



ANNUAL REPORT 2005



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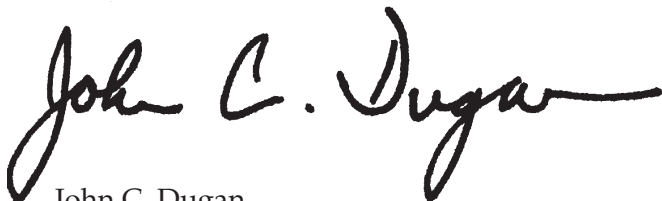
LETTER OF TRANSMITTAL

Federal Financial Institutions
Examination Council
Arlington, VA 22226
March 30, 2006

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 2005 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,

A handwritten signature in black ink that reads "John C. Dugan". The signature is written in a cursive style with a long horizontal flourish at the end.

John C. Dugan
Chairman

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MESSAGE FROM THE CHAIRMAN



John C. Dugan

I am pleased to report that the FFIEC continued its high level of performance and productivity throughout 2005. We continued to work together to advance the Council's 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, and the State Liaison Committee, an advisory committee comprised of five representatives of state agencies that supervise financial institutions. In addition, we continued our work with other outside agencies and with banking industry and trade group representatives on several significant FFIEC initiatives.

Specific details on the 2005 achievements are included in the Record of Council Activities and Activities of the Interagency Staff Task Forces sections of this report. I am pleased to mention here, however, some of the more significant initiatives undertaken by the Council, its task forces, and interagency working groups in 2005:

- Implementation of the Central Data Repository, which streamlined the collection of quarterly bank financial reports (Call Reports).
- Establishment of a working group, which includes representatives from all FFIEC member agencies and the State Liaison Committee, to enhance the agencies' coordination and communication, and supervisory responses to, issues facing the industry in the aftermath of the devastating hurricanes in Louisiana and Mississippi. As part of this effort, the FFIEC has established a page on its web site,

www.ffiec.gov, to provide bankers and consumers with answers to frequently asked questions and other information on hurricane-related issues.

- Extensive outreach activities with Federal and State examiners as well as with the banking industry on the release of the FFIEC's *Bank Secrecy Act/Anti-Money Laundering Examination Manual* and regulatory expectations. The Financial Crimes Enforcement Network (FinCEN) and the Office of Foreign Assets Control (OFAC) participated in the outreach activities. In total, these activities reached more than 23,000 bankers and examiners.
- Issuance of interagency guidance and rules related to numerous banking practices and activities, including:
 - a. Credit-risk management guidance for home equity lending.
 - b. Interpretive guidance on response programs for unauthorized access to customer information and customer notice and a small entity compliance guide for information security standards to help smaller institutions comply with the agencies' information security guidelines.
 - c. Joint guidance by the agencies and FinCEN on providing banking services to money services businesses.
 - d. An advisory on accounting and reporting for commitments to originate and sell mortgage loans.
 - e. Guidance on authentication in an Internet banking environment.
 - f. Supervisory guidance to assist

in the determination of the appropriate risk-based capital treatment for unrated direct credit substitutes extended to asset-backed commercial paper programs.

- g. Call Report revisions for reporting issues related to asset-backed commercial paper conduits, the reporting of past due loans and related allowances, and purchased impaired loans and related allowances.
- h. Frequently asked questions and answers on the new home loan price data disclosed for the first time in 2005 under the Home Mortgage Disclosure Act; residential tract development lending; and independent appraisal and evaluation functions.
- Issuance of joint requests by the agencies for comment on:
 - a. Proposed interagency guidelines on nontraditional mortgage products.
 - b. Proposed revisions to the federal banking agencies' domestic risk-based capital regulations.
 - c. A proposed advisory on the unsafe and unsound use of

limitation of liability provisions and certain alternative dispute resolution provisions in external audit engagement letters.

- d. Proposed changes to the supervisory framework for the classification of commercial credit exposures.
- 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.
- Implementation of recommendations from a Community Reinvestment Act (CRA) efficiency review that identified cost-saving measures in the collection, processing, and reporting of CRA data.
- Delivery of pertinent training to over 2,500 state and federal employees, including more advanced focus in credit analysis, cash flow construction, 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.
- Enhancements to the Uniform Bank Performance Report's (UBPR) custom peer group information and the issuance of early UBPR data for banker and public access.

I am extremely pleased about the significant accomplishments achieved by the FFIEC and its task forces, with assistance from the State Liaison Committee in 2005. I am also pleased with our continued communications with other agencies such as FinCEN and OFAC 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 inter-agency basis 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.

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.

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
- 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 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. It receives tuition fees from non-agency attendees to cover some of the costs associated with its examiner education program.

In 2005, 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, which are 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 2005 pursuant to the Federal Financial Institutions Examination Council Act of 1978, as amended, and the Home Mortgage Disclosure Act (HMDA).

February 18, 2005

Action. Approved the 2004 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.

February 23, 2005

Action. Approved the Memorandum of Understanding (MOU) by and between the FFIEC member agencies and the Federal Reserve Board regarding the HMDA reports.

Explanation. The HMDA MOU was developed in response to one of the findings of an internal FFIEC operations review that was presented to the Council in 2002. The MOU outlines the responsibilities that the Federal Reserve performs related to HMDA data that is collected by member agencies from financial institutions that are required to file HMDA reports.

March 24, 2005

Action. Approved the appointment of six task force chairs.

Explanation. The chairs for all six standing task forces are approved annually and are drawn from management and staff of the five member agencies.



The Examination Council in Session.

March 24, 2005

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*.

March 24, 2005

Action. Directed that a proposed guidance on the unsafe and unsound use of limitation of liability provisions and certain alternative dispute resolution provisions in external audit engagement letters be published for public comment.

Explanation. The proposed guidance advises financial institutions' boards of directors, audit committees, and management that they should ensure that they do not enter any agreement that contains auditor limitation liability provisions with

respect to financial statement audits.

May 27, 2005

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.

September 16, 2005

Action. Approved the establishment of a working group within the FFIEC's Task Force on Supervision to facilitate the coordination, communication, and response to bank supervision issues that were likely to arise in the aftermath of Hurricane Katrina. The State Liaison Committee was requested to participate in the working group on an advisory basis.

Explanation. The interagency efforts were formalized to underscore the importance of coordinating and responding to emerging issues related to the hurricane in a consistent and timely fashion.

December 16, 2005

Action. Approved the 2006 Council budget.

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

December 16, 2005

Action. Approved a delegation of authority to the FFIEC's Central

Data Repository (CDR) Steering Committee to approve certain expenditures for work allowed under the terms of the CDR contract.

Explanation. The CDR is an Internet-based application, developed by the FDIC, the FRB, and the OCC under the auspices of the FFIEC for the collection and processing of the quarterly Reports of Condition and Income filed by insured commercial banks and state-chartered savings banks.

December 30, 2005

Action. Approved an MOU by and between the FFIEC, FDIC, OCC,

and FRB regarding the duties and responsibilities for each production of the Uniform Bank Performance Report (UBPR).

Explanation. The UBPR is an ongoing FFIEC project; however, the MOU that governs the production of the UBPR is signed for a three-year time frame to allow for periodic reviews and updates. The existing MOU expired at the end of 2005. Therefore, the MOU was updated and approved for three more years, until December 2008.

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.

Currently, state banking regulators and state credit union supervisors are represented in an observer capacity during monthly meetings of the FFIEC's Task Force on Supervision, Information Sharing Task Force, the Task Force on Consumer Compliance, and the interagency Bank Secrecy Act/Anti-Money Laundering working group. During the past year, representatives also participated in various working groups, such as the Hurricane Katrina working group, which

worked to respond to issues facing the financial industry and its customers in the aftermath of the hurricane. 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 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 2005, the task force used two standing subcommittees to help promote its mission: the Community Reinvestment Act (CRA) Subcommittee and the Home Mortgage Disclosure Act (HMDA)/CRA Data Collection Subcommittee. The TFCC also creates ad hoc working groups 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.

Initiatives Addressed in 2005

CRA Subcommittee Activities

The agencies jointly published 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. The CRA Subcommittee also launched a review of the Interagency Questions and Answers and revised the inter-

agency templates used for public CRA performance evaluations.

Additionally, the Federal Reserve, the OCC, and the FDIC revised their regulations that implement the CRA. These amendments raise the small bank threshold from \$250 million in total assets to \$1 billion in total assets; create a new test for intermediate small institutions (those with assets between \$250 million and \$1 billion); expand the definition of community development to include activities that revitalize and stabilize “underserved and distressed” rural areas, as well as designated disaster areas, and clarify when discrimination and other illegal credit practices by a bank or an affiliate may adversely affect CRA performance evaluation for all banks. The OTS had already adopted the change in the small bank threshold from \$250 million to \$1 billion and proposed, but has not yet adopted, changes to the community development definition. The three banking agencies developed examination procedures for reviewing the CRA performance of intermediate small institutions and published for comment proposed

questions and answers regarding the new rules.

HMDA/CRA Data Collection Subcommittee Activities

The HMDA/CRA Data Collection Subcommittee completed drafting a Memorandum of Understanding (MOU) between the FFIEC and the Federal Reserve’s HMDA Data Processing unit, which processes the data on behalf of the FFIEC. The working group created the MOU to ensure understanding of expected levels of service between the two parties. The agencies executed the HMDA Data Processing MOU in March.

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. Because of this initiative, the agencies will eliminate the Aggregate and Disclosure Report CD-ROM product in 2006, and the reports will be available exclusively on the FFIEC’s web site. Also related to this initiative, the HMDA/CRA



Task Force on Consumer Compliance meeting.

Data Collection Subcommittee drafted a CRA Data Processing MOU, patterned after the HMDA Data Processing MOU.

Overdraft Protection Guidance

In response to concerns raised about overdraft protection products, commonly referred to as “bounced-check protection,” the federal bank and credit union agencies issued “Joint Guidance on Overdraft Protection Programs” in 2005. The joint guidance seeks to assist insured depository institutions in the disclosure and administration of overdraft protection programs. The guidance contains three primary sections: Safety and Soundness Considerations, Legal Risks, and Best Practices. The Office of Thrift Supervision (OTS) issued similar guidance on this subject for thrifts. The TFCC also established a working group to author examination procedures reflecting the amendments to Regulation DD, which address the marketing of overdraft protection products.

Fair Credit Reporting Act (FCRA) Examination Procedures Update

The TFCC approved revised FCRA examination procedures, incorporating provisions of the FCRA that Congress amended by the Fair and Accurate Credit Transactions Act (FACTA). The revised procedures are structured in a modular format and are designed to allow examiners to risk-focus the FCRA review according to a financial institution’s operations. Some of the FACTA implementing regulations that affect the FCRA are not yet finalized. The modular format of the revised examination procedures will facilitate further updates upon completion of the implementing regulations.

FCC Telemarketing Rules and CAN-SPAM Act (Controlling the Assault of Non-Solicited Pornography and Marketing Act)

The TFCC approved new examination procedures to cover the

requirements of each of these rules addressing electronic communications with consumers. The FCC telemarketing regulations impose financial penalties on all commercial telemarketers for calling phone numbers on the National Do Not Call Registry. The FTC regulations implementing the CAN-SPAM Act reduce spam by prohibiting senders of unsolicited commercial e-mail messages from disguising the source and content of their messages and by giving consumers the choice to cease receiving a sender’s unsolicited commercial e-mail messages.

Emerging Issues

Early in 2005, the TFCC formed two new working groups to address identified emerging issues so it could keep abreast of potential implications of legal and regulatory developments. The additional two groups, the HMDA Data Fallout Working Group and the Remittances/Alternative Mortgages Working Group, began meeting in 2005. The HMDA Data Fallout Working Group served as a forum for the agencies to share outreach information and published a set of frequently asked questions that addressed the new home mortgage

loan pricing data disclosed for the first time in 2005. The Remittances/Alternative Mortgages Working Group looked at possible approaches the agencies could consider to help address the financial services needs of the growing immigrant community. One initiative being considered is the development of a multilingual consumer education brochure to assist consumers in better understanding options when selecting remittances services.

In September, the TFCC established a working group to explore potential interagency responses to addressing the long-term issues arising from the hurricane recovery efforts. This working group is collaborating with other FFIEC task forces to address policy issues that continue to arise due to the severity and scale of these natural disasters.

Task Force on Examiner Education

Responsible for overseeing the FFIEC’s examiner education program on behalf of the Council, the Task Force on Examiner Education promotes interagency education



Task Force on Examiner Education meeting.

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, 2,588 regulatory staff members

attended training programs. (See the table for details of participation by program and agency.)

Initiatives Addressed in 2005

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, the new BSA/AML Examination Manual Infobase training product was issued in July 2005 and was made available to all examiners and bankers on the FFIEC web site, www.ffiec.gov.

2005 FFIEC Training by Agency and Sponsored—Actual, as of December 31, 2005

Event Name	FRB	FRB State Sponsored	FDIC	FDIC State Sponsored	NCUA	OCC	OTS	FCA	FHFB	Other	Total
Advanced Cash Flow Concepts & Analysis: Beyond the Numbers	22	10	37	0	0	0	4	0	0	1	74
Advanced Commercial Credit Analysis	33	18	114	20	11	44	11	5	0	0	256
Anti-Money Laundering Workshop	106	31	46	1	7	2	59	0	1	6	259
Asset Management Forum	62	18	37	20	0	36	9	0	0	0	182
Capital Markets Conference	19	16	45	37	23	9	6	0	14	1	170
Capital Markets Specialists Conference	15	8	43	10	2	11	0	7	2	2	100
Cash Flow Construction and Analysis from Federal Tax Returns	28	14	88	26	13	23	23	3	0	0	218
Community Financial Institutions Lending Forum	6	8	6	32	11	0	3	0	1	0	67
Financial Crimes Seminar	58	38	84	51	25	0	17	3	1	6	283
Fraud Identification On-line Training	5	0	49	0	3	5	15	0	0	0	77
Fraud Investigations Symposium (postponed until 2006)	0	0	0	0	0	0	0	0	0	0	0
Information Technology Symposium	2	0	4	0	2	3	3	0	0	0	14
Information Technology Conference	57	18	47	0	25	37	20	13	5	4	226
Instructor Training School	39	2	16	2	1	12	2	2	0	0	76
International Banking (self study)	3	0	13	0	0	8	8	0	0	0	32
International Banking School	2	1	4	9	0	5	6	0	0	0	27
Lead Investigation Specialists Workshop	4	0	6	0	1	2	0	0	0	0	13
Payment Systems Risk Conference	26	10	6	17	11	9	9	3	0	0	91
Real Estate Appraisal Review School	15	19	56	0	14	0	6	2	0	0	112
Real Estate Appraisal Review On-line	0	0	13	0	2	0	1	0	0	0	16
Supervisory Updates & Emerging Issues	88	41	33	27	2	39	12	4	7	1	254
Testifying School	0	2	9	7	0	23	0	0	0	0	41
Grand Total	590	254	756	259	153	268	214	42	31	21	2,588
Percentage	22.80	9.81	29.21	10.01	5.91	10.36	8.27	1.62	1.20	0.81	100
Combined Agency and Sponsored Percentage	32.61	NA	39.22	NA	5.91	10.36	8.27	1.62	1.20	0.81	100



Instructor Steve Gulbrandsen instructs "Advanced Cash Flow Concepts and Analysis: Beyond the Numbers".

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.

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 2005 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



Dina Biblin, FDIC Sr. Litigation Attorney, instructs the Testifying School.

and anti-money-laundering arenas and in advanced credit analysis skills.

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. Large FFIEC conferences with over 200 attendees formerly held in hotels around the country will be held in the new 500-seat auditorium at the Seidman Center when it opens in early 2006.

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 2006 course catalogue and schedule are available from the Examiner Education Office. To obtain a copy, contact:

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

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 supervision, 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 2005

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



Task Force on Information Sharing meeting.

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. Further research is being conducted to ensure efficiency of data utilization through the reduction of volume and duplication of efforts. New technologies are being implemented in improving data sharing, e.g., utilizing Connect:Direct.

In 2005, the group continued to work on long-term projects related to the FRB's planned new bulk data transfer and the OCC's planned retirement of its mainframe. Also, efforts were dedicated to revamp the collaborative web site (FRB and FDIC) by archiving much of the historical data. This involved the determination of how much historical information was retained on the web site, as well as a labor-intensive

effort to physically remove data that needs to be archived.

Completed projects include the sharing of information used to assess risk-related deposit insurance premiums. 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.

Collaborative Web Site

The Information Sharing Task Force and the Technology Working Group use an 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 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 (AICPA). 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 2005

Call Report Processing Modernization

During 2005, the FDIC, the FRB, and the OCC continued to devote sig-

nificant 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 state-chartered savings banks. The principal feature of this new model is a Central Data Repository (CDR), which uses XBRL business reporting language to collect, validate, store, and distribute Call Report information. A steering committee established by the task force continued to coordinate the agencies' work on this project and used four focus groups to collaborate and communicate with contractors and targeted stakeholder communities.

The Call Report Software Vendors Focus Group continued to monitor the progress of the vendors' development efforts and involve them in testing. The Financial Institutions Focus Group continued to seek input from banks and banking trade organizations on implementing the new system and provided them with updates on the project. The focus group also managed the successful enrollment of approximately 8,000 institutions in the CDR. The XBRL Focus Group continued to (1) ensure that the project complied with national and international standards and (2) help expand the range of XBRL taxonomies for banking data. The Change Management Focus Group was active in training agency staff on the functionality of the CDR, preparing informational materials and press releases for the CDR web site and the media, communicating the project's status to stakeholders, and ensuring the validation of metadata prior to implementation.

The CDR was successfully implemented on October 1, 2005, for the third quarter 2005 Call Report data submissions and performed very well throughout the processing cycle, even during the heaviest volume period. Industry feedback was positive on the ease of use of the CDR. The Help Desk, with support for high volume provided by staff at

the Federal Reserve Bank of Kansas City and the FDIC, handled a larger number of calls than originally projected (mostly on user maintenance, enrollment in the CDR, and submission status). Because of the benefits of the new business process and implementation of the XBRL-based CDR, the agencies were able to publish taxonomies within the software that let bankers know the standards for accepting data in advance of their filing. The agencies saw significant improvement in the quality of data received, and bankers submitted their third quarter data slightly earlier in the reporting cycle than for the previous quarter.

Since implementation, the CDR project team has focused on resolving minor system issues, suggesting contract modifications to improve functionality, training agency users, developing plans for implementing the remaining primary functionality, and evaluating secondary options under the CDR contract (including the Uniform Bank Performance Report). Agency and contractor staff developed a transition plan to move the project from its development phase into its operations and maintenance phase. This plan included changes in project management and other key agency personnel, both at the agencies and the contractor, that were handled seamlessly.

The CDR project team continues to make progress on the quarterly releases of the system by prioritizing and approving work to be included in each future quarterly release. The December 2005 release included high priority change requests and corrections of defects identified during the initial release. Based on the volume of calls received by the CDR Help Desk as banks prepared their Call Report data during October, the project team developed a plan to increase help desk support during the first month of each reporting cycle.

With the successful implementation of the Call Report process, the CDR

project team is now evaluating how best to leverage this investment by improving other data series' collection and management processes.

Reporting Requirements for the Call Report

Following task force approval in February 2005, the FRB, the OCC, and the FDIC published a Federal Register notice in March requesting comment on the proposed addition of three items to the Call Report in June 2005 in response to AICPA Statement of Position 03-3 on "purchased impaired loans," which took effect at the beginning of 2005. The new items were intended to assist the agencies in evaluating loan loss allowances. After considering the public comments received on the proposal, the task force agreed to proceed with the changes as proposed. The OTS published a comparable proposal for the Thrift Financial Report in April 2005.

During the second quarter of 2005, the task force concluded its deliberations on a proposal issued in 2004 concerning proposed clarifications of the Call Report and Thrift Financial Report treatment of mortgage loans backing Ginnie Mae securities that an institution that issues such securities has the option to repurchase when the loans meet certain delinquency criteria. The proposal also included an instructional revision on the use of trade data reporting for when-issued securities. The task force agreed on an approach for reporting rebooked delinquent Ginnie Mae loans and related foreclosed properties, which included the addition of new items to the Call Report and Thrift Financial Report as suggested by a number of commenters on the proposal. The task force decided not to introduce the proposed instructional change for when-issued securities.

The U.S. Office of Management and Budget (OMB) approved the reporting revisions for purchased impaired loans and for Ginnie Mae loan delinquencies and foreclosures.

These changes were implemented in the Call Report in June 2005 and in the Thrift Financial Report in September 2005 (except for the revisions for Ginnie Mae foreclosures, which will take effect in both reports in March 2006).

In August 2005, the task force approved, and the FRB, the OCC, and the FDIC published, a Federal Register notice requesting comment on proposed Call Report revisions that primarily address the agencies' needs for data to more effectively evaluate banks' credit risk and their liability structure and liquidity. To reduce reporting burden, the agencies also proposed to eliminate certain existing items for some or all banks. The proposal's new and revised items focused on construction loans, commercial real estate loans, lease financing receivables, Federal Home Loan Bank advances, nonaccrual assets, credit derivatives, single family residential mortgage banking activities, certain secured borrowings, life insurance assets, and income from international operations. The agencies also proposed to revise the officer declaration and director attestation requirements and signatures that apply to the Call Report.

Although these revisions were proposed to take effect in March 2006, many of the public comments indicated that a longer implementation period would be needed to make necessary systems changes for several of the proposal's reporting changes. After considering the comments, the task force agreed in December 2005 to modify some of the proposed changes and to spread the implementation of the revisions over the period from March 2006 through March 2008. The task force also decided to limit the proposed changes to the signature and attestation requirements and to defer them until September 2006. In January 2006, banks were notified of the timetable for the phased-in implementation schedule for the Call Report revisions, which are subject to approval by OMB.

The task force conducted monthly interagency conference calls during 2005 to discuss Call Report instructional matters and related accounting issues to reach uniform interagency positions on these issues.

Other Activities

In April 2005, the task force approved, and the FRB, the OCC, and the FDIC published in the Federal Register, a revised set of proposed changes to the FFIEC 009, Country Exposure Report, for implementation in September 2005. The revised proposal responded to concerns expressed by commenters on an August 2004 proposal to revise this report. The modified revisions will harmonize U.S. data with data on cross-border exposures collected by other countries and disseminated by the Bank for International Settlements. They will also provide additional detail on U.S. banks' exposure to country risk, transfer risk, and foreign exchange risk while eliminating certain existing items from the report in order to reduce the reporting burden of the new data. After considering the two comments received on the April 2005 proposal, the task force decided not to proceed with a portion of the proposal and to delay implementation of the remaining revisions until March 2006. The agencies advised institutions that file the Country Exposure Report about the revised reporting requirements in October 2005 and received OMB approval for these changes in November 2005. The agencies are completing their work on these reporting changes and the related instructions so that they can be implemented in banks' Country Exposure Reports for the first quarter of 2006.

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 three 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 (IT) Subcommittee serves as a forum to address information systems and technology issues as they relate to financial institutions. The IT 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 and applications, such as wire transfers, capital markets, loans,



Task Force on Supervision meeting.

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 Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Working Group is responsible for strengthening communications among the federal and state banking agencies and the Financial Crimes Enforcement Network, 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 inter-agency basis and ensuring that projects are being completed as planned. One of the working group's initial priorities was the development and issuance of comprehensive, interagency examination procedures for

BSA/AML. These procedures were completed and issued in 2005.

The task force also establishes adhoc working groups to handle individual projects and assignments, as needed.

Initiatives Addressed in 2005

Information Technology

Financial institutions' growing reliance on technology and third-party service providers leaves them and their customers increasingly vulnerable to various operational risks and security breaches. The task force's IT 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 was the revision of the 1996 *FFIEC Information Systems Examination Handbook*. The 1996 handbook was replaced by a series of twelve topical booklets addressing issues such as business continuity planning, information security, and electronic banking. In 2005, the group started the process of maintaining the booklets by updating the *Information Security Booklet* and developed a booklet covering networks and telecommunications, which will be

completed in 2006. Three additional handbooks are slated for updating in 2006: *The Supervision of Technology Service Providers, Business Continuity, and Retail Payment Systems*. In 2005, the subcommittee also developed and issued, under the auspices of the FFIEC, guidance on the risks and risk-management controls necessary to authenticate the identity of customers accessing Internet-based financial services. The guidance, "Authentication in an Internet Banking Environment," was issued to reflect the many significant legal and technological changes with respect to the protection of customer information, increasing incidents of identity theft and fraud, and the introduction of improved authentication technologies. 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.

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. The agencies continued development of the notice of proposed rulemaking (NPR) and examination guidance, which is intended to provide the industry with regulatory perspectives for implementation.

Additionally, the fourth quantitative impact study (QIS-4), which

began in 2004 to assess the potential impact of the Basel II Framework on financial institution and industry-wide capital levels, was completed. The QIS-4 findings suggested that, without modifications, the Basel II framework could result in unacceptable reductions and dispersion in minimum risk-based capital requirements. As a result, on September 30, 2005, the agencies issued a joint press release stating that while they intend to move forward with the implementation of Basel II, prudential safeguards must be incorporated into the Basel II framework to address the concerns created by the QIS-4 findings. The banking agencies continue working to develop a Notice of Proposed Rulemaking for publication in the Federal Register.

The agencies have worked together to consider ways to (1) modernize the risk-based capital rules for non-Basel II banks to ensure that the framework remains a relevant and reliable measure of the risks present in the banking system and (2) minimize potentially material differences in capital requirements that may arise between banks that adopt Basel II and those banks that remain under the existing rules. This effort culminated in the publication of an interagency advance notice of proposed rulemaking on October 20, 2005, to solicit comments on potential revisions to the existing risk-based capital framework.

Other Supervisory Initiatives

Throughout the year, the task force discusses and responds to emerging supervisory issues and risks. During 2005, the task force over-saw the development and issuance of the following interagency supervisory policy statements and advisories:

- *Interagency Joint Guidance on Providing Banking Services to Money Services Businesses* focused on USA PATRIOT Act considerations for institutions when serving money services businesses.

- *Interagency Advisory on Accounting and Reporting for Commitments to Originate and Sell Mortgage Loans* provided supplemental guidance on the appropriate accounting and reporting for commitments to originate mortgage loans that will be held for resale and sell mortgage loans under mandatory delivery and best efforts contracts.
- *Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice* interpreted the agencies' customer information security standards and stated that financial institutions should implement response programs to address security breaches involving customer information.
- *Interagency Guidance for Determination of Risk-Based Capital Treatment* provided supervisory guidance for determining the appropriate regulatory risk-based capital treatment to be applied to direct credit substitutes issued in connection with asset-backed commercial paper programs.
- *Interagency Guidance on Home Equity Lending* focused on sound underwriting standards and effective risk-management practices for this type of lending.
- *Interagency Guidance on Real Estate Appraisal Issues* included frequently asked questions that addressed the agencies' appraisal and real estate lending requirements for independence in the appraisal process, financial residential tract development loans, and the calculation of supervisory loan-to-value ratios.
- *FFIEC BSA/AML Examination Manual* was released in 2005, and outreach sessions were held nationwide for examiners and bankers to discuss the procedures.
- *Interagency Advisory on External Auditors/Limitation of Liability*

was developed by a Task Force on Supervision working group and addressed clauses in external auditor engagement letters that raised concerns. The guidance was issued in early 2006.

- *Interagency Proposal on the Classification of Commercial Credit Exposures* requested comment on a proposal to replace the current regulatory commercial loan classification system with a two-dimensional based framework. In response to the comments, the agencies have chosen to postpone any action on this proposal.
- *Proposed Interagency Guidance on Nontraditional Mortgage Products* requested comment on proposed guidelines that address loan terms and underwriting standards, portfolio risk-management practices, and consumer protection issues that could arise with these products.

Task Force on Surveillance Systems

The Task Force on Surveillance Systems oversees the development and

implementation of uniform inter-agency 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 FRB, the FDIC, or the OCC. UBPR data are also available to all state bank supervisors. While the UBPR is principally designed to meet the examination and surveillance needs of the fed-

eral 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 2005

Early UBPR Data Delivered

The task force implemented a new process that allows UBPR data to be published up to four weeks sooner than was previously possible. Beginning with the UBPR dated December 31, 2004, data for individual banks was published after the underlying Call Report data passed all supervisory edits. For many banks this change meant that UBPR information became available before the thirty-day Call Report filing deadline.

Early Peer Group Statistics Delivered

After a thorough review of the underlying information, the task force decided to shorten the delivery time for peer group statistics and percentile rankings. This process will be continued in subsequent quarters.

For the September 30, 2005, UBPR, peer group and percentile ranking data for peer groups composed of banks filing the 041 Call Report form was delivered approximately two and one-half weeks earlier (November 7, 2005) than was done previously. Delivery of peer group statistics and percentile rankings for peer groups composed of banks filing the 031 Call Report form was shortened by approximately five days.

Frequent Updates of the UBPR Web Site

The task force decided to provide more frequent updates to the UBPR web site than was done in the past. Beginning September 30, 2005, UBPR data for individual banks was updated twice a week. Peer group statistics and percentile rankings will also be updated on



Task Force on Surveillance Systems meeting.

the same cycle once published. This process will be continued in subsequent quarters.

User's Guide (Guide) for the UBPR

The Guide was updated to incorporate new samples of pages and associated data. The March 31, 2005, version of the guide is available online at www.ffiec.gov.

Enhancements to the UBPR

In 2006, the task force is planning several enhancements to the UBPR that will take advantage of new and existing Call Report data. Additionally, the task force is considering expanding the number of years of UBPR data available on the web site. Finally, the custom peer search engine may be expanded to permit several additional search criteria. Advance notice of changes will be provided on <http://www.ffiec.gov/UBPR.htm>. The task force is participating with the Task Force on Reports and the Central Data Repository (CDR) Steering Committee in an evaluation of the Uniform Bank Performance Report for inclusion in the CDR. Processing, storage, and delivery of UBPR data are among the features that may be

included under an option in the CDR contract.

Information Available on the UBPR Web Site

UBPR Availability

To provide broad public access to information about the financial condition of insured banks, the task force publishes a final quarterly version of the UBPR for each institution, typically within twenty to twenty-five days of the Call Report due date. Additionally, early UBPR data is typically available five days before the Call Report filing 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.

Other UBPR Reports

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 perfor-

mance 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

The Custom Peer 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 peer group statistics and percentile rankings derived from a custom peer group.

Please visit <http://www.ffiec.gov/UBPR.htm> for additional information about the UBPR, including distribution schedules, descriptions of pending changes, and instructions on using online UBPR tools. 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 D8073a
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, 2005, these financial institutions held total assets of more than \$12.3 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-three field territory offices for risk management and thirty-two 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 administers two 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. On February 8, 2006, the President signed legislation that contains the Deposit Insurance Reform Act of 2005. As a result, the BIF and SAIF will be merged into a new fund, the Deposit Insurance Fund, no later than July 6, 2006.

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. The 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:

- charter, examine, and supervise more than 5,400 federal credit unions nationwide;
- administer the National Credit Union Share Insurance Fund (NCUSIF), which insures member share accounts in more than 8,800 U.S. federal and state-chartered credit unions; and
- manage 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 both the FDIC and 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 1,918 national banks and fifty-one federal branches of foreign banks in the United States, accounting for approximately 67 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; and
- 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 a district office in Chicago, Dallas, Denver and New York. In addition, the OCC maintains a network of forty-one field offices and twenty-five satellite locations in cities throughout the United States, as well as resident examiner teams in the twenty-three 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 and Public Affairs; Senior Deputy Controller and Chief National Bank Examiner; Ombudsman; Chief Information Officer; Executive Officer for Leadership, Learning and Workplace Fairness; and Senior Deputy Comptrollers for Mid-Size and Community Bank Supervision, Large Bank Supervision, International and Economic Affairs, and Management and 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 in 1989. The OTS charters and is the primary regulator for all federal savings associations, and shares joint responsibility with state authorities for supervision of all state savings associations. The OTS is also the primary regulator for all savings and loan holding companies, and has been affirmed by the European Union to be the consolidated, coordinating regulator for specific holding companies conducting operations in Europe.

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 corporate-wide risk and capital adequacy;
- 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 take enforcement action against 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 agency conducts its operations from its headquarters in Washing-

ton, 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 OTS uses no congressional appropriations to fund its operations. It draws its revenues prima-

rily 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, 2005 (Not subject to External Auditor review)

Billions of dollars

Item	Total	U.S. Commercial Banks ²			U.S. Branches and Agencies of Foreign Banks ⁵	Thrift Institutions			Credit Unions ³	
		National	State Member	State Non-Member		OTS-Regulated ⁴		Other FDIC-Insured Savings Banks	Federal Charter	State Charter
						Federal Charter	State Charter			
Total assets	12,354	5,774	1,278	1,625	1,257	1,412	22	316	372	298
Total loans and receivables (net)	7,035	3,216	761	1,049	308	1,059	14	195	225	198
Loans secured by real estate ⁶	4,153	1,666	447	704	17	938	12	165	108	96
Consumer loans ⁷	1,102	565	80	137	0	80	0	14	126	100
Commercial and industrial loans	1,215	645	166	169	165	47	2	14	3	4
All other loans and lease receivables ⁸	645	385	78	52	126	1	0	3	0	0
LESS: Allowance for possible loan and lease losses	82	45	10	14	0	7	0	2	2	2
Federal funds sold and securities purchased under agreements to resell	578	329	32	31	163	16	0	3	3	1
Cash and due from depository institutions ⁹	596	243	77	59	79	28	1	8	57	44
Securities and other obligations ¹⁰	2,158	930	281	370	169	212	6	86	62	42
U.S. government obligations ¹¹	681	121	69	134	35	158	5	66	57	36
Obligations of state and local governments ¹²	124	57	19	40	0	5	0	3	0	0
Other securities	1,355	753	193	196	134	49	1	17	5	7
Other assets ¹³	1,985	1,055	127	116	538	96	1	23	16	13
Total liabilities	11,206	5,203	1,147	1,448	1,257	1,256	19	280	331	265
Total deposits and shares ¹⁴	8,026	3,689	898	1,207	633	787	16	224	318	254
Federal funds purchased and securities sold under agreements to repurchase	950	457	89	95	220	68	1	17	3	0
Other borrowings ¹⁵	1,457	609	116	122	180	376	3	36	7	8
Other liabilities ¹⁶	774	448	44	24	224	25	0	3	3	3
Net worth¹⁷	1,145	570	131	176	0	156	2	36	41	33
Memorandum: Number of institutions reporting	17,999	1,861	904	4,779	265	774	96	449	5,494	3,377

Footnotes to Tables

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

ritories and possessions, and FDIC insured banks in Puerto Rico and U.S. territories and possessions. Excludes bank holding companies.

3. Data are for federally insured natural person credit unions only.
4. Data for thrift institutions regulated by the OTS are unconsolidated except for operating and finance subsidiaries.
5. These institutions are not required to file reports of income.
6. Includes loans secured by residential property, commercial property, farmland (including improvements), and unimproved land; and construction loans secured by real estate.
7. Includes loans, except those secured by real estate, to individuals for household,

family, and other personal expenditures, including both installment and single payment loans. Net of unearned income on installment loans.

8. Includes loans to financial institutions, for purchasing or carrying securities, to finance agricultural production and other loans to farmers (except those secured by real estate), to states and political subdivisions and public authorities, and miscellaneous types of loans.
9. Includes vault cash, cash items in process of collection, and balances with U.S. and foreign banks and other depository institutions, (including demand and time deposits and certificates of deposit for all categories of institutions).

Notes continue on the next page

INCOME AND EXPENSES of U.S. Commercial Banks, Thrift Institutions¹, and Credit Unions for Twelve Months Ending June 30, 2005 (Not subject to External Auditor review)

Billions of dollars

Item	Total	U.S. Commercial Banks ²			Thrift Institutions			Credit Unions ³	
		National	State Member	State Non-Member	OTS-Regulated ⁴		Other FDIC-Insured Savings Banks	Federal Charter	State Charter
					Federal Charter	State Charter			
Operating income	696	385	68	106	82	1	16	21	17
Interest and fees on loans	373	183	36	64	54	1	10	14	11
Other interest and dividend income	111	66	10	16	10	0	4	3	2
All other operating income	210	135	22	25	18	0	2	4	4
Operating expenses	511	284	47	74	62	0	11	18	15
Salaries and benefits	145	82	14	21	14	0	3	6	5
Interest on deposits and shares	107	53	10	18	14	0	3	5	4
Interest on other borrowed money	57	34	4	6	12	0	1	0	0
Provision for loan and lease losses	26	15	2	4	3	0	0	1	1
All other operating expenses	172	99	16	24	19	0	3	6	5
Net operating income	184	101	21	32	21	0	4	3	2
Securities gains and losses	6	2	0	0	4	0	0	0	0
Income taxes	59	33	7	10	8	0	1	0	0
Net income	130	70	14	22	16	0	3	3	2
Memorandum: Number of institutions reporting	17,734	1,861	904	4,779	774	96	449	5,494	3,377

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

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

12. 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."

13. 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.

14. Includes demand, savings, and time deposits, (including certificates of deposit at commercial banks, U.S. branches and agencies of foreign banks, and savings bank), 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.

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

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

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

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

NOTE: Data are rounded to nearest billion. Consequently some information may not reconcile precisely. Additionally balances less than \$500 million will show as zero.

APPENDIX A: RELEVANT STATUTES

Federal Financial Institutions Examination Council Act

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

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

12 U.S.C. § 3302. Definitions

As used in this chapter—

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

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

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

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

(a) Establishment; composition

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

(1) the Comptroller of the Currency,

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

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

(4) the Director, 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 781(i) of Title 15.

(d) Conducting schools for examiners and assistant examiners

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

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

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

(f) Annual report

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

(g) Flood insurance

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

12 U.S.C. § 3306. State liaison

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

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 filling their obligations to serve the housing needs of the communities and neighborhoods in which they are located and to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment.

(c) Construction of chapter

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

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

(f) Data disclosure system; operation, etc.

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

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

(a) Commencement; scope of data and tables

Beginning with data for calendar year 1980, the Federal Financial Institutions Examination Council

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

(b) Staff and data processing resources

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

(c) Availability to public

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

APPENDIX B: 2005 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, 2005 and 2004, 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 *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. An audit includes 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 also 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 Federal Financial Institutions Examination Council, at December 31, 2005 and 2004, 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 reports dated March 7, 2006, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. 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 performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

March 7, 2006

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Balance Sheets

	As of December 31,	
	2005	2004
ASSETS		
CURRENT ASSETS		
Cash	\$ 598,259	\$ 607,944
Accounts receivable from member organizations (Note 3)	1,808,511	2,765,680
Other accounts receivable	<u>557,347</u>	<u>231,411</u>
Total current assets	2,964,117	3,605,035
CAPITAL ASSETS		
Furniture and equipment, at cost	60,446	60,446
Central Data Repository, at cost (Note 4)	12,055,244	9,083,760
Less accumulated depreciation	<u>(629,743)</u>	<u>(60,446)</u>
Net capital assets	<u>11,485,947</u>	<u>9,083,760</u>
Total assets	<u>\$ 14,450,064</u>	<u>\$ 12,688,795</u>
LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities payable to member organizations	\$ 1,099,400	\$ 751,049
Other accounts payable and accrued liabilities (Note 4)	1,482,102	2,511,889
Accrued payroll and annual leave	297,202	217,736
Deferred revenue (current portion) (Note 2, Note 4)	<u>2,277,189</u>	<u>486,630</u>
Total current liabilities	5,155,893	3,967,304
LONG-TERM LIABILITIES		
Deferred revenue (non-current portion) (Note 2, Note 4)	9,208,758	8,597,130
Deferred rent (Note 5)	<u>75,604</u>	<u>80,045</u>
Total long-term liabilities	<u>9,284,362</u>	<u>8,677,175</u>
Total liabilities	14,440,255	12,644,479
CUMULATIVE RESULTS OF OPERATIONS		
Total liabilities and cumulative results of operations	<u>9,809</u>	<u>44,316</u>
	<u>\$ 14,450,064</u>	<u>\$ 12,688,795</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,	
	2005	2004
REVENUES		
Assessments on member organizations (Note 3)	\$ 419,055	\$ 560,100
Central Data Repository (Note 4)	3,205,813	0
Home Mortgage Disclosure Act (Note 6)	2,574,809	2,596,768
Tuition	1,991,263	1,834,021
Community Reinvestment Act	821,390	855,958
Uniform Bank Performance Report	524,350	522,265
Appraisal Subcommittee	183,566	180,079
Total revenues	<u>9,720,246</u>	<u>6,549,191</u>
EXPENSES		
Data processing	3,623,133	3,719,826
Professional fees (Note 4)	3,241,435	530,003
Salaries and related benefits	1,303,342	1,228,026
Depreciation and net losses on disposals (Note 4)	569,297	97
Rental of office space	437,564	525,972
Administration fees	175,000	133,500
Travel	116,098	77,839
Books and subscriptions	98,361	103,941
Other seminar expenses	71,285	59,785
Rental and maintenance of office equipment	50,775	65,250
Office and other supplies	35,506	21,342
Printing	14,468	19,978
Postage	17,195	19,371
Miscellaneous	1,294	1,017
Total expenses	<u>9,754,753</u>	<u>6,505,947</u>
RESULTS OF OPERATIONS	(34,507)	43,244
CUMULATIVE RESULTS OF OPERATIONS, Beginning of year	<u>44,316</u>	<u>1,072</u>
CUMULATIVE RESULTS OF OPERATIONS, End of year	<u>\$ 9,809</u>	<u>\$ 44,316</u>

See accompanying notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
 Statements of Cash Flows

	For the years ended December 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
RESULTS OF OPERATIONS	\$ (34,507)	\$ 43,244
Adjustments to reconcile results of operations to net cash provided by operating activities:		
Depreciation and net losses on disposals	569,297	97
(Increase) decrease in assets:		
Accounts receivable from member organizations	957,169	983,639
Other accounts receivable	(325,936)	(14,428)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities to member organizations	348,351	(52,760)
Other accounts payable and accrued liabilities	(1,029,787)	(1,094,495)
Accrued payroll and annual leave	79,466	20,861
Deferred revenue (current and non-current)	2,402,187	1,644,010
Deferred rent	(4,441)	(75,058)
Net cash provided by operating activities	<u>2,961,799</u>	<u>1,413,388</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (Note 4)	<u>(2,971,484)</u>	<u>(1,644,010)</u>
Net cash used in investing activities	<u>(2,971,484)</u>	<u>(1,644,010)</u>
NET INCREASE (DECREASE) IN CASH	(9,685)	(230,622)
CASH BALANCE, Beginning of year	<u>607,944</u>	<u>838,566</u>
CASH BALANCE, End of year	<u>\$ 598,259</u>	<u>\$ 607,944</u>

See accompanying notes to financial statements.

Notes to Financial Statements as of and for the Years Ended December 31, 2005 and 2004

(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 hereinafter 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.

Reclassifications—Certain 2004 amounts have been reclassified to conform with the 2005 presentation.

(2) Significant Accounting Policies

The Council prepares its financial statements in accordance with accounting principles generally accepted in the United States of America 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 Examiner Education office. Any difference between revenue and expense is reported in accounts payable to member organizations if revenues exceeds expenses, 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. (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

	2005	2004
<i>Accounts Receivable from Member Organizations</i>		
Board of Governors of the Federal Reserve System	\$ 306,704	\$ 407,074
Federal Deposit Insurance Corporation	1,426,385	2,251,800
National Credit Union Administration	0	0
Office of the Comptroller of the Currency	58,160	67,778
Office of Thrift Supervision	<u>17,262</u>	<u>39,028</u>
	<u>\$1,808,511</u>	<u>\$2,765,680</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:

	\$ 83,811	\$ 112,020
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	2005	2004
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:	\$1,858,296	\$1,673,468

The FRB provided administrative support services to the Council at a cost of:	175,000	133,500
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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:	3,809,989	3,594,606
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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.

Capitalized Assets-CDR:

	2005	2004
CDR beginning balance	\$ 9,083,760	\$7,439,750
Additions	<u>2,971,484</u>	<u>1,644,010</u>
CDR ending balance	<u>\$12,055,244</u>	<u>\$9,083,760</u>

The CDR was placed into production in October 2005. At that time, the Council began depreciating the CDR project on the straight-line basis over its estimated useful life of sixty-three months. For 2005, the council recorded \$569,297 in depreciation expense and recognized the same amount of deferred revenue. The value

Notes continue on the following page.

of the CDR asset includes the fully accrued and paid cost, including amounts withheld from payment for retainage in the amount of \$1,205,524, which is included in "Other accounts payable and accrued liabilities."

Other CDR Balances:

	2005	2004
<i>Deferred revenue</i>		
Beginning balance	\$9,083,760	\$7,439,750
Additions	2,971,484	1,644,010
Less: Revenue recognized	(569,297)	0
Ending balance	<u>\$11,485,947</u>	<u>\$9,083,760</u>
<i>Current portion</i>		
deferred revenue	\$2,277,189	\$ 486,630
Long-term deferred revenue	9,208,758	8,597,130
	<u>\$11,485,947</u>	<u>\$9,083,760</u>

The Council bills participating agencies for the full cost of the CDR project and records the amounts billed as deferred revenue (see Note 2).

Deferred revenue is amortized to match the depreciation expense charged. The amount reported for 2005, the year depreciation began, was \$569,297.

	2005	2004
Monthly amortization (CDR asset amortized over 63 months)	\$ 189,766	0
Recognized revenue (3 months)	569,297	0

Other accounts payable and accrued liabilities

The amount reported as other accounts payable and accrued liabilities includes \$1,428,574 in 2005 and \$2,474,760 in 2004 payable to UNISYS for the CDR project. The balance is payable to other vendors unrelated to the CDR project.

Revenues-Central Data Repository

The Council is funding the project by billing the three participating Council member organizations (FRB, FDIC, and OCC). The OCC's participation in cost sharing will not begin until the UBPR portion of the CDR becomes operational.

CDR revenue in 2005 consists of \$569,297 from

deferred revenue that matches the depreciation charged for the year and \$2,636,516 in hosting and maintenance fees.

Expenses-Professional fees

Beginning in 2005, hosting and maintenance fees totaling \$2,636,516 were charged to professional fees and reimbursed by participating members through billings included in the CDR revenue.

Capital expenditures as presented in the Statement of Cash Flows

CDR capital expenditures were \$2,971,484 in 2005 and \$1,644,010 in 2004. These amounts are included in the CDR asset total of \$12,055,244.

(5) Deferred Rent

In 1998, the Council entered into a lease for office space at 2000 K Street, Washington, DC. This lease contains rent abatements and scheduled rent increases. In 2005, the Council entered into a lease for office and classroom space at an FDIC facility that contains scheduled rent increases over the term of the lease. In accordance with accounting principles generally accepted in the United States of America, rent abatements and scheduled rent increases must be considered in determining the annual rent expense to be recognized. The deferred rent represents the difference between the actual lease payments and the rent expense recognized.

(6) Other Revenue

	2005	2004
<i>Home Mortgage Disclosure Act (HMDA)</i>		
The Council recognized the following revenue from member organizations for the production and distribution of reports under the HMDA:	\$1,786,287	\$1,868,000

The Council recognized the following revenue from the Department of Housing and Urban Development's participation in the HMDA project:

	2005	2004
	503,004	444,426

	2005	2004
The Council recognized the following revenue from the Mortgage Insurance Companies of America for performing HMDA related work:	258,257	260,847
The balance of the HMDA revenue for 2005 and 2004 was from sales to the public:	27,261	23,495
Total HMDA	<u>\$2,574,809</u>	<u>\$2,596,768</u>

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 to the Appraisal Subcommittee.

(7) Operating Leases

The Council entered into operating leases to secure office and classroom space. Minimum future rental commitments under those operating leases having an initial or remaining noncancellable lease term in excess of one year at December 31, 2005, are as follows:

2006	\$ 458,995
2007	467,203
2008	417,980
2009	255,261
2010	—
	<u>\$1,599,439</u>

Rental expenses under these operating leases were \$437,564 and \$525,972 in 2005 and 2004, respectively.



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, 2005 and 2004, 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 7, 2006. 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 2005 audit, we considered the Council's internal control over financial reporting by obtaining an understanding of the Council's internal control, determining whether 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 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. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

We noted additional matters that we have reported to the management of the Council in a separate letter dated March 7, 2006.

This report is intended solely for the information and use of the Council's management, the Office of the Inspector General of the Board of Governors of the Federal Reserve System, the Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 7, 2006



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, 2005 and 2004, 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 7, 2006. 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 fiscal year 2005 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, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Council's management, the Office of the Inspector General of the Board of Governors of the Federal Reserve System, the Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

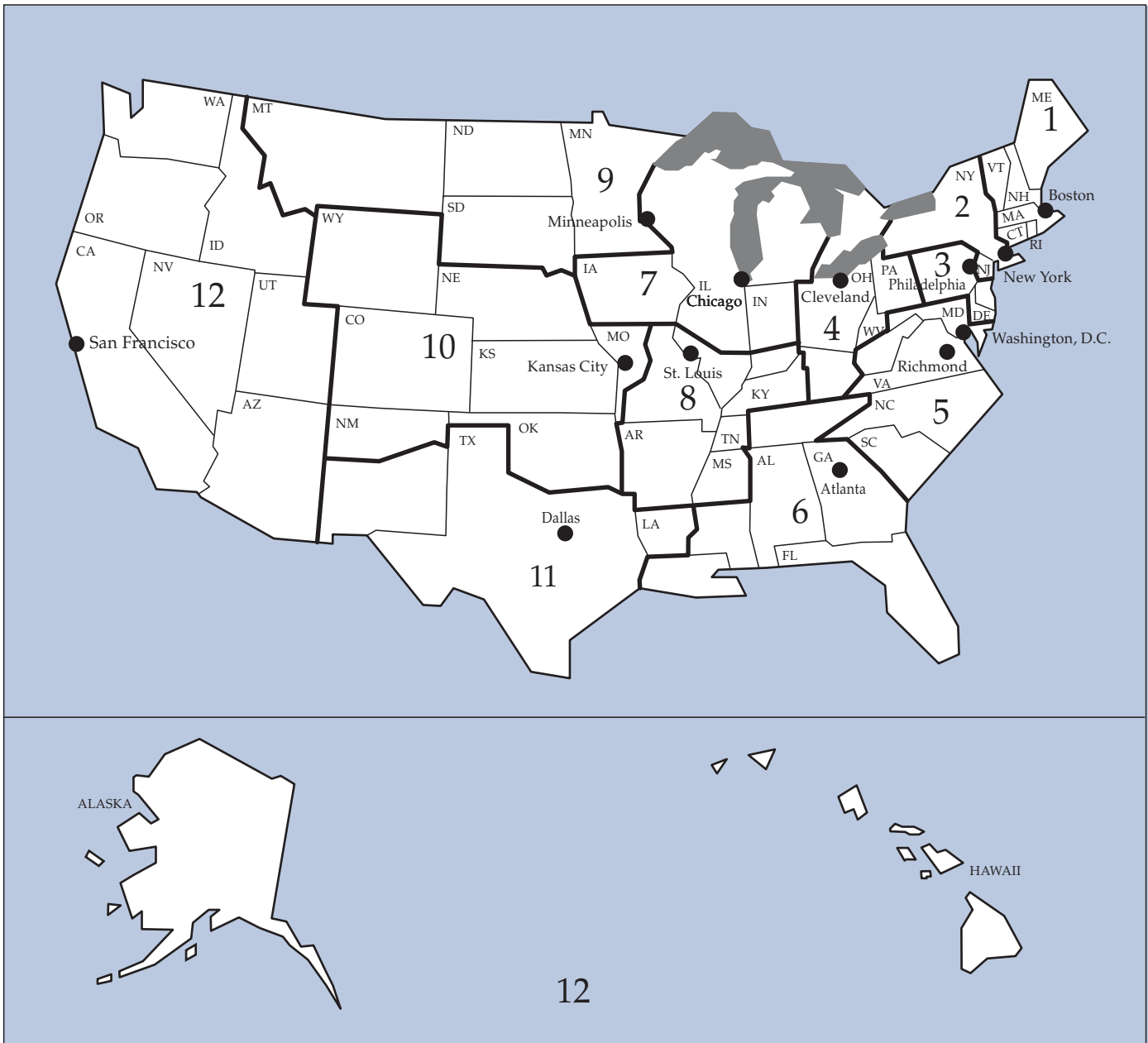
KPMG LLP

March 7, 2006

APPENDIX C: MAPS OF AGENCY REGIONS AND DISTRICTS

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

THE FEDERAL RESERVE SYSTEM DISTRICTS

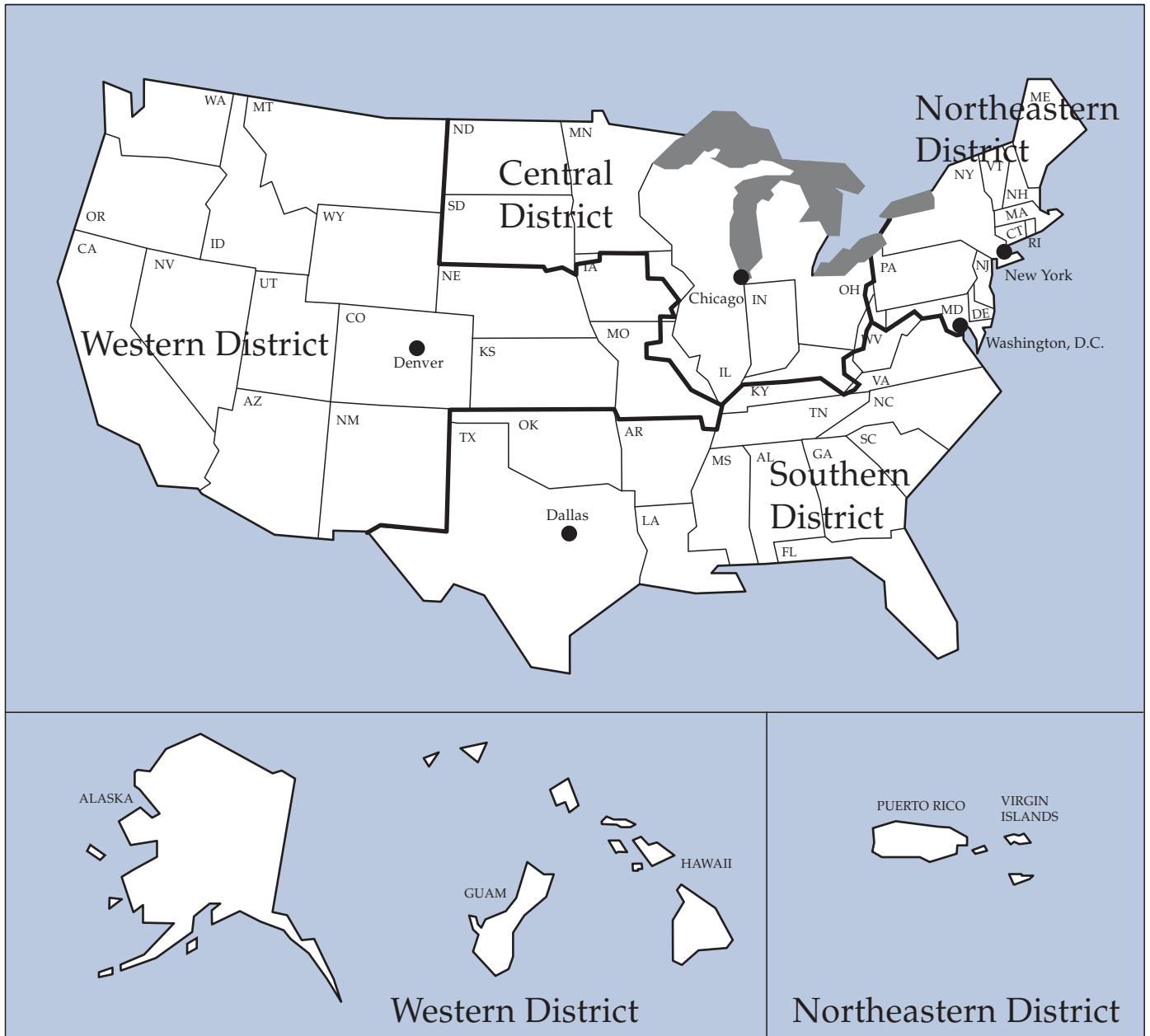


FEDERAL DEPOSIT INSURANCE CORPORATION REGIONS
(SUPERVISION AND COMPLIANCE)



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

COMPTROLLER OF THE CURRENCY DISTRICT ORGANIZATION



APPENDIX D: ORGANIZATIONAL LISTING OF PERSONNEL

Organization, December 31, 2005	Jerrie J. Lattimore Administrator, North Carolina Credit Union Division	<i>Task Force on Examiner Education</i> William Spaniel, <i>Chairman</i> (FRB) Cheryl Davis (OCC) Elizabeth Dwyer (OTS) Julie Howland (FDIC) Joy Lee (NCUA)
Members of the Council		
John C. Dugan, <i>Chairman</i> Comptroller Office of the Comptroller of the Currency (OCC)	Jonathan Smith Review Examiner Delaware State Banking Department	
Susan Schmidt Bies, <i>Vice Chairman</i> Member Board of Governors of the Federal Reserve System (FRB)		<i>Task Force on Information Sharing</i> Pamela Schaar, <i>Chairperson</i> (OTS) Roger Blake (NCUA) Karl Krichbaum (FDIC) Michael Kraemer (FRB) Robin Stefan (OCC)
Martin J. Guenberg Acting Chairman Federal Deposit Insurance Corporation (FDIC)	Council Staff Officers Tamara J. Wiseman <i>Executive Secretary</i>	
JoAnn Johnson Chairman National Credit Union Administration (NCUA)	Interagency Staff Groups <i>Agency Liaison Group</i> Roger T. Cole (FRB) George French (FDIC) David M. Marquis (NCUA) W. Bernard Mason (OTS) Emory W. Rushton (OCC)	<i>Task Force on Reports</i> Robert F. Storch, <i>Chairman</i> (FDIC) Zane D. Blackburn (OCC) James Caton (OTS) Charles Holm (FRB) Debra Tobin (NCUA)
John M. Reich Director Office of Thrift Supervision		<i>Task Force on Supervision</i> Chris Spoth, <i>Chairman</i> (FDIC) Scott Albinson (OTS) Joy Lee (NCUA) Emory Wayne Rushton (OCC) Richard Spillenkothen (FRB)
State Liaison Committee (SLC)	<i>Legal Advisory Group</i> Julie L. Williams, <i>Chairperson</i> (OCC) Scott Alvarez (FRB) John Bowman (OTS) Robert M. Fenner (NCUA) William F. Kroener, III (FDIC)	<i>Task Force on Surveillance Systems</i> Charles W. Collier, <i>Chairman</i> (FDIC) Kevin M. Bertsch (FRB) James Caton (OTS) Michael Ryan (NCUA) Robin Stefan (OCC)
Richard C. Houseworth, <i>Chairman</i> Superintendent of Banks Arizona State Banking Department		
John S. Allison Commissioner, Mississippi Department of Banking & Consumer Finance Mississippi	<i>Task Force on Consumer Compliance</i> Glenn Loney, <i>Chairman</i> (FRB) Donna Gambrell (FDIC) Elizabeth Habring (NCUA) Ann Jaedicke (OCC) Robyn Dennis (OTS)	
Steven L. Antonakes Commissioner of Banks Boston, MA		