	0.69	100

sion, regulation, and deposit insurance responsibilities of financial institution regulators. The task force provides a forum for FFIEC member agencies to discuss and address issues affecting the quality, consistency, efficiency, and security of interagency information sharing. Significant matters are referred, with recommendations, to the Council for action, and the task force has delegated authority from the Council to take certain actions.

To the extent possible, the agencies build on each other's information databases to minimize duplication of effort and promote consistency. The agencies participate in a program to share, in accordance with agency policy, electronic versions of their reports of examination, inspection reports, and other communications with financial institutions. The agencies also provide each other with access to their organizations' structure, financial, and supervisory information. The task force maintains a "Data Exchange Summary" listing the data files exchanged among FFIEC agencies.

Task force members consist of representatives from FFIEC agencies.

Monthly meetings are held to address and resolve issues related to information sharing. In addition, the task force receives demonstrations and reports on agency, financial industry, and other FFIEC initiatives pertaining to technology development. The task force has established two working groups to address technology-development issues and interagency reconciliation of financial institution structure data.

Initiatives Addressed in 2004

Technology Issues

The chief initiative of the task force is to identify and implement technologies to make the sharing of interagency data more efficient. The task force's Technology Working Group meets monthly to develop technological solutions to common data-sharing issues among the agencies. The working group coordinates the automated transfer of data files among the agencies and suggests better and more efficient ways to share financial and supervisory data. The working group also maintains a Task Scope Matrix to identify

and provide status reports on all outstanding work group projects.

High-speed T1 communication lines linking the FDIC, the FRB, and the OCC have eliminated the use of magnetic tapes or disks for sharing electronic data among these agencies.

In 2004, the group started long-term projects related to the FRB's planned new bulk data transfer and the OCC's planned retirement of their mainframe. Completed projects include the sharing of information used to assess risk-related deposit insurance premiums and large bank examination information. Efforts continue to establish an automated mechanism to secure data transfers between the FRB and the NCUA.

Structure Data Reconciliation

The task force's Structure Data Reconciliation Working Group continues to reconcile structure data about financial institutions regulated by FFIEC agencies to ensure that the information the agencies report is consistent and accurate. The working group's quarterly reconciliations have greatly resolved data discrepancies among the agencies. By the end of 2004, only a few data differences remained.

Collaborative Web Site

The Information Sharing Task Force and the Technology Working Group use a FDIC-sponsored collaborative web site to share information among the FFIEC agencies. The web site is used to disseminate documents and other critical materials pertaining to interagency information exchanges.

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



Task Force on Information Sharing meeting.

subsidiaries. To meet this objective, the Council established the Task Force on Reports. The task force 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 task force is concerned with issues such as 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 task force works with other organizations, including the Securities and Exchange Commission, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. The task force is also responsible for any special projects related to these subjects that the Council may assign. To help the task force carry out its responsibilities, working groups are organized as needed to handle specialized or technical accounting, reporting, instructional, and processing matters.

Initiatives Addressed in 2004

Call Report Processing Modernization

During 2004, the FDIC, the FRB and the OCC continued to devote significant staff resources to the development of a new Internet-based business model for processing the quarterly Reports of Condition and Income (Call Reports) filed by insured commercial banks and FDIC-supervised savings banks. The principal feature of this new model will be a Central Data Repository (CDR), which will use XBRL business reporting language and consolidate the collection, validation, storage, and distribution of Call Report information. A steering committee established by the task force is coordinating the agencies'

work on this project. Implementation of the CDR is targeted for the September 30, 2005, report date.

The steering committee has established focus groups to facilitate collaboration and communication between the banking agencies, the contractors, and targeted stakeholder communities. The Software Vendors Focus Group continued to monitor the progress of the vendors' development efforts and involve them, as appropriate, in preliminary testing. The Financial Institutions Focus Group continued to seek input from banks and banking trade organizations on implementation of the new system and to provide them with updates on the project. The XBRL Focus Group continued to ensure that the project complies with national and international standards and to help expand the range of XBRL taxonomies for banking data. The Change Management Focus Group has been very active in planning for the enrollment of banks, training agency staff on the functionality of the CDR, preparing informational materials and press releases for the web site and the media, and communicating the project's status to stakeholders.

Although there are significant delays in system development that have contributed to a one year postponement in the implementation of the CDR, the CDR steering committee is closely monitoring the progress of the interagency-contractor project team, including the adequacy of resources. The contractor has substantially completed the design and much of the programming and agency staff members have validated much of the metadata. Contractor and agency staff members are actively involved in testing the new system and planning implementation activities to meet the third-quarter 2005 delivery date for the CDR system. Acceptance testing will continue through the third quarter of 2005 and will involve up to 100 banks. Banks will participate in online enrollment during the summer of 2005.

Reporting Requirements for the Call Report

During the first quarter of 2004, the task force completed its work on the three elements remaining from a Call Report proposal that the banking agencies had published in November 2002. First, the Call Report filing period for banks with more than one foreign office is being reduced in two steps from forty-five days to thirty-five calendar days. These reduced filing periods apply to each quarterly Call Report, including the year-end report. Second, a Call Report supplement has been created for use on an infrequent basis to collect a limited amount of data from certain banks in the event of an immediate and critical need for specific information. Finally, the task force established criteria that a bank's Call Report data must satisfy for the report to be accepted by the agencies. The data will need to pass all validity edits and include an explanatory comment addressing each quality edit exception. These criteria will take effect after the implementation of the agencies' new CDR system. The U.S. Office of Management and Budget (OMB) approved these reporting requirements under the Paperwork Reduction Act of 1995 in March 2004.

In April 2004, the task force approved, and the agencies published, a *Federal Register* notice requesting comment on proposed clarifications to the Call Report and Thrift Financial Report instructions with respect to reporting issues related to mortgage loans backing Ginnie Mae securities that an institution that issues Ginnie Mae securities has the option to repurchase when the loans meet certain delinquency criteria. The proposal addresses the reporting of these delinquent loans after they are rebooked as assets in accordance with FASB Statement No. 140 and the balance sheet classification of foreclosed real estate collateral for these loans. The *Federal Register* notice also solicited comment on the

reporting of when-issued securities using trade date rather than settlement date accounting. The agencies received thirteen comments on the proposal. The task force has considered the issues raised by those commenting and expects to issue final reporting guidance on these topics in the first quarter of 2005.

Because the agencies have been focusing their efforts in the Call Report area on implementing the CDR, the task force deferred the issuance of a formal proposal in 2004 to revise the data collected in the Call Report for supervisory and other public policy purposes. Nevertheless, during 2004 the task force reviewed a series of recommended reporting changes received the previous year from two interagency staff working groups that evaluated the agencies' needs for data to more effectively evaluate banks' credit risk and their liability structure and liquidity. From this review, the task force has identified the recommended revisions to the content of the Call Report that have the greatest priority. It has also developed a set of potential burden-reducing deletions and reductions in detail within the existing Call Report requirements to offset, to the extent possible, the incremental burden of new data items. The task force is continuing to consider these reporting changes and expects to request comment from the banking industry in 2005 on proposed revisions to the Call Report.

The task force conducted monthly interagency conference calls during 2004 to discuss Call Report instructional matters and related accounting issues to reach uniform interagency positions on these issues.

Other Activities

In February 2004, the task force gave final approval to changes to the reporting of certain derivatives information in the FFIEC 002, Report of Assets and Liabilities of U.S. Branches and Agencies for Foreign Banks. In taking this action,

the task force considered the one comment received on the proposed reporting changes, which had been published for comment in the *Federal Register* in December 2003. The OMB approved these changes, which were implemented in March 2004.

In August 2004, the task force approved, and the three banking agencies published for a sixty-day comment period in the *Federal Register*, proposed revisions to the FFIEC 009, Country Exposure Report. The proposed revisions would harmonize U.S. data with data on cross-border exposures collected by other countries and disseminated by the Bank for International Settlements. The reporting changes would also provide additional information about U.S. banks' exposure to country risk, transfer risk, and foreign exchange risk. In addition, the proposal included a number of deletions from the Country Exposure Report to offset increases in reporting burden resulting from the other proposed revisions. The agencies received two comments on the proposal, one from a bank and another from a banking association, and their staff members met with several reporting banks in December 2004 to discuss bankers' concerns. The agencies expect to complete their reconsideration of the proposal in the first quarter of 2005 and are targeting September 2005 for implementation of the revisions to the Country Exposure Report.

Task Force on Supervision

The Task Force on Supervision coordinates and oversees matters relating to safety and soundness supervision and examination of depository institutions. It provides a forum for the member agencies to promote quality, consistency, and effectiveness in examination and supervisory practices and to reduce unnecessary regulatory burden. While significant issues are referred, with recommendations, to the Council for action, the Council has delegated to the task force the authority to make certain

decisions and recommendations, provided all task force members agree. Meetings are held regularly to address and resolve common supervisory issues. To facilitate communication and coordination with the Council's SLC, representatives of the SLC attend task force meetings on an advisory basis. The task force has also established and maintains supervisory communication protocols to be used in emergencies. These protocols are periodically tested through table-top exercises with task force members and key supervisory personnel.

The task force has two standing subcommittees. The Capital Subcommittee serves as a forum for senior policy staff members to coordinate various initiatives pertaining to the agencies' regulatory capital standards. The Information Technology Subcommittee serves as a forum to address information systems and technology issues as they relate to financial institutions. This subcommittee also oversees and administers the FFIEC's Multi-Regional Data Processing Servicer (MDPS) and Shared Application Software Review (SASR) programs. Through the FFIEC's MDPS program, the agencies conduct joint Information Technology examinations of the largest technology service providers and other entities that provide core banking services. The SASR program provides a mechanism for the agencies to review and share information on mission-critical software systems and applications, such as wire transfers, capital markets, loans, deposits, and general ledger systems that are used by a large number of financial institutions. These reviews can help the agencies identify potential systemic risks and provide examiners with information that can reduce time and resources needed to examine the software at each of the user financial institutions.

The FFIEC's BSA/AML working group reports to the task force and is responsible for strengthening



Task Force on Supervision meeting.

communications among the federal and state banking agencies and FinCEN; ensuring consistency in examination policies and procedures; and coordinating examiner training in the implementation of the Bank Secrecy Act and other anti-money-laundering requirements. The working group keeps the task force and the Council apprised of BSA/AML efforts related to examination procedures and training that are being undertaken on an interagency basis and ensuring that projects are being completed as planned. One of the working group's initial priorities is the development and issuance of comprehensive, interagency examination procedures for BSA/AML. Completion of these procedures is expected in 2005.

The task force also establishes ad hoc working groups to handle individual projects and assignments.

Initiatives Addressed in 2004

Information Technology

Financial institutions' growing reliance on technology and third-party service providers leave them and

their customers increasingly vulnerable to various operational risks and security breaches. The task force's Information Technology Subcommittee serves as a focal point for coordinating many of the agencies' activities in these areas.

A major effort of the subcommittee and agencies in 2003 and 2004 has been the revision and update of the 1996 FFIEC Information Systems Examination Handbook. The 1996 handbook was replaced by a series of twelve web-based booklets covering a range of topics. During 2003, six booklets were issued: Information Security, Business Continuity Planning, Supervision of Technology Service Providers, Electronic Banking, FedLine, and Information Technology Audit. The remaining six booklets were completed during 2004: Retail Payment Systems, Development and Acquisition, Outsourcing Technology Services, Management, Wholesale Payment Systems, and Operations. With the issuance of the final booklets the 1996 FFIEC Information Systems Examination Handbook was officially retired. In addition to these booklets, guidance was issued on

the acquisition and use of free and open source software by financial institutions and technology service providers. The subcommittee also worked with the Consumer Compliance task force to develop and issue a brochure for consumers on Internet "phishing."

The Information Technology Subcommittee, in conjunction with the Task Force on Examiner Education, also sponsors an annual IT conference for the agencies' examination staff to explore emerging risks and industry best practices. This subcommittee also hosts an annual IT symposium that develops guidance on emerging technologies that are expected to affect the banking industry.

In 2004, the agencies continued to work on guidance that would require financial institutions to develop programs to respond to incidents of unauthorized access to customer information, including procedures for notifying customers under certain circumstances. Publication of this guidance is expected in early 2005.

Capital Standards

Although each of the four federal banking agencies has its own capital regulations, the task force's standing Capital Subcommittee and several of its working groups coordinate efforts among the agencies to promote joint issuance of capital rules and related interpretative guidance, thereby minimizing interagency differences and reducing the potential burden on the banking industry. A major focus of the federal banking agencies has been the development of the Basel II framework. In July 2003, the agencies published an advance notice of proposed rulemaking on the implementation of Basel II and supervisory guidance for the advance approaches for measuring and assigning capital for corporate credit and operational risk. On June 26, 2004, the agencies issued a press release outlining plans for adopting

Basel II domestically. A notice of proposed rulemaking on possible revisions to risk-based capital adequacy regulations relating to Basel II are expected to be published in mid-2005, with final rules on this proposal in mid-2006, for implementation beginning in 2008. Changes to capital regulations for U.S. institutions not subject to Basel II also are under consideration. The federal banking agencies will continue to work together and with international counterparts to ensure that, when implemented, the Basel II achieves the goal of enhanced risk-management processes without unintended consequences.

Other Supervisory Initiatives

Throughout the year, the task force discusses and responds to emerging supervisory issues and risks. During 2004, the task force oversaw the development and issuance of the following interagency supervisory policy statements and advisories:

- ***Interagency Policy Statement on Providing Financial Support to Advised Investment Funds***, issued jointly by the federal banking agencies in early January 2004, alerts financial institutions to the safety and soundness and legal issues involved in providing support to investment funds advised by the institution or its subsidiaries or affiliates.
- ***Interagency Advisory on Accounting for Deferred Compensation Agreements and Bank-Owned Life Insurance***, issued jointly by the federal banking agencies in early February 2004, provides guidance on the appropriate accounting treatment for deferred compensation agreements that institutions enter into with employees. Because institutions often purchase life insurance in conjunction with establishing deferred compensation programs, the advisory also addresses the appropriate accounting treatment for bank-owned life insurance.
- ***Update on Accounting for Loan and Lease Losses***, issued jointly by the Council's five member agencies in early March 2004, addresses recent developments in this area of accounting with a listing of current authoritative sources of generally accepted accounting principles (GAAP) and supervisory guidance on the allowance for loan and lease losses.
- ***Uniform Agreement on the Classification of Assets and Appraisal of Securities Held by Banks***, issued jointly by the federal banking agencies in early June 2004, retains the external rating methodology for securities, sets forth guidance for assessing nonrated instruments, and provides flexibility for examiners to address classifications for securities on an individual basis.
- ***Interagency Statement on the Purchase and Risk Management of Life Insurance***, issued jointly by the federal banking agencies in early December 2004, indicates that institutions should have a comprehensive risk-management process for purchasing and holding bank-owned life insurance.

Task Force on Surveillance Systems

The Task Force on Surveillance Systems oversees the development and implementation of uniform interagency surveillance and monitoring systems. It provides a forum for the member agencies to discuss best practices to be used in those systems and to consider the development of new financial analysis tools. The task force's principal objective has been to develop and produce the Uniform Bank Performance Report (UBPR). UBPRs present financial statistics and peer group comparisons of individual banks for current and historical periods. These reports are important tools for completing supervisory evaluations of a bank's condition and performance, as well as for planning

onsite examinations. The banking agencies also use the data from these reports in their automated monitoring systems to identify potential or emerging problems in insured banks.

UBPRs are produced for each commercial bank and insured savings bank in the United States that is supervised by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the Office of the Comptroller of the Currency. 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 task force also makes UBPRs available to banks and the public through a public web site, www.ffiec.gov.

Initiatives Addressed in 2004

Distribution of UBPRs

To provide broad public access to information about the financial condition of insured banks, the task force publishes quarterly versions of the UBPR for each institution, typically within twenty to twenty-five days of the Call Report due date. Bankers and the general public may access these reports on the FFIEC web site at no charge. In addition to publishing current reports, the task force regularly refreshes all historic UBPR data on the web site.

Several web-based statistical reports supporting UBPR analysis are also updated on the web site. These reports (1) summarize the performance of each of the UBPR's peer groups (determined by size, location, and business line), (2) detail the distribution of UBPR performance ratios for banks in each of these peer groups, (3) list the individual banks included in each peer group, and (4) compare a bank to the performance of a user-defined customer peer group.

Custom Peer Group Tool

In August 2004, the task force added (1) all UBPR pages for custom peer group analysis, (2) financial and geographic criteria to the custom peer search engine, and (3) selectable trimming feature to allow users to refine the results of small peer groups. This tool allows bankers, bank supervisors, and the general public to create custom peer groups based on financial and geographical criteria and to display all UBPR pages with statistics derived from a custom peer group.

Data Export

In August 2004, the data download feature was enhanced to allow the data from all or any combination of UBPR pages to be downloaded at one time.

UBPR User's Guide Updated

The *User's Guide for the Uniform Bank Performance Report* was updated to provide documentation for all additions and deletions. The March 31, 2004, version of the guide is available online at www.ffiec.gov.

Revised Peer Group Definitions

In May 2004, after an extensive review of the definitions that support calculation of peer group statistics, the task force decided to implement several changes. While that review validated the peer group analysis concept, it also noted that some statistics for a select number of peer groups had become less reliable because of industry consolidation. Additionally, the task force determined that the analysis of de novo banks could be improved. Consequently the number of peer groups used to define commercial banks was reduced from twenty-four to fifteen and new de novo peer



Task Force on Surveillance Systems meeting.

groups were added. Details supporting those changes may be found in the UBPR section on the www.ffiec.gov web site.

Early Publication of UBPR Data

In November 2004, the task force validated a new process that will allow UBPR data to be published up to three weeks sooner than was possible previously. UBPR data for individual banks will be published after the underlying Call Report data has passed all supervisory edits. For some banks this change may mean that UBPR information is available before the thirty-day Call Report filing deadline. Implementation is planned with the December 2004 UBPR.

Enhancements to the UBPR Format

The task force periodically reviews UBPR pages to ensure that the ratios and measures included in the report continue to meet the supervisory data needs of examiners and analysts for the banking agencies.

During 2005, the task force plans to implement any needed changes with the June 30, 2005, version of the report.

Additional Information on the UBPR

Additional information on the UBPR, including distribution schedules, descriptions of pending changes, and instructions on using online UBPR tools, is maintained on the FFIEC's web site at www.ffiec.gov.

Standardized UBPR quarterly data on cartridge is also available for \$400. Information on ordering items may be obtained by calling (703) 516-5732, sending an e-mail message to JSmullen@fdic.gov, or writing the Council at

Federal Financial Institutions
Examination Council
3501 Fairfax Drive, Room 3086
Arlington, VA 22226-3550

THE FEDERAL FINANCIAL INSTITUTION REGULATORY AGENCIES AND THEIR SUPERVISED INSTITUTIONS

The five federal regulatory agencies represented on the Council have primary federal supervisory jurisdiction over 18,558 domestically chartered banks, thrift institutions, and credit unions. On June 30, 2004, these financial institutions held total assets of more than \$11.4 trillion. The Board of Governors of the Federal Reserve System (FRB) and the Office of Thrift Supervision (OTS) also have primary federal supervisory responsibility for commercial bank holding companies and for savings and loan holding companies, respectively.

The 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 Office of the Comptroller of the Currency (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 Federal Deposit Insurance Corporation (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, the FDIC, and various state authorities for the offices within their jurisdictions and gives the FRB residual examining authority over all U.S. banking operations of foreign banks.

Board of Governors of the Federal Reserve System (FRB)

The FRB was established in 1913. It is headed by a seven-member Board of Governors, each member of which is appointed by the President, with the advice and consent of the Senate, for a fourteen-year term. Subject to confirmation by the Senate, the President selects two Board members to serve four-year terms as Chairman and Vice Chairman. The FRB's activities that are most relevant to the work of the Council are the following:

- examining, supervising, and regulating state member banks (that is, state-chartered banks that are members of the Federal Reserve System); bank holding companies; Edge Act and agreement corporations; and, in conjunction with the licensing authorities, the U.S. offices of foreign banks;
- developing and issuing regulations, policies, and guidance applicable to organizations within the Federal Reserve's supervisory oversight authority; and
- approving or denying applications for mergers, acquisitions, and changes in control by state member banks and bank holding companies, 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.

Other supervisory and regulatory responsibilities of the Federal Reserve include regulating margin requirements on securities transactions, implementing certain statutes

that protect consumers in credit and deposit transactions, monitoring compliance with other statutes, (for example, the money-laundering provisions of the Bank Secrecy Act), and regulating transactions between banking affiliates.

Policy decisions are implemented by the FRB and the twelve Federal Reserve Banks, each of which has operational responsibility within a specific geographical area. The twelve 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 and other officers. Among other responsibilities, a Reserve Bank employs a staff of bank examiners, who examine state member banks and Edge Act and agreement corporations, inspect bank holding companies, and examine the offices of foreign banks located within the Reserve Bank's District.

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

The Federal Reserve covers the expenses of its operations with rev-

enue it generates principally from assessments on the twelve Federal Reserve Banks.

Federal Deposit Insurance Corporation (FDIC)

The Congress created the FDIC in 1933 with a mission to insure bank deposits and reduce the economic disruptions caused by bank failures. Management of the FDIC is vested in a five-member Board of Directors. Three of the directors are directly appointed by the President, with the advice and consent of the Senate, for six-year terms. One of the three directors is designated by the President as Chairman for a term of five years, and another is designated as Vice Chairman. The other two Board members are the Comptroller of the Currency and the Director of the Office of Thrift Supervision. No more than three board members may be of the same political party.

The FDIC's supervisory activities are conducted by the Division of Supervision and Consumer Protection. The division is organized into six regional offices and two area offices. The regional offices are located in Atlanta, Chicago, Dallas, Kansas City, New York, and San Francisco. The two area offices are located in Boston (reports to New York) and Memphis (reports to Dallas). In addition to the regional and area offices, the FDIC maintains fifty-two field territory offices for risk management and thirty field territory offices for compliance, with dedicated examiners assigned to the six largest financial institutions. Bank liquidations are handled by the Division of Resolutions and Receiverships.

The FDIC receives advice and counsel on banking policy issues from the Advisory Committee on Banking Policy established in 2002. The committee meets biannually and includes banking, business, and community leaders.

The FDIC administers two federal deposit insurance funds: the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). The basic insured amount for a depositor is \$100,000 at each insured depository institution. The BIF is funded through assessments paid by insured commercial banks, certain federal and state savings banks, and industrial banks, as well as through income from investments in U.S. government securities. The SAIF, which was created in 1989 as a successor to the former Federal Savings and Loan Insurance Corporation (FSLIC), receives assessment premiums from insured savings associations. SAIF assessment rates and BIF assessment rates are currently the same—ranging from zero to twenty-seven cents for every \$100 of assessable deposits, depending on the degree of risk to the respective deposit insurance fund.

Any depository institution that receives deposits may be insured by the FDIC after application to and examination and approval by the FDIC. After considering the (1) applicant's financial history and condition, (2) adequacy of the capital structure, (3) future earnings prospects, (4) general character of the management, (5) risk presented to the insurance fund, (6) convenience and needs of the community to be served, and (7) consistency of corporate powers, the FDIC may approve or deny an application for insurance. FDICIA expanded the FDIC's approval authority to include national banks, all state-chartered banks that are members of the Federal Reserve System, and federal and state-chartered savings associations.

The FDIC has primary federal regulatory and supervisory authority over insured state-chartered banks that are not members of the Federal Reserve System, and it has the authority to examine for insurance purposes any insured financial institution, either directly or in cooperation with state or other federal

supervisory authorities. FDICIA gives the FDIC backup enforcement authority over all insured institutions; that is, the FDIC can recommend that the appropriate federal agency take action against an insured institution and may do so itself if deemed necessary.

In protecting insured deposits, the FDIC is charged with resolving the problems of insured depository institutions at the least possible cost to the deposit insurance fund. In carrying out this responsibility the FDIC engages in several activities, including paying off deposits, arranging the purchase of assets and assumption of liabilities of failed institutions, effecting insured deposit transfers between institutions, creating and operating temporary bridge banks until a resolution can be accomplished, and using its conservatorship powers.

National Credit Union Administration (NCUA)

The NCUA, established by an act of Congress in 1934, is the 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 a member to serve as Chair of the board.

The main responsibilities of the NCUA are the following:

- charters, examines, and supervises more than 5,600 federal credit unions nationwide;
- administers the National Credit Union Share Insurance Fund (NCUSIF), which insures member share accounts in more than 9,000 U.S. federal and state-chartered credit unions; and
- manages the Central Liquidity Facility, a central bank for credit unions, which provides 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 agencies.

The NCUA has five regional offices across the United States that administer its responsibility to charter and supervise credit unions. Its 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 (OCC)

The OCC is the oldest federal bank regulatory agency, established as a bureau of the U.S. Department of the Treasury 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 also serves as a Director of the FDIC and as a Director of the Neighborhood Reinvestment Corporation.

The OCC was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to assure that national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers. As such, it currently regulates and supervises approximately 2,025 national banks and fifty-two federal branches of foreign banks in the United States, accounting for approximately 57 percent of the total assets of all U.S. commercial banks and branches of foreign banks.

The OCC seeks to assure a banking system in which national banks 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 the following responsibilities:

- Chartering national banks and issuing interpretations related to permissible banking activities.
- Establishing and communicating regulations, policies, and operating guidance applicable to national banks.
- Supervising the national banking system through on-site examinations, off-site monitoring, systemic risk analysis, 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, D.C., the OCC has four district offices in Chicago, Dallas, Denver and New York. In addition, the OCC maintains a network of forty-eight field offices and twenty-three satellite locations in cities throughout the United States, as well as resident examiner teams in the twenty-five largest national banking companies and an examining office in London, England.

The Comptroller receives advice on policy and operational issues from an executive committee consisting of the First Senior Deputy Comptroller and Chief Counsel; Chief of Staff; Senior Deputy Controller and Chief National Bank Examiner; Ombudsman; Chief Information Officer; and Senior Deputy Comptrollers for Mid-Size/Community Bank Supervision, Large Bank Supervision, International and Economic Affairs, and Management/Chief Financial Officer.

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

Office of Thrift Supervision (OTS)

The OTS was established as a bureau of the U.S. Department of the Treasury on August 9, 1989 and has the authority to charter federal thrift institutions. It is the primary regulator of all federal and many state-chartered associations, and all savings and loan holding companies.

The mission of the OTS is to perform the following tasks:

- effectively and efficiently supervise savings associations;
- supervise savings and loan holding company enterprises to assess corporatewide risk and capital adequacy (As supervisor of savings and loan holding companies, the OTS has been affirmed by the European Union to be the consolidated, coordinating regulator for specific holding companies conducting operations in Europe);
- maintain the safety, soundness, and viability of the industry; and
- encourage a competitive industry to meet America's housing, community credit, and financial services needs and to provide access to financial services for all Americans.

The OTS carries out its mission by (1) adopting regulations governing the thrift institution industry, (2) examining and supervising savings associations and their affiliates, (3) taking appropriate action to enforce compliance with federal laws and regulations, and (4) acting on applications to charter or acquire a savings association. The OTS also has the authority to regulate, examine, supervise, and require corrective action by savings and loan holding companies and other affiliates, as well as entities that provide services to savings associations.

The OTS is headed by a Director appointed by the President, with the advice and consent of the Senate, to

serve a five-year term. The Director determines policy for the OTS and makes final decisions on regulations governing the industry as a whole and on measures affecting individual institutions. The Director also serves as a member of the board of the FDIC and the Neighborhood Reinvestment Corporation.

The Deputy Director of OTS manages day-to-day operations of the agency, both regulatory and management activities. Major responsibilities include (1) supervision and examination of OTS-regulated institutions to ensure the safety and soundness of the industry and their compliance with consumer laws and fair lending requirements; (2) supervision and examination of savings and loan holding compa-

nies and other affiliates to assess enterprisewide risk and capital adequacy; (3) the legal activities of the agency (through the Office of Chief Counsel), including litigation and enforcement matters, legal advice and opinions, and legislative initiatives; (4) information systems technology; (5) financial and modeling systems; and (6) all management policies, procedures, and processes.

The agency conducts its operations from its headquarters in Washington, D.C. and four regional offices located in Jersey City, New Jersey (Northeast Region); Atlanta, Georgia (Southeast Region); Dallas, Texas (Midwest Regional); and Daly City, California (West Region).

The External Affairs Office interacts with members of the Congress, the press, and executives of other federal agencies to accomplish the legislative and media objectives of the OTS. It communicates and explains policy directives and actions of the agency to Congress, the press, the thrift industry, other government agencies, and employees through a variety of forums, including briefings, press conferences, and news releases.

The OTS uses no tax money to fund its operations. It draws its revenues primarily through fees and assessments levied on the institutions it regulates.

ASSETS, LIABILITIES, AND NET WORTH of U.S. Commercial Banks, Thrift Institutions¹ and Credit Unions
as of June 30, 2004

Billions of dollars

Item	Total	U.S. Commercial Banks ²			U.S. Branches and Agencies of Foreign Banks ¹⁶	Thrift Institutions			Credit Unions ³	
		National	State Member	State Non-Member		OTS-Regulated ¹⁷		Other FDIC-Insured Savings Banks	Federal Charter	State Charter
						Federal Charter	State Charter			
Total assets	11,358	4,529	1,997	1,456	1,141	1,202	24	373	352	284
Total loans and receivables (net)	6,301	2,688	951	904	263	863	14	225	212	181
Loans secured by real estate ⁴	3,625	1,359	509	595	15	759	12	195	96	85
Consumer loans ⁵	1,008	469	115	126	0	74	0	14	116	94
Commercial and industrial loans	1,069	515	210	149	140	35	1	15	2	2
All other loans and lease receivables ⁶	680	389	131	48	107	2	0	3	0	0
LESS: Allowance for possible loan and lease losses	84	45	14	14	0	6	0	2	2	1
Federal funds sold and securities purchased under agreements to resell	554	156	166	32	169	21	0	6	3	1
Cash and due from depository institutions ⁷	663	218	161	57	77	35	1	9	59	46
Securities and other obligations ⁸	2,103	839	355	362	124	202	7	106	63	45
U.S. government obligations ⁹	723	122	96	136	38	151	5	79	58	38
Obligations of state and local governments ¹⁰	116	51	21	38	0	3	0	3	0	0
Other securities	1,263	667	238	188	86	47	1	24	5	7
Other assets ¹¹	1,735	628	364	101	508	81	1	27	14	11
Total liabilities	10,388	4,109	1,838	1,308	1,141	1,070	21	333	314	254
Total deposits and shares ¹²	7,420	2,982	1,260	1,084	588	680	17	259	304	246
Federal funds purchased and securities sold under agreements to repurchase	948	316	204	89	251	59	1	26	2	0
Other borrowings ¹³	1,329	563	177	111	117	305	3	42	5	6
Other liabilities ¹⁴	689	247	197	23	185	26	0	6	3	2
Net worth¹⁵	969	419	159	149	0	132	3	40	37	30
Memorandum: Number of institutions reporting	18,558	1,955	931	4,806	271	800	110	475	5,686	3,524

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. The table excludes Edge Act and agreement corporations that are not subsidiaries of U.S. commercial banks.
2. Reflects the fully consolidated statements of FDIC-insured U.S. banks—including their foreign branches, foreign subsidiar-

- ies, 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. The credit union data are for federally insured natural person credit unions only.
4. Loans secured by residential property, commercial property, farmland (including improvements), and unimproved land; and construction loans secured by real estate.
5. 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.

6. Loans to financial institutions, loans for purchasing or carrying securities, loans to finance agricultural production and other loans to farmers (except loans secured by real estate), loans to states and political subdivisions and public authorities, and miscellaneous types of loans.
7. 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.
8. Government and corporate securities, including mortgage-backed securities and

Notes continue on the next page

INCOME AND EXPENSES of U.S. Commercial Banks and Thrift Institutions¹ for the Twelve Months Ending
June 30, 2004

Billions of dollars

Item	Total	U.S. Commercial Banks ²			Thrift Institutions			Credit Unions ³	
		National	State Member	State Non-Member	OTS-Regulated ¹⁷		Other FDIC-Insured Savings Banks	Federal Charter	State Charter
					Federal Charter	State Charter			
Operating income	636	306	114	95	65	1	19	20	16
Interest and fees on loans	328	148	46	55	42	1	12	13	11
Other interest and dividend income	97	44	22	14	8	0	4	3	2
All other operating income	211	114	46	26	15	0	3	4	3
Operating expenses	460	214	86	67	48	0	14	17	14
Salaries and benefits	138	64	28	20	12	0	5	5	4
Interest on deposits and shares	82	33	12	14	10	0	4	5	4
Interest on other borrowed money	42	17	10	4	9	0	2	0	0
Provision for loan and lease losses	32	19	3	6	2	0	0	1	1
All other operating expenses	164	81	33	23	15	0	3	5	4
Net operating income	177	92	29	28	17	0	6	3	2
Securities gains and losses	6	2	0	0	4	0	0	0	0
Income taxes	59	31	9	9	8	0	2	0	0
Net income	125	64	20	19	13	0	4	3	2
Memorandum: Number of institutions reporting	18,287	1,955	931	4,806	800	110	475	5,686	3,524

obligations of states and political subdivisions and of U.S. government agencies and corporations.

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

10. Securities issued by states and political subdivisions and public authorities, except for savings and loan associations and 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."

11. 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. For

SAIF-insured institutions, also includes equity investment in service corporation subsidiaries.

12. 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 savings and loan associations and credit unions, including certificates of deposit, NOW accounts, and share draft accounts. For U.S. commercial banks, includes deposits in foreign offices, branches in U.S. territories and possessions, and Edge act and agreement corporation subsidiaries.

13. 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.

14. 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.

15. Capital stock, surplus, capital reserves, and undivided profits.

16. U.S. branches and agencies of foreign banks are not required to file reports of income.

17. Data for thrifts regulated by OTS are unconsolidated, except for operating and finance subsidiaries.

NOTE: Data is 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 Office of Thrift Supervision, 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, Office of Thrift Supervision, and

(5) the Chairman of the National Credit Union Administration Board.

(b) Chairmanship

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

(c) Term of office

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

(d) Designation of officers and employees

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

(e) Compensation and expenses

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

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

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

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

(a) Establishment of principles and standards

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

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

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

institutions or their holding companies.

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

(c) Development of uniform reporting system

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

12 U.S.C. § 3307. Administration

(a) Authority of Chairman of Council

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

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

In addition to any other authority conferred upon it by this chapter, in carrying out its functions under this chapter, the Council may utilize, with their consent and to the extent practical, the personnel, services, and facilities of the Federal financial institutions regulatory agencies, Federal Reserve banks, and Federal

Home Loan Banks, with or without reimbursement therefor.

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

In addition, the Council may—

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

(2) obtain the services of such experts and consultants as are necessary to carry out the provisions of this chapter.

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

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

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

(a) Seminars

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

(b) Study of risk management training program

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

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

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

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

There shall be within the Council a subcommittee to be known as the “Appraisal Subcommittee”, which shall consist of the designees of the heads of the Federal financial institutions regulatory agencies. Each such designee shall be a person who has demonstrated knowledge and competence concerning 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 desig-

nations 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 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;

(2) monitor the requirements established by the Federal financial institutions regulatory agencies and the Resolution Trust Corporation 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.

(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 Chair-

person of the subcommittee. The term of the Chairperson shall be two years.

Excerpts from Home Mortgage Disclosure Act

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

(a) Findings of Congress

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

(b) Purpose of chapter

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

(c) Construction of chapter

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

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

(f) Data disclosure system; operation, etc.

The Federal Financial Institutions Examination Council, in consultation with the Secretary, shall implement a system to facilitate access to data required to be disclosed under this section. Such system shall include arrangements for a central depository of data in each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not comprised of designated primary metropolitan statistical areas. Disclosure statements shall be made available to the public for inspection and copying at such central depository of data for all depository institutions which are required to disclose information under this section (or which are exempted pursuant to section 2805(b) of this title) and which have a home office or branch office within such primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan 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 by no later than December 31 of the year following the calendar year on which the data is based.

APPENDIX B: 2004 AUDIT REPORT



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Financial Statements

To the Federal Financial Institutions
Examination Council:

We have audited the accompanying balance sheets of the Federal Financial Institutions Examination Council (the Council) as of December 31, 2004 and 2003, and the related statements of revenues and expenses and changes in cumulative results of operations, and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a

basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council at December 31, 2004 and 2003, and the results of its operations, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our reports dated March 1, 2005, on our consideration of the Council's internal control over financial reporting and its compliance with certain provisions of laws, regulations, and contracts. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit conducted in accordance with ***Government Auditing Standards***, and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

March 1, 2005

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Balance Sheets as of December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 607,944	\$ 838,566
Accounts receivable from member organizations (Note 3)	2,765,680	3,749,319
Other accounts receivable	<u>231,411</u>	<u>216,983</u>
Total current assets	3,605,035	4,804,868
CAPITAL ASSETS		
Furniture and equipment, at cost	60,446	98,672
Central Data Repository, at cost (Note 4)	9,083,760	7,439,750
Less accumulated depreciation	<u>(60,446)</u>	<u>(98,575)</u>
Net furniture and equipment	<u>9,083,760</u>	<u>7,439,847</u>
Total assets	<u>\$ 12,688,795</u>	<u>\$ 12,244,715</u>
LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities payable to member organizations	\$ 943,165	\$ 1,022,377
Other accounts payable and accrued liabilities (Note 4)	2,511,889	3,606,384
Accrued annual leave	25,620	20,029
Deferred revenue (current portion) (Note 2)	<u>486,630</u>	<u>103,330</u>
Total current liabilities	3,967,304	4,752,120
LONG-TERM LIABILITIES		
Deferred revenue (non-current portion) (Note 2)	8,597,130	7,336,420
Deferred rent (Note 5)	<u>80,045</u>	<u>155,103</u>
Total long-term liabilities	<u>8,677,175</u>	<u>7,491,523</u>
Total liabilities	12,644,479	12,243,643
CUMULATIVE RESULTS OF OPERATIONS		
Total liabilities and cumulative results of operations	<u>44,316</u>	<u>1,072</u>
	<u>\$ 12,688,795</u>	<u>\$ 12,244,715</u>

See accompanying notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
 Statements of Revenues and Expenses and Changes in Cumulative Results of Operations for the Years Ended
 December 31, 2004 and 2003

	2004	2003
REVENUES		
Assessments on member organizations (Note 3)	\$ 560,100	\$ 529,600
Tuition	1,834,021	1,578,596
Home Mortgage Disclosure Act (Note 6)	2,596,768	2,568,438
Community Reinvestment Act	855,958	808,718
Uniform Bank Performance Report	522,265	568,939
Appraisal Subcommittee	180,079	191,599
Other revenue	—	40
Total revenues	<u>6,549,191</u>	<u>6,245,930</u>
EXPENSES		
Data processing	3,719,826	3,632,323
Salaries and related benefits	1,228,026	1,199,283
Professional fees	530,003	363,300
Rental of office space	511,712	617,796
Administration fees	133,500	72,250
Books and subscriptions	103,941	126,916
Travel	77,839	83,311
Rental and maintenance of office equipment	65,250	70,314
Other seminar expenses	59,785	28,887
Postage	28,371	18,585
Office and other supplies	21,342	21,294
Printing	19,978	10,812
Telephone	5,260	7,273
Depreciation and net losses on disposals	97	290
Miscellaneous	1,017	2,617
Total expenses	<u>6,505,947</u>	<u>6,255,251</u>
RESULTS OF OPERATIONS	43,244	(9,321)
CUMULATIVE RESULTS OF OPERATIONS, Beginning of year	<u>1,072</u>	<u>10,393</u>
CUMULATIVE RESULTS OF OPERATIONS, End of year	<u>\$ 44,316</u>	<u>\$ 1,072</u>

See accompanying notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
 Statements of Cash Flows for the Years Ended December 31, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
RESULTS OF OPERATIONS	\$ 43,244	\$ (9,321)
Adjustments to reconcile results of operations to net cash provided by operating activities:		
Depreciation and net losses on disposals	97	290
(Increase) decrease in assets:		
Accounts receivable from member organizations	983,639	(3,125,891)
Other accounts receivable	(14,428)	(33,695)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities to member organizations	(79,212)	169,635
Other accounts payable and accrued liabilities	(1,094,495)	3,500,428
Accrued annual leave	5,591	(10,493)
Deferred revenue (current and non-current)	1,644,010	7,439,750
Deferred rent	(75,058)	(2,689)
Net cash provided by operating activities	<u>1,413,388</u>	<u>7,928,014</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,644,010)	(7,439,750)
Net cash used in investing activities	<u>(1,644,010)</u>	<u>(7,439,750)</u>
NET INCREASE (DECREASE) IN CASH	(230,622)	488,264
CASH BALANCE, Beginning of year	<u>838,566</u>	<u>350,302</u>
CASH BALANCE, End of year	<u>\$ 607,944</u>	<u>\$ 838,566</u>

See accompanying notes to financial statements.

Notes to Financial Statements for the Years Ended December 31, 2004 and 2003

(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 which are represented on the Council, referred to hereafter as member organizations, are as follows:

- Board of Governors of the Federal Reserve System (FRB)
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)
- Office of the Comptroller of the Currency (OCC)
- Office of Thrift Supervision (OTS)

Appraisal Subcommittee—The Council's financial statements do not include financial data for the Appraisal Subcommittee. The Appraisal Subcommittee of the Council was created pursuant to Public Law 101-73, Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The functions of the Appraisal Subcommittee are related to the certification and licensing of individuals who perform appraisals in connection with federally related real estate transactions. Members of the Appraisal Subcommittee consist of the designees of the heads of those agencies which comprise the Council and the designee of the head of the Department of Housing and Urban Development.

All functions and responsibilities assigned to the Council under Title XI are performed directly by the Appraisal Subcommittee without any need for approval or concurrence from the Council. The Appraisal Subcommittee has its own policies and procedures and submits its own Annual Report to the President of the Senate and Speaker of the House. The Council is not responsible for any debts incurred by the Subcommittee, nor are Subcommittee funds available for use by the Council.

(2) Significant Accounting Policies

The Council prepares its financial statements in accordance with generally accepted accounting principles based upon accounting standards issued by the Financial Accounting Standards Board (FASB).

The financial statements have been prepared on the accrual basis of accounting.

Revenues—Assessments made on member organizations for operating expenses and additions to property are based on expected cash needs. Amounts over or under assessed due to differences between actual and expected cash needs flow into "Cumulative Results of Operations" during the year and

then are used to offset or increase the next year's assessment. Deficits in "Cumulative Results of Operations" can be made up in the following year's assessments.

Tuition revenue is adjusted at year-end so that total tuition revenue equals expenses incurred by the Examination Education office. Any difference between revenue and expense is reported in accounts payable to member organizations if revenue exceeds expense, and in accounts receivable from member organizations if expenses exceed revenue.

Capital Assets—Furniture and 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 from the accounts and any gain or loss is recognized. The Central Data Repository (CDR), a software project, is recorded at cost. (See Note 4).

Deferred Revenue—Deferred revenue represents cash collected and accounts receivable related to the CDR, which is in the systems development phase. (See Note 4)

Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

(3) Transactions with Member Organizations

	2004	2003
Accounts Receivable from Member Organizations		
Board of Governors of the Federal Reserve System	\$ 407,074	\$ 475,499
Federal Deposit Insurance Corporation	2,251,800	3,204,925
National Credit Union Administration	—	900
Office of the Comptroller of the Currency	67,778	47,825
Office of Thrift Supervision	39,028	20,170
	<u>\$2,765,680</u>	<u>\$3,749,319</u>

The five member organizations are each assessed one-fifth of the expected cash needs based on the annual operating budget. The annual assessment for each member organization was:

	\$ 112,020	\$ 105,920
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	2004	2003
The Council provides seminars in the Washington area and at regional locations throughout the country for member organization examiners and other agencies. The Council received tuition payments from member organizations in the amount of:	\$1,673,468	\$1,501,846

The FRB provided administrative support services to the Council at a cost of:	133,500	72,250
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Member organizations provided office space, data processing related to HMDA and CRA, and printing services to the Council. The Council paid member organizations:	3,594,606	3,839,951
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The Council assessed FDIC and FRB for the CDR project in the amount of:	1,644,010	7,439,750
---	-----------	-----------

The Council coordinates the production and distribution of the Uniform Bank Performance Reports (UBPR) through the Federal Deposit Insurance Corporation (FDIC). The Council is reimbursed for the direct cost of the operating expenses it incurs for this project.

Council employees are paid through the payroll systems of member organizations. Salaries and fringe benefits, including retirement benefit plan contributions disbursed on behalf of the Council are reimbursed in full to these organizations. The Council does not have any post-retirement or post-employment benefit liabilities since Council employees 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 has not been included in the accompanying financial statements.

(4) Central Data Repository (CDR)

In 2003, the Council entered into a ten-year agreement with UNISYS, totaling approximately \$38,000,000, to enhance the methods and systems used to collect, validate, process and distribute Call Report information. The new system will replace the current FDIC process for Call Reporting. The Council decided to fund the project by direct assessments on the three participating Council member organizations (FRB, FDIC and OCC). OCC's participation will begin when the CDR becomes operational. The Coun-

Notes continue on the following page.

cil will capitalize payments during the system development stage and will account for the direct assessments on the participating agencies as deferred revenue (see Note 2). Revenues from the participating members and capitalized expenses were \$1,644,010 in 2004 and \$7,439,750 in 2003. When the project goes into operation, the capitalized cost will be depreciated over the estimated useful life of the project, ongoing operation costs will be charged to expense and reimbursed by direct assessments on the participating members, and deferred revenue will be amortized to match the depreciation expense charged.

The development of the CDR project was delayed and is scheduled for implementation during the last quarter of 2005. Capitalized expenses include amounts accrued based on estimated percentage completion of tasks.

The amount reported as other accounts payable and accrued liabilities included \$2,474,760 in 2004 and \$3,502,000 in 2003 payable to UNISYS for the CDR project, and the balance was payable to other vendors unrelated to the CDR project.

(5) Deferred Rent

In 1998, the Council entered into a lease for office space. This lease contains rent abatements and scheduled rent increases, which, in accordance with accounting principles generally accepted in the United States of America, must be considered in determining the annual rent expense to be recognized by the Council. The deferred rent represents the difference between the actual lease payments and the rent expense recognized.

(6) Other Revenue

	<u>2004</u>	<u>2003</u>
Home Mortgage Disclosure Act (HMDA)		
The Council recognized the following revenue from member organizations for the production and distribution of reports under the HMDA:	\$1,868,000	\$1,891,023
The Council recognized the following revenue from the Department of Housing and Urban Development's participation in the HMDA project:	444,426	419,742
The Council recognized the following revenue from the Mortgage Insurance Companies of America for performing HMDA related work:	260,847	232,066
The balance of the HMDA revenue for 2004 and 2003 was from sales to the public:	<u>23,495</u>	<u>25,607</u>
Total HMDA	\$2,596,768	\$2,568,438

Community Reinvestment Act (CRA)

The Council recognized revenue for support of operating expenses from the participating member agencies.

Uniform Bank Performance Report (UBPR)

The Council recognized revenue for coordinating and providing certain administrative support to the UBPR project.

Appraisal Subcommittee

The Council recognized revenue for providing space and certain administrative support to the Appraisal Subcommittee.

(7) Operating Leases

The Council entered into operating leases to secure office and classroom space for periods ranging from two to ten years. Minimum future rental commitments under those operating leases having an initial or remaining noncancellable lease term in excess of one year at December 31, 2004, are as follows:

2005	\$ 209,701
2006	213,812
2007	217,922
2008	165,754
2009	—
	<u>\$ 807,189</u>

Rental expenses under these operating leases were \$495,335 and \$558,537 in 2004 and 2003, respectively.

The Council and FDIC have agreed to the Council using office and classroom space at an FDIC facility. The minimum future rental commitments listed above do not include any amounts related to that agreement.



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control over Financial Reporting

To the Federal Financial Institutions
Examination Council:

We have audited the balance sheets of the Federal Financial Institutions Examination Council (the Council) as of December 31, 2004 and 2003, and the related statements of revenues and expenses and changes in cumulative results of operations, and cash flows for the years then ended, and have issued our report thereon dated March 1, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

In planning and performing our fiscal year 2004 audit, we considered the Council's internal control over financial reporting by obtaining an understanding of the Council's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our

auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in ***Government Auditing Standards***. The objective of our audit was not to provide assurance on the Council's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

We noted other matters involving internal control and its operation that we have reported to the management of the Council in a separate letter dated March 1, 2005.

This report is intended solely for the information and use of the members of the Council and its management, the Office of the Inspector General, and Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 1, 2005



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance and Other Matters

To the Federal Financial Institutions
Examination Council:

We have audited the balance sheets of the Federal Financial Institutions Examination Council (the Council) as of December 31, 2004 and 2003, and the related statements of revenues and expenses and changes in cumulative results of operations, and cash flows for the years then ended, and have issued our report thereon dated March 1, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The management of the Council is responsible for complying with laws, regulations, and contracts

applicable to the Council. As part of obtaining reasonable assurance about whether the Council's 2004 financial statements are free of material misstatement, we performed tests of the Council's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Council. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.

This report is intended solely for the information and use of the members of the Council and its management, the Office of the Inspector General, and Congress and is not intended to be and should not be used by anyone other than these specified parties.

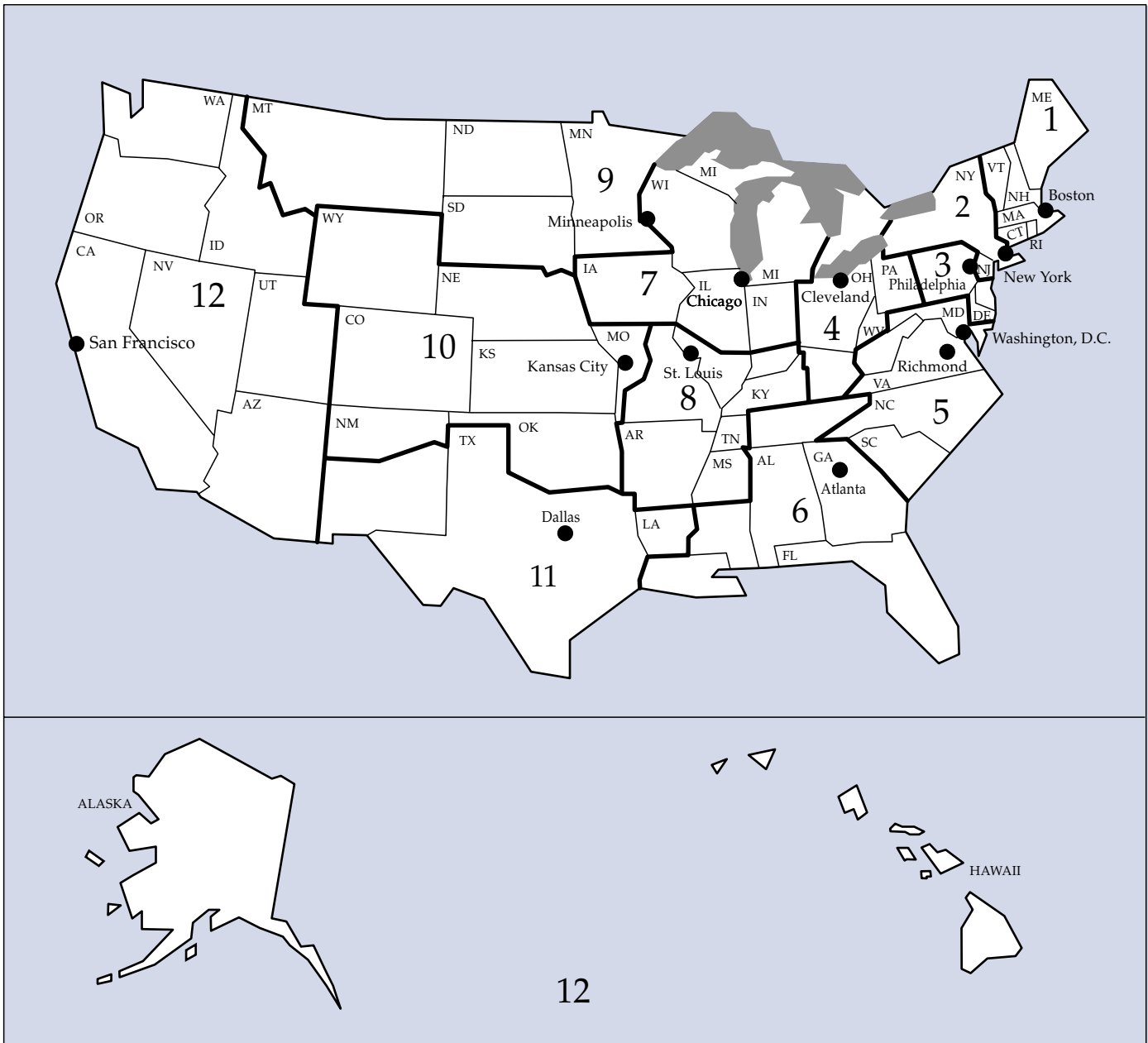
KPMG LLP

March 1, 2005

APPENDIX C: MAPS OF AGENCY REGIONS AND DISTRICTS

- 36 Board of Governors of the Federal Reserve System
- 37 Federal Deposit Insurance Corporation
- 38 National Credit Union Administration
- 39 Office of the Comptroller of the Currency
- 40 Office of Thrift Supervision

THE FEDERAL RESERVE SYSTEM DISTRICTS



FEDERAL DEPOSIT INSURANCE CORPORATION REGIONS (SUPERVISION AND COMPLIANCE)

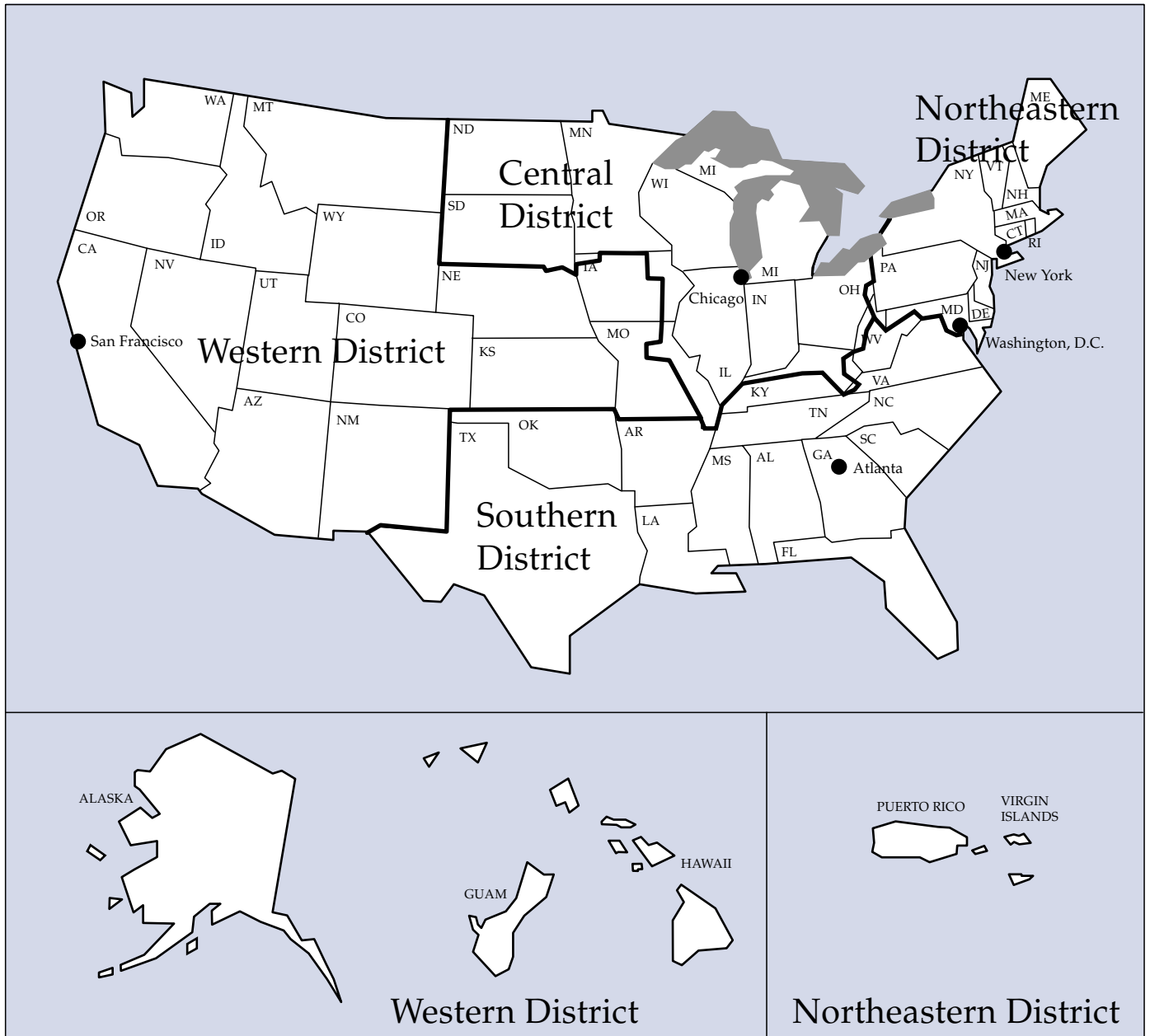


* Two area offices are located in Boston (reports to New York) and Memphis (reports to Dallas)

NATIONAL CREDIT UNION ADMINISTRATION



COMPTROLLER OF THE CURRENCY DISTRICT ORGANIZATION



OFFICE OF THRIFT SUPERVISION



APPENDIX D: ORGANIZATIONAL LISTING OF PERSONNEL

Organization, December 31, 2004

Members of the Council

James E. Gilleran, ***Chairman***
Director
Office of Thrift Supervision (OTS)

JoAnn Johnson, ***Vice Chairman***
Chairman
National Credit Union
Administration (NCUA)

Susan Schmidt Bies
Member
Board of Governors of the Federal
Reserve System (FRB)

Donald E. Powell
Chairman
Federal Deposit Insurance
Corporation (FDIC)

Julie L. Williams*
Acting Comptroller of the
Currency
Office of the Comptroller of the
Currency (OCC)

State Liaison Committee (SLC)

Richard C. Houseworth, ***Chairman***
Superintendent of Banks
Arizona State Banking
Department

John S. Allison
Commissioner,
Mississippi Department of
Banking & Consumer Finance
Mississippi

Helen Howell
Director of Financial Institutions
Washington

Jerrie J. Lattimore
Administrator,
North Carolina
Credit Union Division

Jonathan Smith
Review Examiner
Delaware State Banking
Department

Council Staff Officers

Tamara J. Wiseman
Executive Secretary

Interagency Staff Groups

Agency Liaison Group

Roger T. Cole (FRB)
George French (FDIC)
David M. Marquis (NCUA)
W. Bernard Mason (OTS)
Emory W. Rushton (OCC)

Legal Advisory Group

John Bowman, ***Chairman*** (OTS)
Robert M. Fenner (NCUA)
William F. Kroener, III (FDIC)
J. Virgil Mattingly, Jr. (FRB)
Daniel Stipano (OCC)

Task Force on Consumer Compliance

Glenn Loney, ***Chairman*** (FRB)
Donna Gambrell (FDIC)
Elizabeth Habring (NCUA)
Ann Jaedicke (OCC)
Robyn Dennis (OTS)

Task Force on Examiner Education

William Spaniel, ***Chairman*** (FRB)
Cheryl Davis (OCC)
Elizabeth Dwyer (OTS)
Joy Lee (NCUA)
Mindy West (FDIC)

Task Force on Information Sharing

Karl Krichbaum, ***Chairman*** (FDIC)
Roger Blake (NCUA)
Pamela Schaar (OTS)
William C. Schneider (FRB)
Robin Stefan (OCC)

Task Force on Reports

Robert F. Storch, ***Chairman*** (FDIC)
Zane D. Blackburn (OCC)
James Caton (OTS)
Gerald A. Edwards, Jr. (FRB)
Matthew Nixon (NCUA)

Task Force on Supervision

Michael J. Zamorski,
Chairman (FDIC)
Joy Lee (NCUA)
Richard Riccobono (OTS)
Emory Wayne Rushton (OCC)
Richard Spillenkothen (FRB)

Task Force on Surveillance Systems

Charles W. Collier,
Chairman (FDIC)
Kevin M. Bertsch (FRB)
James Caton (OTS)
Matthew Nixon (NCUA)
Robin Stefan (OCC)

* John D. Hawke, Jr. served as the Office of the Comptroller of the Currency member of the FFIEC for the majority of 2004. He retired as the Comptroller of the Currency in October 2004 and Ms. Williams has assumed the Comptroller's position on an acting basis.