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# ANNUAL REPORT 2001



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## MEMBERS OF THE COUNCIL

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Donald E. Powell, *Chairman*  
Chairman  
Federal Deposit Insurance Corporation



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



Laurence H. Meyer  
Member  
Board of Governors of the  
Federal Reserve System



Dennis Dollar  
Chairman  
National Credit Union Administration



John D. Hawke, Jr.  
Comptroller of the Currency  
Office of the Comptroller of the Currency

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# LETTER OF TRANSMITTAL

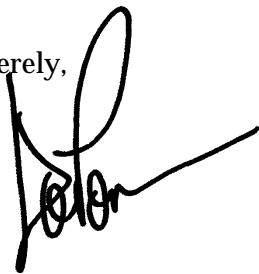
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Federal Financial Institutions  
Examination Council  
Washington, DC  
March 22, 2002

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 2001 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Powell', with a large loop at the top and a long horizontal stroke extending to the right.

Donald E. Powell  
*Chairman*

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# TABLE OF CONTENTS

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vii	Message from the Chairman
1	The Federal Financial Institutions Examination Council
3	Record of Actions of the Council
7	State Liaison Committee Report
9	Administration of the Council
11	Activities of the Interagency Staff Groups
21	The Federal Financial Institutions Regulatory Agencies and Their Supervised Institutions
25	Assets, Liabilities, and Net Worth of U.S. Commercial Banks and Thrift Institutions as of June 30, 2001
26	Income and Expenses of U.S. Commercial Banks and Thrift Institutions for the Twelve Months Ending June 30, 2001
27	Appendix A: Relevant Statutes
31	Appendix B: 2001 Audit Report
37	Appendix C: Maps of Agency Regions and Districts

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## MESSAGE FROM THE CHAIRMAN

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*Donald E. Powell*

As the new chairman of the Federal Financial Institutions Examination Council (Council), I am pleased to report on the Council's activities. During 2001, the Council continued its efforts to foster communication, coordination, and cooperation among its member agencies.

One of the Council's most notable achievements this past year was the issuance of a Policy Statement providing guidance on the design and implementation of Allowance for Loan and Lease Losses (ALLL) methodologies and supporting documentation practices. The Policy Statement was developed in consultation with the Securities and Exchange Commission. It emphasizes the banking agencies' long-standing position that institutions should maintain the ALLL with documentation that is consistent with their stated policies and procedures, generally accepted accounting principles, and applicable supervisory guidance.

The Council and its task forces were involved in a number of other important initiatives this past year. The Supervision Task Force (STF) issued guidance on revisions to Article 9 of the Uniform Commercial Code (UCC). Article 9 of the UCC governs transactions involving the granting of credit secured by personal property. Its revision impacted financial institutions' procedures, systems, documentation, and the enforceability of security interests.

The STF also issued interagency guidance on sound risk management practices for institutions engaged in leveraged financing. In addition, the STF released a joint advisory detailing the processes that financial institutions should have in place to manage the risks associated with a significant reliance on

brokered and rate-sensitive deposits. Guidance was also issued addressing the risks and risk management controls necessary to authenticate the identity of customers accessing electronic financial services.

Finally, the STF endorsed the issuance of a joint interagency final rule that amends the agencies' risk-based capital standards. The final rule became effective on January 1, 2002. It addresses the capital treatment that institutions must apply to recourse obligations, direct credit substitutes, and residual interests in asset securitizations.

The Reports Task Force began developing a proposal to update and modernize the current process for collecting, validating, and distributing Call Report data. The purpose is to improve the timeliness, quality, and usefulness of the data, both for the agencies and the public. Several working groups are assisting the Task Force in evaluating the costs and benefits of this proposal. The Task Force will present this information for the Council's consideration in 2002.

The Information Sharing Task Force continues its efforts to enhance the efficiency of interagency data exchange and communication. A program was initiated to share electronic versions of reports of examination, inspection reports, and other communications with financial institutions. The member agencies also provide each other with access to their organizations' structure, financial, and supervisory information. Bulk transfers of financial, supervisory and structure data over high-speed data lines were implemented in 2001 and are being initiated weekly.

The past year presented some difficult challenges to our nation and our industry, as we dealt with the after-

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math of the tragic events of the terrorist attacks on September 11. The industry has weathered the initial economic aftershocks quite well.

Our task as regulators is to work together to advance our mission of promoting uniformity and consistency in the supervision of the financial institutions industry. Fortunately, our member agencies share the same goals, as well as a long-standing history of cooperation and achievement. The Council looks forward to many additional initiatives and achievements in the year ahead, and I look forward to serving as the Council's Chairman in the coming year.

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# THE FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

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The Federal Financial Institutions Examination Council (FFIEC) (the Council) 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 overall intent of the legislation was that the Council promote consistency in federal examinations and progressive and vigilant supervision. Under the

Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Council was also authorized to develop and administer training seminars in risk management for the employees of the agencies represented on the Council and the employees of insured financial institutions.

The Council was given additional statutory responsibilities by section 340 of the Housing and Community Development Act of 1980, Public Law 96-399. Among these responsibilities are the implementation of a system to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data, by census tract, for each metropolitan statistical area (MSA).

In 1989, title XI of FIRREA 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 therefore eli-

gible to perform appraisals in connection with 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 Appraisal Subcommittee is a separate entity of the FFIEC. Its annual report is separately transmitted to Congress, and therefore the work of the ASC is not included in this report. Because it is funded differently, uses appropriated funds, and reports its activities directly to Congress, the ASC finances are managed apart from the rest of the Council.

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 has established, in accordance with the requirement of the statute, an advisory State Liaison Committee composed of five representatives of state supervisory agencies.



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# RECORD OF ACTIONS OF THE COUNCIL

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The following section is a chronological record of the official actions taken by the Federal Financial Institutions Examination Council during 2001 pursuant to sections 1006, 1007, and 1009A of the Federal Financial Institutions Examination Council Act of 1978, Public Law 95-630; section 304 of the Home Mortgage Disclosure Act (HMDA), Public Law 94-200; and the Riegle Community Development and Regulatory Improvement Act of 1994 (RCDRIA), Public Law 103-325.

## March 12

*Action.* Unanimously 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 or senior staff of the five member agencies.

## March 12

*Action.* Unanimously approved 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 auditing standards.

## March 28

*Action.* Unanimously approved the 2000 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.



*The Examination Council in Session.*

## March 28

*Action.* Unanimously approved the issuance of the annual interagency awards.

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

## June 8

*Action.* The Council unanimously approved the allocation of expenses for examiner education.

*Explanation.* The Task Force on Examiner Education proposed a new method for allocating costs for examiner education that would be based on a proportionate share of fixed and variable costs. The previous method of allocating costs, used

since 1987, was based on total costs on a flat, per-student basis.

## December 3

*Action.* The Council unanimously approved the concept of Call Report Process Modernization.

*Explanation.* The Council approved the exploration of a method proposed by the Reports Task Force to improve Call Report data collection and processing. The stated goal is to reduce errors in the data that are currently being collected, as well as to shorten the agencies' processing time.

## December 3

*Action.* Unanimously approved the elimination of certain interagency training courses.

*Explanation.* The Council approved the recommendation of the Task

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Force on Examiner Education to eliminate two interagency examiner training courses. The courses had become obsolete or irrelevant and no longer met the interagency training requirements of the member agencies.

### December 3

*Action.* Unanimously approved the Council's 2002 budget.

*Explanation.* The Council conducts a formal review of the proposed interagency annual budget based on the funding requests of the Council's task forces and the Office of the Executive Secretary.

### Actions Taken by the Council's Task Forces Under Delegated Authority

#### Task Force on Consumer Compliance

- *January 11*—Approved for posting on the FFIEC web site a Community Reinvestment Act (CRA) data collection and reporting guide. The guide serves as a resource for information on CRA loan data collection, maintenance and reporting.
- *May 22*—Approved interagency examination procedures for the Privacy of Consumer Financial Information.
- *July 2*—Approved for publication in the *Federal Register* updated and revised "Interagency Questions and Answers Regarding Community Reinvestment." The Q&As amend and supplement Q&As published on April 28, 2000.
- *November 8*—Approved interagency procedures for CRA sunshine examinations.
- *November 8*—Approved examiner guidance to accompany standardized CRA data tables for improved uniformity in CRA public evaluations.

#### Task Force on Information Sharing

- *June 30*—Completed the bulk transfer of insured banks' Call Report data, Uniform Bank Performance Report (UBPR) data, and Statistical CAMELS Offsite Rating (SCOR) data from the FDIC to the OCC.
- *June 30*—Exchanged the OCC's Examiner View database copies with the FDIC and the FRB.
- *September 30*—Expanded the quarterly structure data reconciliation to include branch office information.
- *December 15*—Completed the bulk transfer of Shared National Credits data from the FRB to the FDIC.

#### Task Force on Reports

- *February 26*—Approved for publication in the *Federal Register* a description of the changes being implemented in the Reports of Condition and Income (Call Report) on a phased-in schedule beginning March 31, 2001, and a summary of the comments received on the previously proposed revisions.
- *March 9*—Approved for publication in the *Federal Register* a description of the changes being implemented in the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) on a phased-in schedule beginning June 30, 2001, and a summary of the comments received on the previously proposed revisions.
- *July 10*—Approved the one-year contract extension proposal for Electronic Data Services Corporation (EDS) to collect electronic Call Report data.
- *August 28*—Approved for publication in the *Federal Register* a proposal to extend without revision the collection of the Report

of Indebtedness of Executive Officers and Principal Shareholders and their Related Interests to Correspondent Banks (FFIEC 004).

- *October 9*—Approved for publication in the *Federal Register* the proposed revisions to the Call Report. The revisions are to be implemented as of March 31, 2002.

#### Task Force on Supervision

- *January 31*—Issued interagency Expanded Guidance for Subprime Lenders, building on guidance previously issued in March 1999.
- *February 28*—Issued guidance on revisions to article 9 of the Uniform Commercial Code. Article 9 governs transactions involving the granting of credit secured by personal property and the sale of accounts and chattel paper.
- *April 9*—Issued interagency guidance concerning sound risk management practices for institutions engaged in leveraged financing.
- *May 10*—Issued a joint advisory on brokered deposits and rate-sensitive deposits that outlines the processes financial institutions should have to manage the risks of a significant reliance on those deposits.
- *June 26*—Approved the issuance of an interagency Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Associations. The statement was published in the *Federal Register* on July 6, 2001.
- *August 8*—Approved the issuance of guidance on authentication in an electronic banking environment. The guidance addresses the risks and risk-management controls necessary to authenticate the identity of customers who are accessing electronic financial services.

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- *October 23*—Endorsed the issuance of a joint interagency final rule that amends the agencies' risk-based capital standards. The final rule, effective January 1, 2002, addresses the capital treatment that institutions must apply to recourse obligations, direct credit substitutes, and residual interests in asset securitizations.
  - *December 7*—Adopted changes to the interagency examination program for information technology service providers to make the program more efficient and risk-focused. The agencies will

implement the changes on a pilot basis in 2002 and evaluate the results in 2004.

#### Task Force on Surveillance Systems

- *September 1*—Approved the distribution of the 2001 User's Guide to all users, in both electronic and printed format. The new guide incorporates all changes made with the June and December 2001 UBPR reports, as well as any changes to be made with the March 2002 UBPR.

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# STATE LIAISON COMMITTEE REPORT

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In section 1007 of Public Law 95-630, the Congress authorized the establishment of the State Liaison Committee (SLC) “to encourage the application of uniform examination principles and standards by state and federal supervisory agencies.” The SLC carries out this responsibility by assuming an active advisory role in all Council deliberations, especially when matters pertaining directly to joint state and federal regulatory concerns or jurisdictional overlaps are at issue. The primary objectives of the SLC are to foster communication and cooperation between state and federal supervisory authorities and to reduce redundant supervisory procedures.

The SLC believes that the Council can effectively coordinate activities among the federal agencies and between federal agencies and their state counterparts to economize on the combined state and federal resources devoted to the supervision and regulation of financial institutions. The Council provides the SLC with a staff position, which allows the SLC members to be fully informed of Council matters and to participate in all Council activities, including task force assignments and other projects.

## **Organization**

The 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 12 months. The Council selects 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. A list of the SLC members appears on page 10 of this report.

## **Participation in Council Activities**

In 2001, the State Liaison Committee actively participated in several key projects with a long-term effect on the financial industry. The SLC continues to participate with the Supervision Task Force, as a nonvoting member. As a result, communications between state and federal supervisors on core policy issues

are greatly enhanced. Members also support continued efforts to automate examination reports.

SLC representatives worked with the Conference of State Bank Supervisors and a subcommittee of the FFIEC Supervision Task Force to develop a new Interagency Charter Application and Application for Deposit Insurance. The FDIC will use the application for deposit insurance decisions, and the participating state banking agencies, OCC, and OTS will use it for new charter applications.

SLC members recently supported the process modernization initiative for Call Reports. The Council is considering this initiative, which was proposed by a subgroup of the Reports Task Force.

State supervisors continue to participate in the Task Force on Information Sharing. This task force is charged with facilitating the sharing of electronic information, and improving how the agencies collect and share information. The SLC looks forward to the continued cooperation of state and federal regulators and is interested in expanding state participation in other areas of joint financial industry supervision.

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# ADMINISTRATION OF THE COUNCIL

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Regular meetings of the Council are held quarterly. Special meetings may be scheduled whenever matters of high priority must be considered without delay.

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

The Federal Reserve Board provides budget and accounting services to the Council, and the Federal Reserve's Associate Director for Management serves 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 is administered by Council staff at its 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. All Council employees are in the Office of the Executive Secretary. The major responsibilities of the Office of the Executive Secretary are the following:

- scheduling Council meetings, preparing agendas for Council meetings, preparing minutes of Council meetings, and reviewing all material for Council consideration
- monitoring the work of all inter-agency staff groups involved in the Council's activities and helping staff groups set priorities and define key issues
- undertaking special projects and studies as requested by the Council
- working closely with members of the State Liaison Committee to ensure adequate communication among the members, Council, and interagency staff groups
- coordinating public information activities, including preparation and distribution of Council press releases
- maintaining liaison with the Congress and with federal departments and agencies
- preparing the Council's annual report to the Congress
- coordinating the production and distribution of the quarterly UBPR and related data
- coordinating the collection, production, and distribution of Home Mortgage Disclosure Act data

- managing the Council's examiner-education program

Six interagency staff task forces and the Legal Advisory Group (LAG) provide most of the staff support in the substantive areas of concern to the Council. The task forces and the LAG are responsible for the research and other investigative work that agency staff members perform on behalf of the Council and for reports and policy recommendations prepared for Council consideration. In addition, the Council has established the Agency Liaison Group, an interagency group of senior officials responsible for coordinating the efforts of their respective agencies' staff members in support of the Council. The Executive Secretary of the Council is an ex officio member of the six interagency staff task forces as well as the Agency Liaison Group. The staff time and other resources expended on Council-related projects in 2001 were provided by the five agencies without reimbursement and are not reflected in the Council budget or the accompanying financial statements. Without the contributions of the agencies and individual staff members, significant progress on Council projects during 2001 would have been impossible.

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## Organization, December 31, 2001

### Members of the Council

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

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

Dennis Dollar  
Chairman  
National Credit Union  
Administration (NCUA)

John D. Hawke, Jr.  
Comptroller of the Currency  
Office of the Comptroller of the  
Currency (OCC)

Laurence H. Meyer  
Member  
Board of Governors of the Federal  
Reserve System (FRB)

### State Liaison Committee

G. Edward Leary, *Chairman*  
Commissioner of Financial  
Institutions  
Utah

Steven D. Bridges  
Commissioner, Department of  
Banking & Finance  
Georgia

James E. Forney  
Superintendent of Credit Unions  
Iowa

Nicholas J. Ketcha, Jr.  
Director, Department of Banking  
and Insurance  
New Jersey

James L. Pledger  
Commissioner of Savings & Loan  
Department  
Texas

### Council Staff Officers

Keith J. Todd,  
*Executive Secretary*

Joanne M. Giese,  
*SLC Coordinator and Assistant  
Executive Secretary*

### Interagency Staff Groups

#### *Agency Liaison Group*

Roger T. Cole (FRB)  
David M. Marquis (NCUA)  
John C. Price (OTS)  
Emory W. Rushton (OCC)  
Michael Zamorski (FDIC)

#### *Legal Advisory Group*

William F. Kroener, III, *Chairman*  
(FDIC)  
Carolyn B. Buck (OTS)  
Robert M. Fenner (NCUA)  
J. Virgil Mattingly, Jr. (FRB)  
Julie L. Williams (OCC)

#### *Consumer Compliance Task Force*

Stephen M. Cross, *Chairman*  
(OCC)  
Tracy Bombarger (NCUA)  
Dave Hammaker (OCC)  
Glenn E. Loney (FRB)  
Richard Riese (OTS)

#### *Examiner Education Task Force*

William R. Casey, *Chairman* (OTS)  
Simona L. Frank (FDIC)  
Jennifer Kelly (OCC)  
Marcia Sarrazin (NCUA)  
William G. Spaniel (FRB)

#### *Information Sharing Task Force*

Jim Dudine, *Chairman* (FDIC)  
Roger Blake (NCUA)  
Mark L. O'Dell (OCC)

William Schneider (FRB)  
William Shively (OTS)

#### *Reports Task Force*

Robert F. Storch, *Chairman* (FDIC)  
Patrick G. Berbakos (OTS)  
Zane D. Blackburn (OCC)  
Gerald A. Edwards, Jr. (FRB)  
Todd Roscoe (NCUA)

#### *Supervision Task Force*

Richard M. Riccobono,  
*Chairman* (OTS)  
Emory W. Rushton (OCC)  
Marcia Sarrazin (NCUA)  
Richard Spillenkothen (FRB)  
Michael J. Zamorski (FDIC)

#### *Surveillance Systems Task Force*

Kevin M. Bertsch, *Chairman* (FRB)  
Patrick G. Berbakos (OTS)  
Charles W. Collier (FDIC)  
Todd Roscoe (NCUA)  
Robin S. Stefan (OCC)

### Members of the Appraisal Subcommittee

Thomas E. Watson, Jr., *Chairman*  
(OCC)  
Virginia Gibbs (FRB)  
Mark W. Holman (HUD)  
John C. Price (OTS)  
Jesse G. Snyder (FDIC)  
Herbert S. Yolles (NCUA)



*Appraisal Subcommittee meeting.*

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## ACTIVITIES OF THE INTERAGENCY STAFF GROUPS

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Section 1006 of Public Law 95-630 sets forth the functions of the Council. Briefly summarized, these functions are the following:

- establish uniform principles, standards, and report forms for the examination of financial institutions and make recommendations for uniformity in other supervisory matters
- develop uniform reporting systems for federally supervised institutions, their holding companies, and subsidiaries of those institutions and holding companies
- conduct schools for examiners employed by the federal supervisory agencies and make those schools available to employees of state supervisory agencies under conditions specified by the Council

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 agency:

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

The Council also established the Legal Advisory Group, composed of a senior legal officer from each agency. The task forces and the Legal Advisory Group provide research and analytical papers and proposals on the issues that the Council addresses.

### **Task Force on Consumer Compliance**

The Task Force on Consumer Compliance promotes policy coordination and uniform enforcement of laws and regulations created to protect consumers. The task force, composed of senior personnel from each of the five agencies represented on the Council, identifies and analyzes emerging consumer compliance issues and develops policies and procedures to foster consistency among the agencies. Additionally, the task force addresses legislation, regulations, or policies at the state and federal level that may have a direct or indirect bearing on the compliance responsibilities of the five agencies.

During 2001, the task force had five standing subcommittees to help promote its mission: Community Reinvestment Act, Electronic Banking, Examination Procedures, Fair Lending, and Home Mortgage Disclosure Act. Ad hoc working groups are also

created to handle particular projects and assignments. The task force meets monthly to address and resolve common issues in compliance supervision. Significant issues are referred to the Council for action. However, the Council has delegated to the task force the authority to make certain decisions, such as approval of examination procedures.

### **Projects Completed in 2001**

*Community Reinvestment Act Questions and Answers.* On July 12, 2001, the task force published in the *Federal Register* an updated and revised Interagency Questions and Answers Regarding the Community Reinvestment Act. The Q&A's amended and supplemented the Q&As published on April 28, 2000. As with prior versions, the new Q&As incorporated all previously issued Q&As still in effect. In addition, the issuance added six new



*Task Force on Consumer Compliance meeting.*

Q&As addressing a variety of issues. Of particular note, the Q&As provided a new approach to determining whether qualified investments and community development loans or services benefit (1) an institution's assessment area (or areas) or (2) a broader statewide or regional area that includes the institution's assessment area (or areas) and, thus, can be considered favorably in its CRA assessment. This particular Q&A resolved an issue that had been proposed in two previous issuances of the Q&As.

*Community Reinvestment Act Data Collection and Reporting Guide.* Building on experience from the FFIEC's *Guide to HMDA Reporting*, the task force, in 2001, approved and published on the FFIEC web site *A Guide to CRA Data Collection and Reporting*. The agencies developed the guide as a resource for financial institutions that are required to report CRA data. The CRA regulations require certain large institutions to annually report data on small business, small farm, and community development lending. The guide can be used as a resource for information on CRA loan data collection, maintenance, and reporting, which are important aspects of a large institution's CRA performance.

Consistent interagency presentation of CRA data. The task force continued its work on implementation of standardized tables for CRA public evaluations ("CRA core tables") approved in 2000. In 2001, the OCC, OTS, FRB, and FDIC all began to use the same software for production and presentation of data in CRA public evaluations. The agencies worked with a private vendor to complete programming of the core tables and in November approved examiner guidance and a data dictionary to accompany the tables.

*Examination procedures for rule on disclosure and reporting of Community Reinvestment Act related agreements (sunshine requirements).* On January

10, 2001, the FDIC, FRB, OCC, and OTS published in the *Federal Register* a joint final rule implementing the "CRA Sunshine" requirements of the Federal Deposit Insurance Act (FDIA), which were enacted by the Gramm-Leach-Bliley Act. The task force subsequently approved examination procedures for use in determining financial institutions' compliance with the rule. The examination procedures focus on determining whether (1) an institution is knowledgeable of its responsibilities under the rule and (2) covered agreements and annual reports have been disclosed and filed as required by the regulation.

*HMDA and CRA paperless submission and distribution.* The task force completed the transition to paperless HMDA processing this year. For the first time, all HMDA and CRA reporting institutions submitted their data electronically (on CD-ROM or tape, or over the Internet), and all disclosure statements were distributed on CD-ROM to central depositories, financial institutions, and examiners. Among CRA and HMDA reporters, Internet e-mail has increasingly become the preferred medium for submitting data. Seventy percent of CRA reporters and 45 percent of HMDA reporters submitted their data by Internet e-mail. Upon request, data reports are available in paper format.

*Privacy rule examination procedures.* On June 1, 2000, the FDIC, OCC, OTS, and FRB published in the *Federal Register* a final rule on the privacy of consumers' financial information. The NCUA published a separate own rule to account for the unique circumstances of federally-insured credit unions and their members, but the rule is comparable and consistent with the regulations of the other agencies. The rules took effect on November 13, 2000, but financial institutions had until July 1, 2001, to be in mandatory compliance with the regulations. The task force developed and approved, in May 2001, examina-

tion procedures to review supervised financial institutions for compliance with the regulation. The examination procedures, which are tailored to institutions' information-sharing practices, can be used by financial institutions to understand how examiners assess compliance with the privacy regulation requirements. The task force also worked with the Council's Task Force on Examiner Education to produce a CD-ROM for examiners. The CD-ROM, which contained reference and training materials on consumer privacy, has also been made available to financial institutions.

## Current Projects

*Mortgage reform working group.* In 2001, the task force formed a mortgage reform working group to review and analyze mortgage-related issues that cut across agencies and to coordinate concerning mortgage-related initiatives arising from agencies outside of the FFIEC. The task force began review of the effect of a 7<sup>th</sup> Circuit Court decision relative to real estate settlement fees under the Real Estate Settlement Procedures Act. The task force expects to issue guidance to agency examiners during the first quarter of 2002.

*Electronic banking.* In July 1998, the task force issued a policy statement on electronic banking. In 2001, the task force began updating the guidance in that policy statement to reflect the passage of the Electronic Signatures in Global and National Commerce Act and interim final rules for five consumer compliance regulations: B (Equal Credit Opportunity Act), E (Electronic Funds Transfers), M (Consumer Leasing Provision of Truth-in-Lending), Z (Truth in Lending), and DD (Truth in Savings). The Federal Reserve Board lifted the mandatory compliance date for these interim final rules in August 2001. The task force will complete this project once the rules become final.



2001 FFIEC Training by Agency and Sponsored—Actual

Courses/Conferences	Number of							Total
	Sessions	FDIC	OCC	OTS	NCUA	FRB	Other	
Advanced Anti-Money Laundering	3	31	0	26	16	0	4	77
Asset Management (formerly, Trust Conference)	1	115	0	12	0	55	0	182
Capital Markets	3	180	0	6	16	34	7	243
Cash Flow Tax Return (Taxanalysis <sup>®</sup> )	5	203	142	7	9	39	1	401
Cyberbanking	1	32	0	6	1	35	3	77
Emerging Issues	4	166	0	32	0	178	12	388
Financial Crimes Seminar (formerly, Advanced White Collar Crime)	3	152	0	14	18	89	6	279
Instructor Training	10	44	19	4	8	56	0	131
International Banking School	2	20	12	1	0	8	4	45
International Banking Conference	0	0	0	0	0	0	0	0
International Banking (self study)	...	56	15	3	0	3	25	102
Information Systems Symposium	1	3	5	4	2	1	1	16
Information Systems & Technology Conference	1	102	21	22	12	72	22	251
Real Estate Appraisal Review	3	50	0	23	0	0	2	75
Testifying	2	7	17	0	0	6	0	30
Web Banking & Payment Systems Risks	4	237	0	20	61	66	6	390
<b>Subtotal</b>	<b>43</b>	<b>1,398</b>	<b>231</b>	<b>180</b>	<b>143</b>	<b>642</b>	<b>93</b>	<b>2,687</b>
Risk Management Planning (Bankers)	1	0	0	0	0	0	130	130
<b>Total</b>	<b>44</b>	<b>1,398</b>	<b>231</b>	<b>180</b>	<b>143</b>	<b>642</b>	<b>223</b>	<b>2,817</b>

2002 Initiatives

*2002 Community Reinvestment Act regulation review.* On July 19, 2001, the FDIC, FRB, OCC, and OTS published in the *Federal Register* an advance notice of proposed rule-making (ANPR) regarding the CRA regulations. When revised CRA rules were published in 1995, the agencies committed to review the regulations five years after full implementation to ascertain whether the performance-based evaluation standards had minimized compliance burden and fostered improved performance. The ANPR marked the initial stage of the review. The public comment period on the ANPR ended October 17, 2001. In total, the agencies received nearly 400 comment letters from financial institutions, trade associations, community-based organizations and others. The agencies are analyzing the comments to determine whether, and to what extent, to change the

CRA regulation. The task force expects to complete the review in 2002.

**Task Force on Examiner Education**

Charged with spearheading examiner education on behalf of the Council, the Task Force on Examiner Education promotes inter-agency education through timely, cost-efficient, state-of-the-art training programs for agency examiners. The task force develops programs on its own initiative or 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, 2,687 regulatory staff attended training

programs (see above table for details of participation by program and agency).

2001 Initiatives

Throughout the year, the task force continued its efforts on a more strategic approach to the design and delivery of programs, particularly ones that would be available quickly, or “just in time,” for examiner application and that could be delivered through electronic technology. Using the electronic architecture (InfoBase) implemented in 2001 to produce training materials in quick response to the issuance of interagency statements, the task force produced its second CD, this one on financial privacy. Several agencies decided to make copies available to their regulated institutions in addition to their examiner workforces. Late in the year, the task force began updating its first CD, on subprime lending, to



*Task Force on Examiner Education meeting.*

reflect interagency guidance issued after the original CD was distributed.

Through the leadership of staff in the examiner education office and subject-matter experts from the agencies, the task force pursued its initiative to improve current and future programs. The content or delivery of several programs was modified to meet this standard, and one new program was introduced. The task force successfully piloted a new program in real estate appraisal; it will be part of the curriculum in 2002. Although delivery is in a traditional classroom format, plans are under way to produce the pre-course work in an electronic format, as well as to modify this work so it is a stand-alone module for examiners who only need an introduction to the content.



*The Seidman Center in Arlington, Virginia.*

Another program initiative will be implemented in 2002. The task force is changing the content and format of the emerging issues conferences to make them more relevant and reach an extended audience. Instead of multiple conferences on community bank issues, and a single conference on large-bank topics, the task force is sponsoring three conferences on separate themes throughout the year. Each of the agencies is developing the content and securing the speakers on themes that will be attractive to all the agencies, and they will host them in different locations. Highlights of the conference material will then be made available to the larger examiner workforce in an electronic format. The task force gained Council approval to eliminate two programs (Introduction to Syndicated Lending, Cyberbanking Symposium). These programs were deemed no longer useful to examiner needs.

In October, the task force hosted a risk-management-planning conference for 130 industry officials in San Francisco.

### Costs

The task force attempts to keep costs as low as possible. Whenever fea-

sible, programs are held in member agencies' facilities and draw on agency experts to present some or all of the content. The task force submitted a budget that was lower than the previous year's budget. The task force also gained Council approval for a different method for computing the costs to each of the agencies. The new method will ensure a fairer allocation of costs among member agencies and non-agency participants.

### 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, numerous classrooms, and a lodging facility. Regional sessions are usually conducted in the cities in which district or Reserve Bank offices of the member agencies are located.

### Course Catalogue and Schedule

The 2002 course catalogue and schedule are available from the Council training 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

Created in 1997, the Task Force on Information Sharing promotes the sharing of electronic information among the 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 have begun a program to share with one another 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.

Task force members consist of representatives from the FFIEC agencies. Monthly meetings are held to address and resolve issues related to information sharing. The task force has established working groups to address technology-development issues and interagency reconciliations of data on financial institution structure.

## Initiatives Addressed in 2001

### *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 technology working group meets monthly to develop technological solutions to common data-sharing issues among the agencies. The working group coordinates the automated transfer of data files among the agencies and suggests better and more efficient ways to share financial and supervisory data.

High-speed T1 communication lines linking the FDIC, FRB, and OCC have eliminated the use of magnetic tapes or disks for sharing electronic data among these agencies. Bulk data transfers to and from the FDIC, OCC, and FRB of structure, financial, and supervisory data files were implemented in 2001 and are initiated weekly.

### *Structure Data Reconciliation*

The structure data reconciliation working group reconciles structure data about financial institutions regulated by the FFIEC agencies to

ensure that the information the agencies report is consistent and accurate. The group conducts quarterly reconciliations to identify and resolve data discrepancies among the agencies. By the end of 2001, only a few data differences remained unresolved. In 2001, the project scope was expanded to include credit unions and branch office data. The task force is working to achieve the goal of a single, authoritative source of structure data for each member agency to use.

### *Call Report Modernization Process*

Together with the Reports Task Force, the task force is working with other agencies' staff to evaluate a possible replacement of the current processes for the collection, validation, and distribution of bank Call Report data. The key principles guiding this effort are improving data quality submitted by financial institutions, managing information centrally by replacing the current distributed data-management process with a Central Data Repository, making Call Report data available to institutions over the Internet as soon as it is validated, and developing a technical architecture to accommodate future enhancements. This process will continue through 2003.

## **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 is also involved in developing interagency uniformity in reporting the periodic information needed for effective supervision. The task force is thus concerned with issues such as the development and interpretation of reporting instructions, including responding to inquiries about the instructions from reporting institu-



*Task Force on Information Sharing meeting.*

tions and the public; the application of accounting standards to specific transactions; the development and application of processing standards; the monitoring of data quality; the assessment of reporting burden; and liaison with other organizations, including the Securities and Exchange Commission, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. In addition, the task force is responsible for any special projects related to these subjects that the Council may assign. To help it carry out its responsibilities, working groups are organized as needed to handle specialized or technical accounting, reporting, instructional, and processing matters.

## Activities

As in past years, the task force's principal activities during 2001 involved the Reports of Condition and Income (Call Reports) filed quarterly by insured commercial banks and FDIC-supervised savings banks. The task force's work on the Call Report also affected the quarterly regulatory report for U.S. branches and agencies of foreign banks, as well as the Council's two reports on fiduciary activities.

The task force completed a substantial revision of the Call Report that was implemented in stages during 2001, following approval of the revision by the U.S. Office of Management and Budget under the Paperwork Reduction Act. While most of the changes in reporting requirements were effective March 31, 2001, the collection of new data on securitizations and asset sales was deferred until June 30, 2001. In addition, the filing of the Call Report's new schedule on fiduciary activities did not begin until December 31, 2001. This streamlined fiduciary activities schedule replaced the Council's two separate and more detailed trust activities reports (the FFIEC 001, Annual Report of Trust Assets, and the FFIEC 006, Annual Report of International Fiduciary Activities).

The OTS is incorporating the same fiduciary activities schedule into its Thrift Financial Report effective March 31, 2002. As a result, the task force has discontinued the two previous trust reports. The principal Call Report revisions in the first quarter of 2001 included:

- combining the three separate report forms for banks of different sizes that have only domestic offices (the former FFIEC 032, 033, and 034 report forms) into a single form (designated the FFIEC 041), while retaining the separate form for banks with foreign offices (the FFIEC 031 report form);
- eliminating data items that were no longer warranted, and reducing the amount of detail required in certain schedules;
- introducing a revised regulatory capital schedule that uses a step-by-step "building-block" approach to compute the key elements of the capital ratios for all banks;
- adopting uniform loan category definitions based on the standard loan category definitions found in the Call Report loan schedule, to be used by all banks across all schedules that collect loan information;
- collecting new information on Federal Home Loan Bank advances and on noninterest income earned from asset sales and certain nontraditional bank activities; and
- eliminating the confidential treatment for loans, leases, and other assets that are reported by individual banks as past due 30 through 89 days and still accruing. (Data on assets that are in nonaccrual status or that are past due 90 days or more and still accruing have been publicly available for many years.)

The final stage of these phased-in reporting changes will take place on March 31, 2002, when banks with

less than \$25 million in total assets begin to report loan income and loan averages by loan category. On that same date, banks with substantial trust activities will start to provide in their quarterly Call Reports information on their trust assets and accounts and on their fiduciary income.

The task force updated the entire Call Report instruction book to reflect the effect of the above reporting changes and recently issued accounting standards. Other conforming changes and clarifications to the instructions were also made. The updated instruction book, including a revised index, was distributed to banks in two installments in March and June 2001.

In 2001, the task force also implemented a number of revisions to the FFIEC 002, Report of Assets and Liabilities of U.S. Branches and Agencies for Foreign Banks. Patterned after the revisions to the Call Report, these changes included a streamlining of existing reporting requirements for branches and agencies, a new schedule on securitization and asset-sale activities, and a new annual schedule on fiduciary activities. In addition, the information that branches and agencies report on loans, leases, and other assets that are past due, in nonaccrual status, or restructured, which had been confidential, became publicly available. These changes were effective June 30, 2001, except for the annual fiduciary activities schedule, which was effective December 31, 2001. The updated instruction book for the FFIEC 002 was issued in two installments in June and September 2001.

On October 9, 2001, the task force, acting under delegated authority, approved several proposed revisions to the Call Report that would be effective March 31, 2002. The principal changes include:

- reporting federal funds transactions separately from securities resale or repurchase agreements on the balance sheet;

- adding new items for merchant credit card sales volume, the fair value of credit derivatives, and past-due and nonaccrual loans and leases that are held for sale;
- splitting the existing items for past-due and nonaccrual closed-end single-family residential mortgages, and for charge-offs and recoveries of these loans, into separate items for first liens and junior liens;
- modifying how banks report their estimated uninsured deposits; and
- reporting goodwill impairment losses separately from the amortization expense of and impairment losses on other intangible assets, in response to a new accounting standard.

These proposed reporting changes were published for public comment in the *Federal Register* on October 18, 2001. After making modest adjustments to the proposed changes for 2002 in response to the comments received, the task force approved the revisions in January 2002 and notified banks about them.

In July 2001, the task force arranged, on behalf of the Council, for the issuance of a Request for Information (RFI) to Call Report software vendors and other interested parties. The RFI sought innovative ideas for enhancing the current Call Report collection and validation process. At the same time, the task force established a working group charged with developing a set of data standards, referred to as a taxonomy, for all of the items collected in the Call Report. The data standards are being designed to facilitate their conversion into an Extensible Markup Language/Extensible Business Reporting Language (XML/XBRL) taxonomy.

After evaluating comments received on the Council's RFI, several additional working groups were established. These working groups are responsible for laying the groundwork for a Request for Proposal

(RFP) in 2002 for a proposed/possible new Call Report business model to replace the current model. The intent of the new model is to modernize the collection, management, storage, and availability of Call Report information. The working groups are determining the specific features of this new collection, validation, and distribution process to recommend for task force consideration and, ultimately, Council approval. The identification of these specific features is essential to a clear description of the statement of work in the RFP.

The four key principles guiding the above effort include improving the quality of data submitted by financial institutions; managing the process through a central data repository; publishing, upon validation, bank Call Report data on the Internet; and developing an open technical architecture to accommodate future enhancements. The task force briefed the Council on this important initiative at its December 2001 meeting. The Council supported additional efforts by the task force to develop a comprehensive analysis of the proposed new business model. The task force expects to return to the Council in 2002 with the business analysis and to seek Council approval to proceed with the preparation and issuance of an RFP on the proposed new model.

### **Task Force on Supervision**

The Task Force on Supervision has oversight responsibility for matters relating to the supervision and examination of depository institutions. It provides a forum for the agencies that supervise banks, thrifts, and credit unions to promote quality, consistency, and effectiveness of examination and supervisory practices and to minimize 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. Task force members are the senior supervisory officials of the constituent agencies. Meetings are held regularly to address and resolve common supervisory issues. The task force has a standing subcommittee to address information system and technology issues as they relate to financial institution supervision. Another task force subcommittee reviews issues pertaining to regulatory capital. In addition, ad hoc working groups are created to handle particular projects and assignments.

### **Activities**

#### *Asset Securitization*

Through the Task Force on Supervision, the FFIEC agencies worked together to coordinate their regulatory and supervisory approach to the asset securitization practices of the institutions they supervise. In November 2001, the federal banking agencies published a final rule, effective January 1, 2002, on the capital treatment of recourse obligations, direct credit substitutes, and residual interests in asset securitizations. The rule is intended to result in (1) more consistent treatment among the agencies for similar transactions, (2) more consistent regulatory capital treatment for certain transactions involving similar risks, and (3) capital requirements that more closely reflect a banking organization's exposure to risk. In 2002, the agencies plan to more comprehensively assess the risk the securitization process poses to a selling banking organization, including the risks arising from early-amortization features, implicit recourse arrangements, and non-credit risks.

#### *Subprime Lending*

On January 31, 2001, the federal banking agencies jointly issued Guidance for Subprime Lending



*Task Force on Supervision meeting.*

Programs. The new guidance builds on subprime lending guidance the federal banking agencies issued in March 1999. It is intended to strengthen the examination and supervision of institutions with significant subprime lending programs. Major issues addressed in the guidance include the adequacy of allowances for loan and lease losses and of capital to support these programs, as well as loan review and classification. A key underlying principle is that each subprime lender is responsible for quantifying the additional risks in its subprime lending activities and determining the appropriate amounts of allowances for loan and lease losses and of capital to offset those risks.

The guidance also addresses the need for expanded examiner review of subprime portfolios, the classification of subprime loans, and the need to establish prudent re-aging policies, and it provides cautionary guidance against predatory lenders. The agencies are working to ensure that supervisory staff across the agencies apply the guidance consistently. In 2002, the agencies will continue to coordinate their efforts in this area.

#### *Capital Standards*

Although each of the four federal banking agencies has its own capital regulations, the task force and several of its working groups coordinate efforts among the agencies to promote the joint issuance of capital rules, thereby minimizing inter-agency differences and reducing the potential burden on the banking industry. During 2001, as noted under the discussion of asset securitization activities, the federal banking agencies issued a final rule that amends their risk-based capital standards for these activities. In early 2002, the agencies intend to publish a joint final rule that would reduce the risk weight applied to claims on, and claims guaranteed by, qualifying securities firms incorporated in countries that are members of the Organization for Economic Cooperation and Development.

#### *Leveraged Financing*

On April 9, 2001, the federal banking agencies issued guidance on sound risk management practices for institutions engaged in leveraged financing. The guidance highlights the need for comprehensive

credit analysis processes, frequent monitoring, and detailed portfolio reports to better understand and manage the inherent risk in leveraged finance portfolios. Many leveraged transactions are underwritten with reliance on the imputed value of a business (“enterprise value”), which is often highly volatile. The guidance stresses the importance of sound valuation methodologies and ongoing stress testing and monitoring of enterprise values. It also provides guidance about risk rating leveraged finance loans and how enterprise value should be evaluated in the risk rating process.

#### *Brokered and Rate-Sensitive Deposits*

On May 10, 2001, the federal banking agencies issued a joint agency advisory on brokered and rate-sensitive deposits. The purpose of the advisory was to remind bankers and examiners of the potential risks associated with relying heavily on brokered and other highly rate-sensitive deposits, such as those obtained through the Internet, certificate of deposit listing services, and similar advertising programs. Without proper monitoring and management, these deposits may be an unstable source of funding for an institution. The advisory outlines prudent risk identification and management for rate-sensitive deposits.

#### *Allowance for Loan and Lease Losses (ALLL)*

In June 2001, the task force approved for issuance the FFIEC Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions. Developed in consultation with the Securities and Exchange Commission, the policy statement was issued by the FFIEC agencies on July 6, 2001. The statement:

- clarifies that the board of directors of each institution is responsible for ensuring that controls are in place to determine the appropriate level of the ALLL;

- states that the ALLL process must be thorough, disciplined, and consistently applied, and must incorporate management's current judgments about the credit quality of the loan portfolio;
- emphasizes the banking agencies' long-standing position that institutions should maintain and support the ALLL with documentation that is consistent with their stated policies and procedures, generally accepted accounting principles (GAAP), and applicable supervisory guidance; and
- provides guidance on maintaining and documenting policies and procedures that are appropriately tailored to the size and complexity of the institution and its loan portfolio.

Illustrations that institutions may find useful for enhancing their own ALLL processes are included, as well as an appendix that provides examples of certain key aspects of ALLL guidance and a summary of applicable GAAP guidance.

#### *Information Technology*

The task force's subcommittee on information technology meets monthly to discuss and coordinate interagency policies, technology-related examination issues, and interagency examination procedures, and to provide interagency training in information technology.

In 2001, as a result of the subcommittee's work, the FFIEC agencies adopted changes to the interagency examination program for information technology service providers to make the program more efficient and risk-focused. The FFIEC agencies will implement the changes on a pilot basis in 2002 and evaluate the results in 2004.

In March 2001, the FFIEC hosted an information technology symposium. Through the symposium, the agencies developed new guidance on the risks associated with customer authentication and on the risk management controls necessary for institu-

tions to authenticate the identity of customers who are accessing electronic financial services. The FFIEC agencies published the guidance in August 2001.

In 2002, the task force's information technology subcommittee will continue to coordinate the development of revisions to the interagency examination procedures for information technology. The FFIEC agencies also plan to hold an information systems training conference for staff to promote consistency across the agencies in the examination and supervision of institutions.

#### **Task Force on Surveillance Systems**

The Task Force on Surveillance Systems oversees the development and implementation of uniform interagency surveillance and monitoring systems. The task force's primary objective has been to develop and produce the Uniform Bank Performance Report (UBPR). This report is an analytical tool created for supervisory purposes. It is used to monitor the condition and performance of banking institutions on a quarterly basis and to identify potential or emerging problems in those financial institutions. A UBPR is produced quarterly for each commercial bank and insured savings bank in the United States that is supervised by the FRB, FDIC, or OCC.

During 2001, the Surveillance Task Force and Surveillance Working Group completed the following projects:

- Modified numerous ratios in the UBPR to take advantage of the consolidation of Call Report forms effective in March 2001. As a consequence, all financial information in the UBPR is now comparable among all banks.
- Added several new ratios to the UBPR to enhance the analysis of yields, interest income, mortgage servicing, and capital. Added 30 to 89 day loan delinquency data

to the public on-line version of the UBPR.

- Expanded the peer group analysis in the UBPR by establishing a separate peer group for bankers' banks.
- Enhanced the performance of the UBPR public web site. UBPR information for any bank in the country is now available on-line within 30 days of the quarterly Call Report due date. The response time and formatting of UBPR pages for printing was improved. The on-line UBPR continues to be widely used. All UBPR data, including five years of history and peer group comparisons, are available for viewing, printing, and downloading at [www.ffiec.gov](http://www.ffiec.gov).
- Notified all users that the FFIEC plans to substitute paper delivery of the UBPR and related reports with electronic delivery through the FFIEC web site in the first quarter of 2002. The on-line version of the UBPR will continue to be available at no charge to all banks, supervisors, and the general public.
- Developed several new pages to enhance the analysis of banks involved in securitization and fiduciary activities. This new information will be available with the December 31, 2001 UBPR.
- Produced and distributed four quarterly versions of the UBPR. The federal banking agencies each received UBPR data in electronic format. State banking agencies were provided two sets of printed UBPRs for banks in their respective states. Additionally, printed UBPRs were sent to all banks. Several thousand copies of individual bank UBPRs were provided to the general public.
- Updated and distributed the UBPR User's Guide. The guide and related information are available at [www.ffiec.gov](http://www.ffiec.gov).



*Task Force on Surveillance Systems meeting.*

Several projects are planned for 2002:

- Produce and distribute four versions of the UBPR.
- Revise the UBPR to incorporate changes in the March 2002 Call Report. Review the analysis of noninterest income and expense.
- Review UBPR treatment of banks that have elected subchapter S status for taxes and those involved in mergers.
- Revise the UBPR User's Guide to incorporate changes planned for 2002. Distribute to all users through the FFIEC web site.
- Continue to develop the public UBPR web site. Possible enhancements for 2002 include improved peer group analysis and additional reports. The task force will consider limited, on-line, custom peer group analysis.
- Analyze and possibly revise current peer groupings in the UBPR. Possible new peer groups could

include line of business (trust company, agricultural, real estate), as well as changed asset groupings and revised treatment of de novo banks.

- Substitute paper delivery of the UBPR and related reports with the on-line version of the UBPR in the first quarter of 2002.
- Two copies of the UBPRs will be made available to state bank supervisors for banks in their state. Alternatively, the printed reports may be requested in tape form.
- State banking agencies may also purchase UBPR data files in electronic form.
- Adjust the UBPR to reflect changed regulatory capital definitions.

While the UBPR is primarily a supervisory tool for the three federal banking agencies, it is also used by others. Copies of the UBPR are routinely distributed to banks and

state banking agencies as described below in the distribution policy. In addition to the numerous individuals who obtain UBPRs on-line and in printed form, several companies purchase UBPR data in bulk format. A major goal of the task force is to ensure timely production and distribution of UBPRs and related data. The following distribution policy will continue:

- The UBPR, User's Guide, and related reports will be available to all banks, supervisors, and the general public at no charge through the public web site at [www.ffiec.gov](http://www.ffiec.gov).
- UBPR data will be provided to each federal banking agency each quarter.
- UBPRs and Call Report data will continue to be available in printed format for a fee.

The general public may purchase printed copies of UBPRs for \$45. A User's Guide, which describes the content of the report and defines ratio calculations, is available for \$25. The Peer Group Report, showing average ratios for all peer groups, is available for \$65. The State Average Report is available for \$45. Peer Group and State Average Percentile Distribution Reports are available for \$65 and \$45, respectively.

Standardized UBPR quarterly data on magnetic tape are available for \$400. Information on ordering items may be obtained by calling (202) 872-7500,

e-mailing to

[SMULLENJ@FRB.GOV](mailto:SMULLENJ@FRB.GOV),

or writing the Council:

Federal Financial Institutions  
Examination Council  
2000 K Street, NW, Suite 310  
Washington, DC 20006



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# THE FEDERAL FINANCIAL INSTITUTIONS REGULATORY AGENCIES AND THEIR SUPERVISED INSTITUTIONS

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The five federal regulatory agencies represented on the Council have primary federal supervisory jurisdiction over 20,218 domestically chartered banks, thrift institutions, and credit unions. On June 30, 2001, these financial institutions held total assets of more than \$12.8 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 is appointed by the President, with the advice and consent of the Senate, for a 14-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:

- examining, supervising, and regulating state member banks; bank holding companies; Edge Act and agreement corporations; and in conjunction with the licensing authorities, the U.S. offices of foreign banks 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.

Policy decisions are implemented by the FRB and the 12 Federal Reserve Banks, each of which has operational responsibility within a specific geographical area. 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 Office of the Comptroller of the Currency. 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 revenue it generates principally from interest received on Treasury and federal-agency securities held as assets by the Reserve Banks. The funding for these investments is derived partially from non-interest-earning reserves that member banks and other depository institutions are required to hold at the Reserve Banks and partially from non-interest-bearing Federal Reserve notes (currency) issued by the Reserve Banks. The Reserve Banks pay assessments to the FRB, which it uses to meet expenses. Excess revenues are turned over to the Treasury general fund and categorized as interest on Federal Reserve notes.

## **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

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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 (DOS) and the Division of Compliance and Consumer Affairs (DCCA). Each of these divisions is organized into eight regional offices headed by a DOS regional director and a DCA regional director. Bank liquidation activities are handled by the Division of Resolutions and Receiverships.

The FDIC administers two federal deposit insurance funds: the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). The basic insured amount for a depositor is \$100,000 at each insured depository institution. The BIF is funded through assessments paid by insured commercial banks, certain federal and state savings banks, and industrial banks, as well as through income from investments in U.S. government securities. The SAIF, which was created in 1989 as a successor to the former Federal Savings and Loan Insurance Corporation (FSLIC), receives assessment premiums from insured savings associations. SAIF assessment rates and BIF assessment rates are currently the same—ranging from 0 to 27 cents for every \$100 of assessable deposits, depending on the degree of risk to the respective deposit insurance fund.

Any depository institution that receives deposits may be insured by the FDIC after it applies to and is examined and approved 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 deposit insurance. FDICIA expanded the FDIC's approval authority to include national banks, all state-chartered banks that are members of the Federal Reserve System, and federal and state-chartered savings associations.

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

heads the nation's federal credit union system. A three-member bipartisan board appointed by the President for six-year terms manages the NCUA. The President also selects a member to serve as Chair of the board.

The main responsibilities of the NCUA are the following:

- charters, examines, and supervises more than 6,100 federal credit unions nationwide
- administers the National Credit Union Share Insurance Fund (NCUSIF), which insures member share accounts in nearly 10,000 U.S. federal and state-chartered credit unions
- manages the Central Liquidity Facility, a central bank for credit unions, which provides liquidity to the credit union system.

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

The NCUA has six 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 Treasury Department by the National Currency Act of 1863. It is headed by the Comptroller of the Currency, who is appointed to a five-year term by the President with the advice and consent of the Senate. The Comptroller also serves as a Director of the Federal Deposit Insurance Corporation and a Director of the Neighborhood Reinvestment Corporation.

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The OCC charters, regulates, and supervises national banks to ensure a safe, sound, and competitive national banking system that supports the citizens, communities, and economy of the United States. As such, it currently regulates and supervises more than 2,200 national banks and 56 federal branches and agencies of foreign banks in the United States, accounting for more than 55 percent of the total assets of all U.S. commercial banks.

The OCC helps to ensure that national banks soundly manage their risks, compete effectively with other providers of financial services, offer products and services that meet the needs of customers, comply with applicable laws, and provide fair access to financial services and fair treatment of their customers through certain mission-critical core processes that include the following:

- licensing national banks and issuing interpretations related to permissible banking activities
- establishing and communicating regulations, policies, and operating guidance applicable to national banks
- supervising the national banking system through on-site examinations, off-site monitoring, and appropriate enforcement activities
- addressing systemic risks and market trends by identifying, analyzing, and responding to emerging risks that could have an impact on the safety and soundness of national banks or the national banking system.

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 six district offices in New York, Atlanta, Chicago, Kansas City, Dallas, and San Francisco. In addition to the district office sites, the OCC maintains a network of 63 field offices in cities throughout the

United States, and well as resident examiner teams in large national banks and an examining office in London, England.

The Comptroller receives advice on policy and operational issues from the Executive Committee which consists of the First Senior Deputy Comptroller and Chief Counsel; the Chief of Staff; the Chief National Bank Examiner; the Ombudsman; the Chief Information Officer; and senior deputy comptrollers for Mid-Size/Community Bank Supervision, Large Bank Supervision, International and Economic Affairs, Management and Chief Financial Officer, and Public Affairs.

The OCC is funded by semiannual assessments on national banks and from various licensing fees.

### **Office of Thrift Supervision (OTS)**

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

The mission of the OTS is to

- effectively and efficiently supervise thrift institutions;
- 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 industry, (2) examining and supervising thrift institutions 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, and supervise savings and loan holding companies.

The OTS is headed by a Director who is appointed by the President, with the advice and consent of the Senate, to serve a five-year term. The Director determines policy for the OTS and makes final decisions on regulations governing the industry as a whole and on measures affecting individual institutions. The Director also serves as a member of the board of the FDIC and the Neighborhood Reinvestment Corporation.

The Deputy Director of the OTS assists the Director in managing various agency programs. While the emphasis is on regulatory issues, the Deputy Director is responsible for the five regional offices; the Office of Supervision; the Office of Compliance Policy; Research and Information Systems; Human Resources and Professional Development; Procurement and Administrative Services; and Planning, Budget and Finance. The Deputy Director is responsible for the supervisory and day-to-day operations of the agency. Major responsibilities include (1) the supervision and examination of OTS-regulated thrifts to ensure the safety and soundness of the industry; (2) trust activities; (3) information technology; (4) compliance with consumer protection, Community Reinvestment Act, and fair lending requirements; (5) the development of policies affecting those functions; (6) applications of all types, and (7) the agency's accounting policies. The Office of Research and Information Systems is responsible for both traditional information systems and financial data and modeling systems.

The other major functions of the OTS are as follows:

- The Chief Counsel oversees the legal activities of the agency. This responsibility includes representing the OTS on pending litigation; preparing the record for final agency action in accordance with

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legal requirements; pursuing enforcement actions relating to thrift institutions; providing legal advice and opinions; and drafting support on regulatory projects, statutes, and regulations.

- Congressional Affairs and Press Relations interact with members of the Congress as well as with executives of other federal agencies to accomplish the legislative and regulatory objectives of the OTS. They convene press conferences; distribute news releases;

and communicate and explain policy directives, objectives, and actions of the agency to the Congress, the press, the thrift industry, other government agencies, and employees.

The OTS's five geographic regional offices are located in Jersey City, NJ; Atlanta, GA; Chicago, IL; Dallas, TX; and San Francisco, CA. The OTS uses no tax money to fund its operations. Its expenses are funded through fees and assessments levied on the institutions it regulates.

ASSETS, LIABILITIES, AND NET WORTH of U.S. Commercial Banks, Thrift Institutions<sup>1</sup> and Credit Unions as of June 30, 2001  
Billions of dollars

Item	Total	U.S. Commercial Banks <sup>2</sup>			U.S. Branches and Agencies of Foreign Banks <sup>16</sup>	Thrift Institutions			Credit Unions <sup>3</sup>	
		National	State Member	State Non-Member		OTS-Regulated <sup>17</sup>		Other FDIC-Insured Savings Banks	Federal Charter	State Charter
						Federal Charter	State Charter			
<b>Total assets</b>	<b>9079</b>	<b>3,420</b>	<b>1,694</b>	<b>1,219</b>	<b>993</b>	<b>946</b>	<b>25</b>	<b>304</b>	<b>263</b>	<b>215</b>
Total loans and lease receivables (net)	5260	2,191	819	759	331	644	17	192	166	141
Loans secured by real estate <sup>4</sup>	2627	935	361	441	17	567	15	169	64	58
Consumer loans <sup>5</sup>	838	356	96	139	0	52	1	12	101	81
Commercial and industrial loans	1,280	632	250	144	213	26	1	11	1	2
All other loans and lease receivables <sup>6</sup>	588	308	125	47	101	4	*	2	1	‡
LESS: Allowance for possible loan and lease losses	76	41	13	12	*	6	*	2	1	1
Federal funds sold and securities purchased under agreements to resell	443	139	135	46	99	17	*	5	2	*
Cash and due from depository institutions <sup>7</sup>	572	192	143	51	64	24	1	8	50	39
Securities and other obligations <sup>8</sup>	1,504	486	272	297	108	191	5	83	35	27
U.S. government obligations <sup>9</sup>	507	80	74	90	39	163	4	54	2	1
Obligations of state and local governments <sup>10</sup>	97	41	20	32	*	2	*	2	*	*
Other securities	848	365	178	175	69	26	1	27	3	4
Other assets <sup>11</sup>	1,298	412	325	66	391	69	1	16	10	8
<b>Total liabilities</b>	<b>8,364</b>	<b>3,117</b>	<b>1,563</b>	<b>1101</b>	<b>993</b>	<b>870</b>	<b>22</b>	<b>274</b>	<b>233</b>	<b>191</b>
Total deposits and shares <sup>12</sup>	5,968	2,285	1,037	922	532	546	19	211	229	187
Federal funds purchased and securities sold under agreements to repurchase	762	242	218	51	167	60	*	22	1	1
Other borrowings <sup>13</sup>	998	394	130	106	78	245	3	39	1	2
Other liabilities <sup>14</sup>	637	196	178	22	216	18	*	3	2	2
<b>Net worth<sup>15</sup></b>	<b>20,218</b>	<b>303</b>	<b>131</b>	<b>117</b>	<b>*</b>	<b>76</b>	<b>3</b>	<b>30</b>	<b>29</b>	<b>23</b>
Memorandum: Number of institutions reporting	20,218	2,172	975	5,023	334	904	145	520	6,230	3,915

**Symbols Appearing in Tables**

\* = Less than \$500 million  
‡ = Not applicable

**Footnotes to Tables**

- The table covers institutions, including those in Puerto Rico and U.S. territories and possessions, insured by the Federal Deposit Insurance Corporation or National Credit Union Savings Insurance Fund. All branches and agencies of foreign banks in the United States, but excluding any in Puerto Rico and U.S. territories and possessions, are covered whether or not insured. The table excludes Edge Act and agreement corporations that are not subsidiaries of U.S. commercial banks.
- Reflects the fully consolidated statements of FDIC-insured U.S. banks—including their foreign branches, foreign subsidiaries, branches in Puerto Rico and U.S. territories and possessions, and FDIC-insured banks in Puerto Rico and U.S. territories and possessions. Excludes bank holding companies.
- The credit union data are for federally-insured credit unions only.
- Loans secured by residential property, commercial property, farmland (including improvements), and unimproved land; and construction loans secured by real estate. For SAIF-insured institutions, also includes mortgage-backed securities.
- 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.
- Loans to financial institutions, loans for purchasing or carrying securities, loans to finance agricultural production and other loans to farmers (except loans secured by real estate), loans to states and political subdivisions and public authorities, and miscellaneous types of loans.
- 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. SAIF-insured institutions data are for cash and

Notes continue on the next page

INCOME AND EXPENSES of U.S. Commercial Banks and Thrift Institutions<sup>1</sup> as of June 30, 2001

Billions of dollars

Item	Total	U.S. Commercial Banks <sup>2</sup>			Thrift Institutions			Credit Unions <sup>3</sup>	
		National	State Member	State Non-Member	OTS-Regulated <sup>17</sup>		Other FDIC-Insured Savings Banks	Federal Charter	State Charter
					Federal Charter	State Charter			
Operating income	714	331	139	106	76	22	21	21	17
Interest and fees on loans	410	185	66	67	51	14	14	14	12
Other interest and dividend income	135	53	35	20	15	*	5	4	3
All other operating income	167	93	38	19	10	*	2	3	2
Operating expenses	584	270	111	86	65	1	18	18	15
Salaries and benefits	108	48	24	16	9	*	4	4	3
Interest on deposits and shares	199	81	37	33	23	1	8	9	7
Interest on other borrowed money	93	42	20	9	19	*	3	0	0
Provision for loan and lease losses	34	20	4	6	2	*	*	1	1
All other operating expenses	149	79	26	21	12	*	3	4	4
<b>Net operating income</b>	<b>128</b>	<b>61</b>	<b>28</b>	<b>20</b>	<b>11</b>	<b>*</b>	<b>4</b>	<b>2</b>	<b>2</b>
Securities gains and losses	2	0	0	0	2	*	*	0	0
Income taxes	43	22	9	6	5	*	1	‡	‡
<b>Net income</b>	<b>87</b>	<b>39</b>	<b>19</b>	<b>14</b>	<b>8</b>	<b>*</b>	<b>3</b>	<b>2</b>	<b>2</b>
Memorandum: Number of institutions reporting	19,884	2,172	975	5,023	904	145	520	6,230	3,915

demand deposits only; time deposits are included in "Other securities."

8. Government and corporate securities, including mortgage-backed securities and obligations of states and political subdivisions and of U.S. government agencies and corporations. For SAIF-insured institutions, also includes time deposits and excludes mortgage-backed securities.

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

10. Securities issued by states and political subdivisions and public authorities, except for savings and loan associations and U.S. branches and agencies of foreign banks that do not report these securities separately. Loans to states and political subdivisions and public authorities are included in "All other loans and lease receivables."

11. Customers' liabilities on acceptances, real property owned, various accrual

accounts, and miscellaneous assets. For U.S. branches and agencies of foreign banks, also includes net due from head office and other related institutions. For SAIF-insured institutions, also includes equity investment in service corporation subsidiaries.

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

13. Interest-bearing demand notes issued to the U.S. Treasury, borrowing from Federal Reserve Banks and Federal Home Loan Banks, subordinated debt, limited-

life preferred stock, and other nondeposit borrowing.

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

15. Capital stock, surplus, capital reserves, and undivided profits for SAIF-insured institutions.

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

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

NOTE: Because of rounding, details may not add to totals.

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# APPENDIX A: RELEVANT STATUTES

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## Title X of Public Law 95-630

Title X of Public Law 95-630 establishes the Federal Financial Institutions Examination Council. As amended, it reads as follows:

*Sec. 1001.* This title may be cited as the “Federal Financial Institutions Examination Council Act of 1978.”

### Purpose

*Sec. 1002.* It is the purpose of this title to establish a Financial Institutions Examination Council which shall prescribe uniform principles and standards for the Federal examination of financial institutions by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, and the National Credit Union Administration, and make recommendations to promote uniformity in the supervision of these financial institutions. The Council’s actions shall be designed to promote consistency in such examinations to insure progressive and vigilant supervision.

### Definitions

*Sec. 1003.* As used in this title—

(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 and loan association, a building and loan association, a homestead association, a cooperative bank, or a credit union.

### Establishment of the Council

*Sec. 1004.* (a) There is established the Financial Institutions Examination Council which shall consist of

(1) the Comptroller of the Currency,

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

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

(4) the Director of the Office of Thrift Supervision and

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

(b) The members of the Council shall select the first Chairman of the Council. Thereafter the chairman shall rotate among the members of the Council.

(c) The term of the Chairman of the Council shall be two years.

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

### Expenses of the Council

*Sec. 1005.* 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.

### Functions of the Council

*Sec. 1006.* (a) 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)(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.

(b)(2) When a recommendation of the Council is found unacceptable by one or more of the appli-

cable 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) 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 12(I) of the Securities Exchange Act of 1934.

(d) 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) Nothing in this title 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) Not later than April 1 of each year, the Council shall prepare an annual report covering its activities during the preceding year.

### State Liaison

*Sec. 1007.* 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.

### Administration

*Sec. 1008.* (a) 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) In addition to any other authority conferred upon it by this title, in carrying out its functions under this title, 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) In addition, the Council may

(1) subject to the provisions of Title 5, United States Code, 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 title, 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 the title.

### Access to Information by the Council

*Sec. 1009.* For the purpose of carrying out this title, the Council shall have access to all books, accounts, records, reports, files, memoranda, 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.

### Risk Management Training

*Sec. 1009A.* (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 the end of the one-year period beginning on the date of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 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.

### Audit by the Comptroller General

*Sec. 1010.* Section 117 of the Accounting and Auditing Act of 1950, as amended by the Federal Banking Agency Audit Act (Public Law 95-320), is further amended by

(1) redesignating clauses (A), (B), (C) and of subsection (e)(1) as (B), (C), and (D), respectively, and inserting in subsection (e)(1) the clause "(A) of the Financial Institutions Examination Council"; immediately following "audits"; and

(2) striking out in subsection (e)(2) "and (C)" and inserting in lieu thereof "(C), and (D)."



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*Sec. 1011.* 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.

**Excerpts from Title III of Public Law 94-200**

Following are those sections of title III of Public Law 94-200, the Home Mortgage Disclosure Act, as amended, that affect the Federal Financial Institutions Examination Council.

**Findings and Purpose**

*Sec. 302.* (a) 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) The purpose of this title is to provide the citizens and public officials of the United States with sufficient information to enable them to determine whether depository institutions are fulfilling their obligations to serve the housing needs of the communities and neighborhoods in which they are located and to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment.

**Maintenance of Records and Public Disclosure**

*Sec. 304.* (f) 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 306(b)) 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.

**Compilation of Aggregate Data**

*Sec. 310.* (a) 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 under section 304 or which are exempt pursuant to section 306(b). 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) The Board shall provide staff

and data processing resources to the Council to enable it to carry out the provisions of subsection (a).

(c) The data and tables required pursuant to subsection (a) 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.

**Excerpts from Title XI of Public Law 101-73**

*Sec. 1103.* 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 regulated 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) transmit an annual report to the Congress not later than January 31 of each year which describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year.

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(b) *Monitoring and Reviewing Foundation.* The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

*Sec. 1104.* Chairperson of Appraisal Subcommittee: Term of Chairperson; meetings.

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

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# APPENDIX B: 2001 AUDIT REPORT

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2001 M Street, N.W.  
Washington, D.C. 20036

## Independent Auditors' Report on Financial Statements

To the Federal Financial Institutions  
Examination Council

We have audited the accompanying balance sheet of the Federal Financial Institutions Examination Council (the Council) as of December 31, 2001 and the related statements of revenues and expenses and changes in cumulative results of operations and cash flows for the year 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 audit. The financial statements as of and for the year ended December 31, 2000 were audited by other auditors who issued an unqualified opinion thereon dated February 20, 2001.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing*

*Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council at December 31, 2001, and the results

of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 22, 2002 on our consideration of the Council's internal control over financial reporting and its compliance with laws and regulations. Those reports are an integral part of an audit conducted in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

**KPMG LLP**

February 22, 2002



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FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
Balance Sheets as of December 31, 2001 and 2000

ASSETS		
	2001	2000
<b>CURRENT ASSETS</b>		
Cash	\$ 616,667	\$ 821,155
Accounts receivable from member organizations	811,360	507,042
Other accounts receivable	337,542	196,537
Total current assets	1,765,569	1,524,734
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment, at cost	273,849	273,849
Less accumulated depreciation	267,731	261,494
Net furniture and equipment	6,118	12,355
Total assets	\$ 1,771,687	\$ 1,537,089
<b>LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities payable to member organizations (Note 3)	\$ 1,162,636	\$ 743,939
Other accounts payable and accrued liabilities	87,363	136,193
Accrued annual leave	28,568	40,104
Total current liabilities	1,278,567	920,236
<b>DEFERRED RENT (Note 5)</b>	150,157	135,572
Total Liabilities	1,428,724	1,055,808
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
Total liabilities and cumulative results of operations	\$ 1,771,687	\$ 1,537,089

See notes to financial statements.

**Notes to Financial Statements for the Years Ended December 31, 2001 and 2000**

(1) Organization and Purpose

The Federal Financial Institutions Examination Council (the "Council") was established under Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The purpose of the Council is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions. The five agencies which are represented on the Council, referred to hereafter as member organizations, are as follows:

Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
National Credit Union Administration  
Office of the Comptroller of the Currency  
Office of Thrift Supervision

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. Although it is a subcommittee of the Council, the Appraisal Subcommittee maintains separate financial records and administrative processes. The Council's financial statements do not include financial data for the Appraisal Subcommittee other than that presented in note 4.

(2) Significant Accounting Policies

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.

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

*Furniture and Equipment*—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.

*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

	2001	2000
The five member organizations are each assessed one-fifth of the expected cash needs based on the annual operating budget. Annual assessment for each member organization was	\$ 293,000	\$ 256,000

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
 Statements of Revenues and Expenses and Changes in Cumulative Results of Operations for the Years Ended  
 December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
REVENUES		
Assessments on member organizations (Note 3)	\$ 1,465,000	\$ 1,280,000
Tuition	1,622,523	1,811,065
Other revenue (Note 4)	2,980,125	2,993,150
Total revenues	<u>6,067,648</u>	<u>6,084,215</u>
EXPENSES		
Salaries and related benefits	1,468,134	1,419,587
Data processing	3,376,177	3,302,051
Rental of office space	600,483	589,821
Professional fees	215,151	270,105
Books and subscriptions	157,691	150,734
Other seminar expenses	81,714	94,916
Travel	80,402	98,862
Administrative fees	66,117	62,966
Office and other supplies	48,547	70,596
Rental and maintenance of office equipment	48,436	93,436
Printing	47,802	69,643
Postage	8,103	20,691
Depreciation and amortization	6,237	7,870
Telephone	(3,420)	15,843
Miscellaneous	4,392	5,121
Total expenses	<u>6,205,966</u>	<u>6,272,242</u>
REVENUES OF OPERATIONS	(138,318)	(188,027)
CUMULATIVE RESULTS OF OPERATIONS, Beginning of year	481,281	669,308
CUMULATIVE RESULTS OF OPERATIONS, End of year	<u>\$ 342,963</u>	<u>\$ 481,281</u>

See notes to financial statements.

	<u>2001</u>	<u>2000</u>		<u>2001</u>	<u>2000</u>
The Council provides seminars in the Washington area and at regional locations through out the country for member organization examiners and other agencies. The Council received tuition payments from member organizations in the amount of	1,528,453	1,699,315	reimbursed for the direct cost of the operating expenses it incurs for this project.		
The Board of Governors of the Federal Reserve System provided administrative support services to the Council at a cost of	66,117	62,966	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.	The Council received the following from the Department of Housing and Urban Development (HUD) to fund HUD's participation in the HMDA project	337,125      350,082
Member organizations provided office space, data processing and printing services to the Council. The Council paid member organizations	3,651,730	3,593,793	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.	The Council received the following from the Mortgage Insurance Companies of America for performing HMDA related work for them	271,917      168,809
The Council coordinates the production and distribution of the Uniform Bank Performance Reports (UBPR) through the Federal Deposit Insurance Corporation (FDIC). The Council is			(4) Other Revenue	The balance of the HMDA revenue for 2001 and 2000 was received from sales to the public	32,149      29,633
				Total HMDA	<u>\$1,735,949</u> <u>\$1,776,137</u>
			<i>Home Mortgage Disclosure Act (HMDA)</i>		
			The Council produces and distributes reports under the Home Mortgage Disclosure Act (HMDA). The Council received the following from member organizations		
			\$1,094,758      \$1,227,613		

Notes continue on the following page.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
 Statements of Cash Flows for the Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
RESULTS OF OPERATIONS	\$ (138,318)	\$ (188,027)
Adjustments to reconcile results of operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,237	7,870
(Increase) decrease in assets:		
Accounts receivable from member organizations	(304,318)	(75,503)
Other accounts receivable	(141,005)	121,016
Increase (decrease) liabilities:		
Accounts payable and accrued liabilities to member organizations	418,697	248,585
Accounts payable and accrued liabilities	(48,830)	4,865
Accrued annual leave	(11,536)	(8,580)
Deferred rent	14,585	21,536
Net cash provided by (used in) operating activities	<u>(204,488)</u>	<u>131,762</u>
CASH BALANCE, Beginning of year	821,155	689,393
CASH BALANCE, End of year	<u>\$ 616,667</u>	<u>\$ 821,155</u>

See notes to financial statements.

	<u>2001</u>	<u>2000</u>
<i>Uniform Bank Performance Report (UBPR)</i>		
The Council coordinated and provided certain administrative support to the UBPR project. The Council received the following for operating expenses incurred in support of the UBPR project	\$ 273,122	\$ 264,948
<i>Appraisal Subcommittee</i>		
The Council provided space and certain administrative support to the Appraisal Subcommittee. The Council received the following from the Appraisal Subcommittee for these services	189,387	213,537
<i>Community Reinvestment Act</i>		
The Council received the following from participating member agencies for operating expenses incurred in support of the project	781,657	738,525
<i>Miscellaneous</i>	<u>10</u>	<u>3</u>
	<u>\$2,980,125</u>	<u>\$2,993,150</u>

(5) Deferred Rent

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

(6) Commitments

The Council entered into operating leases to secure office and classroom space for periods ranging from two to ten years. Mini-

mum future rental commitments under those operating leases having an initial or remaining noncancellable lease term in excess of one year at December 31, 2001, are as follows:

2002	\$ 320,232
2003	330,555
2004	347,624
2005	354,575
2006	361,526
After 2006	<u>648,743</u>
	<u>\$2,363,255</u>

Rental expenses under these operating leases were \$537,519 and \$532,096 in 2001 and 2000, respectively.



2001 M Street, N.W.  
Washington, D.C. 20036

## Independent Auditors' Report on Internal Control over Financial Reporting

To the Federal Financial Institutions  
Examination Council

We have audited the financial statements of the Federal Financial Institutions Examination Council (the Council) as of and for the year ended December 31, 2001, and have issued our report thereon dated February 22, 2002. We conducted our audit 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 audit, we considered the Council's internal control over financial reporting by obtaining an understanding of the Council's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls in

order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses under standards established 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 internal control, misstatements due to error or fraud may occur and not be detected. However, we noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Council and management, the U.S. Office of Management and Budget, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

February 22, 2002



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2001 M Street, N.W.  
Washington, D.C. 20036

## Independent Auditors' Report on Compliance with Laws and Regulations

To the Federal Financial Institutions  
Examination Council

We have audited the financial statements of the Federal Financial Institutions Examination Council (the Council) as of and for the year ended December 31, 2001, and have issued our report thereon dated February 22, 2002. We conducted our audit 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 and regulations applicable to

the Council. As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding para-

graph disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Council and management, the U.S. Office of Management and Budget, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

February 22, 2002



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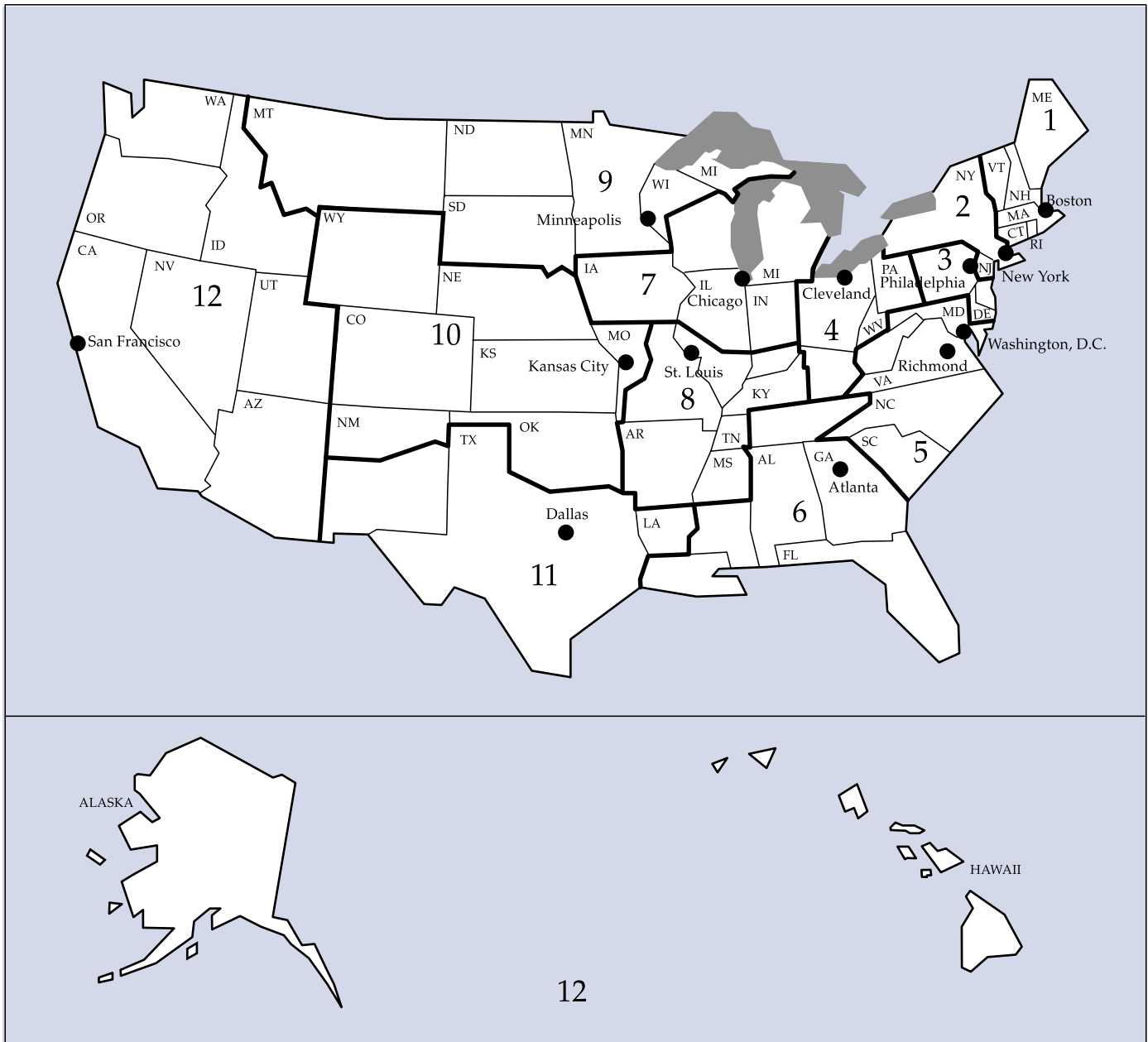
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## APPENDIX C: MAPS OF AGENCY REGIONS AND DISTRICTS

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- 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

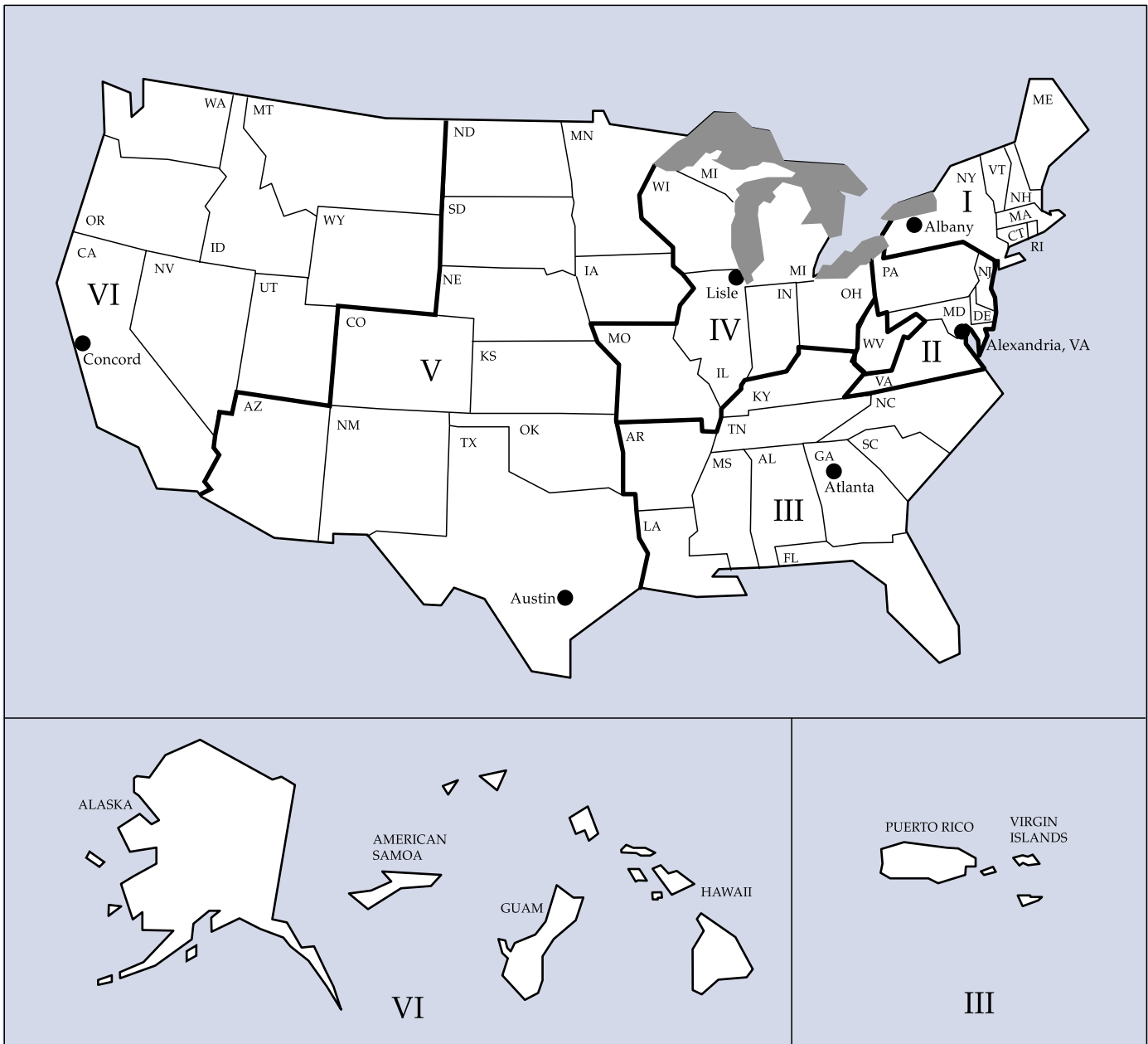
# THE FEDERAL RESERVE SYSTEM DISTRICTS



# FEDERAL DEPOSIT INSURANCE CORPORATION REGIONS (SUPERVISION AND COMPLIANCE)



# NATIONAL CREDIT UNION ADMINISTRATION



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# COMPTROLLER OF THE CURRENCY DISTRICT ORGANIZATION

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# OFFICE OF THRIFT SUPERVISION

