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"Rummaging in the government's attic"

Description of document: Records regarding analysis of the Federal Deposit Insurance Corporation's (FDIC) implementation of the Dodd-Frank Act resolution authorities, 2014

Requested date: 08-May-2016

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Posted date: 25-July-2016

Source of document: FOIA Request
FDIC
Legal Division
FOIA/PA Group
550 17th Street, N.W.
Washington, D.C. 20429
Fax: 703-562-2797
[Online Electronic FOIA Request](#)

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July 5, 2016

In re: FDIC FOIA Log Number 16-0292

This responds to your May 8, 2016 Freedom of Information Act (FOIA) request for:

- A copy of the presentation and written materials associated with the briefing of CIGFO members on September 29, 2014 by FDIC Acting Inspector General Gibson ad FDIC OIG Audit Manager, Peggy Wolf, concerning analysis of the FDIC's implementation of the Dodd-Frank Act resolution authorities.
- A copy of the top level (home) pages of the FDIC OIG/FDIC knowledge management internal website regarding Dodd-Frank Act resolution authorities, and the second level pages (one click down).

One document, consisting of 9 pages, was found to be responsive to the first item of your request. This enclosed document is being released in part.

The OIG/FDIC knowledge management internal website has yet to be implemented. Therefore, there are no records responsive to the second item.

Portions of the enclosed document is exempt from disclosure under 5 U.S.C. §552(b)(6), FOIA Exemption 6. FOIA Exemption 6 permits the withholding of personal information which, if released, would constitute a clearly unwarranted invasion of personal privacy.

Should you consider the redaction of information in the record provided or the no record in response to item two to be a denial of your request, you may appeal the denial to the FDIC's General Counsel within 30 business days following receipt of this letter. If you decide to appeal, please submit your appeal in writing to the Legal Division, FOIA/Privacy Act Group, at the above address. Please refer to the FDIC log number and include any additional information that you would like the General Counsel to consider.

There are no assessable fees for this response.

This completes the processing of your request.

If you have any questions about this response, you may contact me at alturner@fdic.gov or (703) 562-2274.

Sincerely,


/Signed/

Alisa Turner
Government Information Specialist
FOIA/Privacy Act Group

Enclosures:
As stated

FDIC Office of Inspector General

**A Dodd-Frank
Risk Assessment Approach**



Presentation to the
Council of Inspectors General on Financial Oversight

FDIC OIG
September 29, 2014

(b)(6)

Thank you for the opportunity to present our risk assessment approach.

This presentation walks through

- The evolution leading to our decision to perform a risk assessment,
- The methodology we used to perform the assessment and
- The benefits of our process.



Dodd-Frank and the FDIC

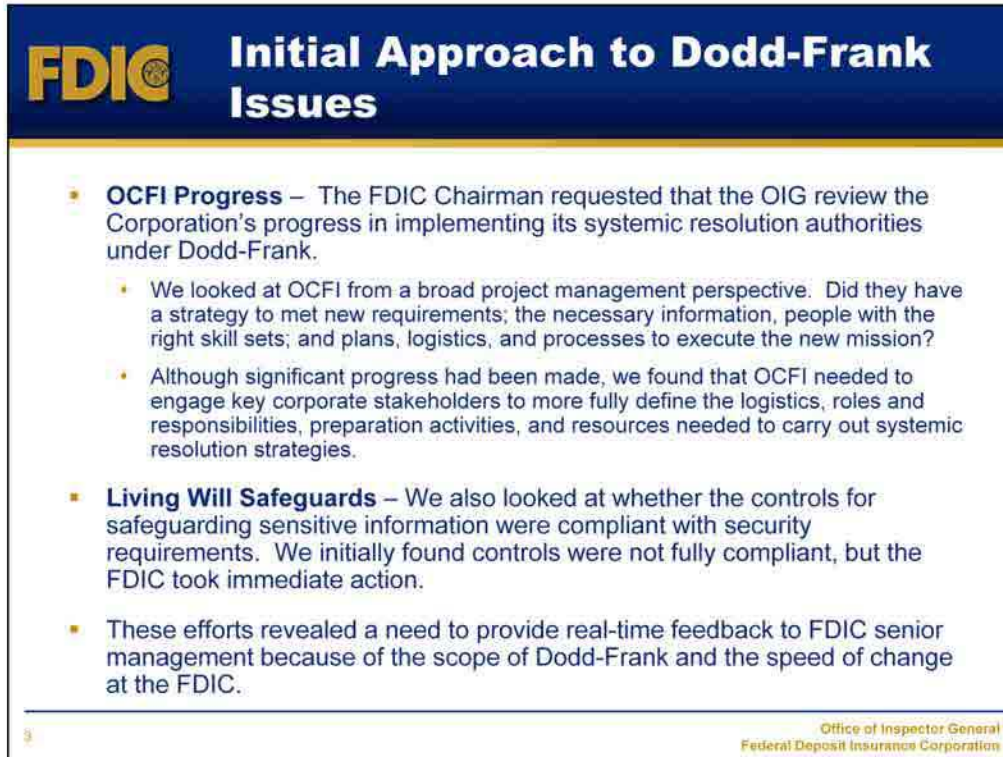
- The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) substantially changed the FDIC's mission by giving the Corporation broad new authorities to
 - mitigate the risk of systemically important financial institutions (SIFIs) to the stability of the U.S. financial system, and, if necessary,
 - effect an orderly liquidation of such institutions.
- One of the FDIC's first steps to address its broadened mission was to establish an Office of Complex Financial Institutions (OCFI) as the focal point for implementing the systemic resolution authorities to:
 - Monitor SIFIs
 - Review SIFI living wills and develop resolution plans
 - Promote international coordination

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Before we get into the risk assessment, I wanted to bring to mention the significant changes Dodd-Frank brought to the FDIC.

The FDIC generally resolved banks significantly smaller than a SIFI. The largest failure where the FDIC actually went through its entire process of an insurance payout to depositors was IndyMac which had about \$32 billion in assets. Wells Fargo has about \$1.6 trillion in assets and it is one of the least complicated SIFIS.



The slide features a dark blue header with the FDIC logo on the left and the title "Initial Approach to Dodd-Frank Issues" in white. The main content area is white with a thin blue border. It contains three bullet points, each starting with a small square icon. The first bullet point is "OCFI Progress", the second is "Living Will Safeguards", and the third is a general finding about feedback. At the bottom right, there is a small logo for the Office of Inspector General, Federal Deposit Insurance Corporation.

FDIC Initial Approach to Dodd-Frank Issues

- **OCFI Progress** – The FDIC Chairman requested that the OIG review the Corporation’s progress in implementing its systemic resolution authorities under Dodd-Frank.
 - We looked at OCFI from a broad project management perspective. Did they have a strategy to met new requirements; the necessary information, people with the right skill sets; and plans, logistics, and processes to execute the new mission?
 - Although significant progress had been made, we found that OCFI needed to engage key corporate stakeholders to more fully define the logistics, roles and responsibilities, preparation activities, and resources needed to carry out systemic resolution strategies.
- **Living Will Safeguards** – We also looked at whether the controls for safeguarding sensitive information were compliant with security requirements. We initially found controls were not fully compliant, but the FDIC took immediate action.
- These efforts revealed a need to provide real-time feedback to FDIC senior management because of the scope of Dodd-Frank and the speed of change at the FDIC.

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Two audits led us into our first look at how the FDIC was handling its new Dodd-Frank responsibilities.

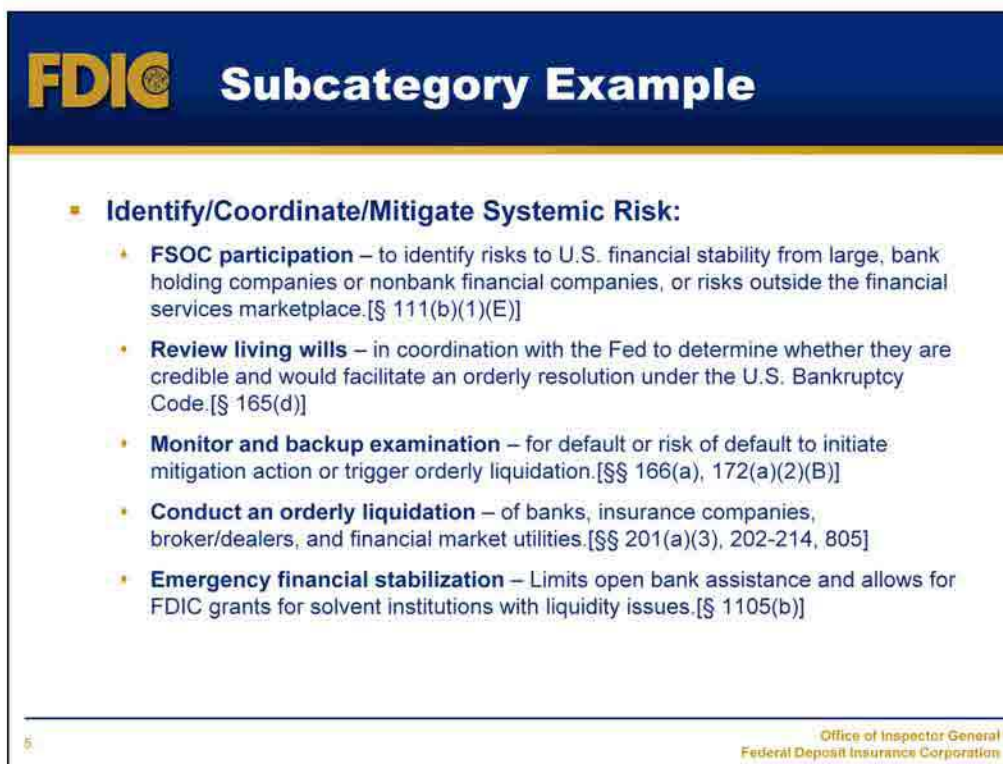
OCFI – was like management having to build a plane while flying it.

Safeguards – brought a number of issues.



Assessment of Dodd-Frank

- Analyzed Dodd-Frank to identify primary and secondary requirements of the FDIC.
 - Primary requirement – anything specifically stating the FDIC "shall".
 - Secondary requirement – anything where the FDIC is to be consulted or regulations affect the FDIC.
- We identified 112 sections or subsections impacting the FDIC and grouped them into four broad categories:
 1. Identify/Coordinate/Mitigate Systemic Risk
 2. Insure and Promote Access
 3. Regulate Using New FDI Act and Consumer Rules
 4. Study and Organize
 - Each category had multiple subcategories.

A presentation slide with a dark blue header containing the FDIC logo and the title "Subcategory Example". The main content area is white with a thin blue border. It features a bulleted list under the heading "Identify/Coordinate/Mitigate Systemic Risk:". The list includes five items: "FSOC participation", "Review living wills", "Monitor and backup examination", "Conduct an orderly liquidation", and "Emergency financial stabilization", each with a brief description and a reference to a specific regulatory section. The footer contains the text "Office of Inspector General Federal Deposit Insurance Corporation" and a small number "5" on the left.

FDIC Subcategory Example

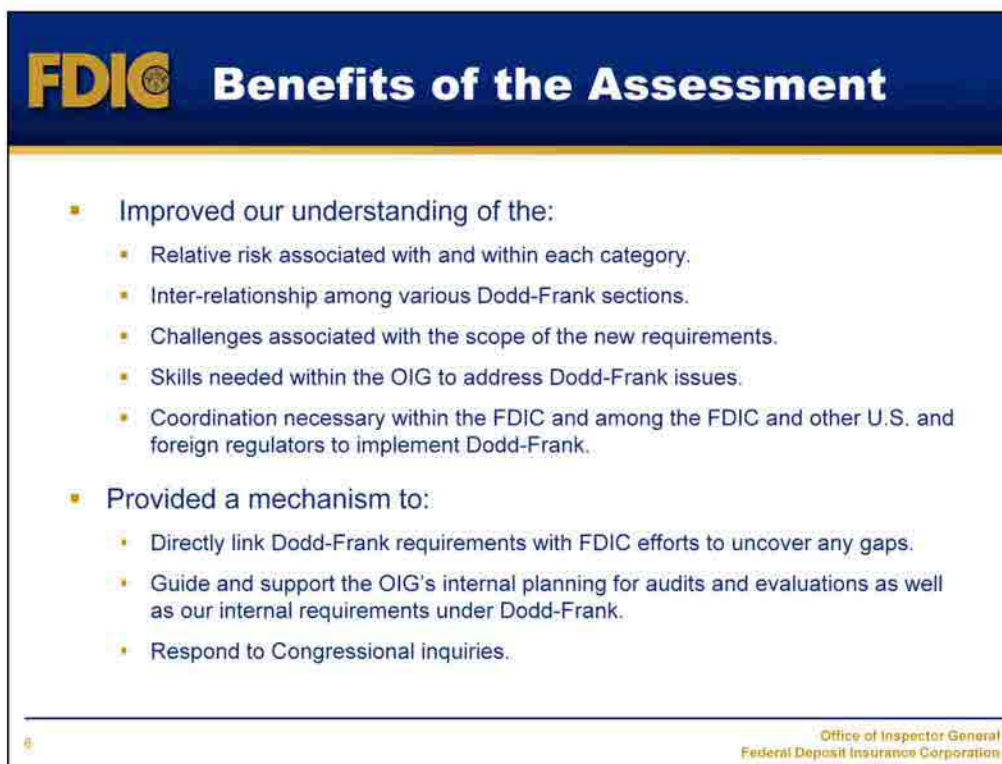
- **Identify/Coordinate/Mitigate Systemic Risk:**
 - **FSOC participation** – to identify risks to U.S. financial stability from large, bank holding companies or nonbank financial companies, or risks outside the financial services marketplace. [§ 111(b)(1)(E)]
 - **Review living wills** – in coordination with the Fed to determine whether they are credible and would facilitate an orderly resolution under the U.S. Bankruptcy Code. [§ 165(d)]
 - **Monitor and backup examination** – for default or risk of default to initiate mitigation action or trigger orderly liquidation. [§§ 166(a), 172(a)(2)(B)]
 - **Conduct an orderly liquidation** – of banks, insurance companies, broker/dealers, and financial market utilities. [§§ 201(a)(3), 202-214, 805]
 - **Emergency financial stabilization** – Limits open bank assistance and allows for FDIC grants for solvent institutions with liquidity issues. [§ 1105(b)]

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As shown, numerous sections and subsections come into play for the FDIC's systemic risk mission and they need to be understood holistically.

As an example of how this may impact FSOC, section 1023 states that FSOC has the power to set-aside CFPB rules if FSOC decides that the regulation would put the safety and soundness of the banking system, or the stability of the US financial system at risk.



The slide features a dark blue header with the FDIC logo on the left and the title "Benefits of the Assessment" in white text. Below the header is a white content area with a thin black border. It contains two main bullet points, each with a sub-bullet list. The first main bullet point is "Improved our understanding of the:" followed by five sub-bullets. The second main bullet point is "Provided a mechanism to:" followed by three sub-bullets. At the bottom right of the slide, there is a small logo and the text "Office of Inspector General Federal Deposit Insurance Corporation".

FDIC **Benefits of the Assessment**


- Improved our understanding of the:
 - Relative risk associated with and within each category.
 - Inter-relationship among various Dodd-Frank sections.
 - Challenges associated with the scope of the new requirements.
 - Skills needed within the OIG to address Dodd-Frank issues.
 - Coordination necessary within the FDIC and among the FDIC and other U.S. and foreign regulators to implement Dodd-Frank.
- Provided a mechanism to:
 - Directly link Dodd-Frank requirements with FDIC efforts to uncover any gaps.
 - Guide and support the OIG's internal planning for audits and evaluations as well as our internal requirements under Dodd-Frank.
 - Respond to Congressional inquiries.

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Also provide support for our decisions to undertake certain audits and evaluations.

Interrelationship among section was very important because many different FDIC players were involved and the all needed to coordinate.

One FSOC example is section 1023 states that FSOC has the power to set-aside CFPB rules if FSOC decides that the regulation would put the safety and soundness of the banking system, or the stability of the US financial system at risk.



Additional Benefits of the Assessment

- We confirmed the need to:
 - Continuously monitor FDIC efforts.
 - Provide real-time feedback to the FDIC Board and senior management through various communication mechanisms.
 - Identify an OIG point of contact to be the liaison to FDIC management on Dodd-Frank issues.
 - Establish relationships with FDIC personnel involved in Dodd-Frank issues.
 - Implement knowledge management techniques to capture what we know.
 - Cultivate outside resources to inform our thinking.

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We introduced our risk assessment and need for continuous monitoring at a regular meeting of FDIC executives.

The benefits came early as within 24 hours of the presentation I received an email from one of our divisions asking to meet on resolution issues.

FDIC For CIGFO's Consideration

- What are the related risks and planned work for other CIGFO members?
- Are there ways to achieve ongoing working-level dialogue, collaboration, and information sharing?
- Can we achieve more efficient and effective Dodd-Frank knowledge management by leveraging each office's knowledge base?

FDIC **FDIC Contact Information**

- Fred Gibson
Principal Deputy Inspector General

(b)(6) [Redacted]

(b)(6) [Redacted]
Auditor

(b)(6) [Redacted]