1. Sector Profile and Goals

The Banking and Finance sector infrastructure is a vital component of our critical national infrastructure. Descriptions of the sector's profile and goals necessarily include the diversity of its institutions and the services they provide. Most important to this profile is the understanding that the financial services sector is extensively regulated by Federal and, in many cases, State government. In addition to these public sector entities, self-regulatory organizations (SROs), such as the Municipal Securities Rulemaking Board (MSRB), the Financial Industry Regulatory Authority (FINRA), and the National Futures Association (NFA), also play an important role in industry oversight, as do exchanges, such as the Chicago Mercantile Exchange (CME), and designated futures exchanges.

Diversity enables the sector as whole to meet the needs of its large and diverse customer base. From the largest institutions with assets greater than one trillion dollars to the smallest community banks and credit unions, financial institutions provide a broad array of products. Whether it is an individual savings account, financial derivatives, credit extended to a large corporation, or investments made by a foreign country, these products: (1) allow customers to deposit funds and make payments to other parties; (2) provide credit and liquidity to customers; (3) allow customers to invest funds for both long and short periods; and (4) transfer financial risks between customers.

The diversity does not detract from the unifying mission of the U.S. financial sector to ensure its continued efficiency and the continuity of its institutions. Through the extensive regulatory regime and formalized information-sharing organizations detailed in this plan, the sector pursues wide-ranging critical infrastructure protection efforts to address security and resilience. The U.S. financial regulatory system includes both Federal and State regulatory agencies, and in some cases, SROs. Among their many responsibilities, they are concerned with institutional and systemic ability to withstand operational disruptions. Through numerous laws enacted by Congress over the past 150 years, Federal financial regulators have implemented a complex regime that in many instances provides for examinations of institutions' operational, financial, and technological systems. These examinations are designed to determine the extent to which the institution has identified its risks, including operational risks, and to evaluate the adequacy of controls and applicable risk management practices at the institution. Various non-Federal regulators may exercise similar authority.

Additionally, financial regulators update guidance to financial institutions regularly. This guidance assists the sector in staying abreast of the evolving nature of risks. Guidance on operational risks addresses means for increasing risk management and resilience in the face of potential impacts that may result from a terrorist attack, natural disaster, or other incident. These regulators have identified certain critical operational vulnerabilities, including vulnerabilities stemming from information technology. (See Appendix B for a list of relevant statutory authorities and examples of regulators' examination tools and guidance.)

Homeland Security Presidential Directive 7 (HSPD-7) has among its primary objectives the designation of SSAs to lead collaborative efforts for the critical infrastructures. The Treasury Department is the SSA for the Banking and Finance sector. As the SSA, the Treasury Department works with all relevant Federal departments and agencies, State, local and tribal governments, and the private sector, including key persons and entities in the financial services sector, to promote efforts to improve the sector's ability to prepare, respond to, prevent, and mitigate terrorism threats, natural disasters, and other intentional or unintentional risks.

The Treasury Assistant Secretary for Financial Institutions implements the Treasury Department's responsibilities under HSPD- 7. As part of fulfilling these responsibilities, the Assistant Secretary chairs the Financial and Banking Information Infrastructure Committee (FBIIC). The FBIIC is the working group comprised of the Federal financial regulators, and associations of State financial regulators. Through the FBIIC, the Assistant Secretary coordinates certain policies, procedures and responses to crises for the Federal and State financial regulators. (See section 1.2 for further details.)

Additionally, to meet objectives set forth by HSPD–7 for collaboration with the private sector, the Treasury Department works closely with the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security (FSSCC). The FSSCC serves as a primary means for public-private sector collaboration and coordination. Members of the FSSCC include trade associations and financial institutions from all of the components of the private sector. Furthermore, the Secretary of the Treasury designates the private sector coordinator. (See Section 1.2 for further details.). Along with the FSSCC, the Treasury Department supports the Financial Services Information Sharing and Analysis Center (FS-ISAC) and regional coalitions. (See Section 1.2 for further details.)

1.1 Sector Profile

Financial institutions are organized and regulated based on the services the institutions provide. Therefore, the profile is best described by defining the services offered. These categories include: (1) deposit and payment systems and products; (2) credit and liquidity products; (3) investment products; and (4) risk transfer products.

The financial services sector is both large in assets and in the number of individual businesses. For example, in the sector there are: more than 17,000 depository institutions;[1] thousands of providers of various investment products, including roughly 17,000 broker-dealers and investment advisers;[2] providers of risk transfer products, including 7,773 domestic U.S. insurers;[3] and many thousands of other credit and financing organizations.

[1] Available at http://www2.fdic.gov/qbp/2008jun/qbp.pdf.
[2] Available at www.sec.gov/about/offices/ocie/ocie_offices.shtml.
[3] Available at http://www.naic.org/Releases/2008_docs/idrr.htm.

1.1.1 Deposit, Consumer Credit, and Payment Systems Products

Depository institutions of all types (*i.e.*, banks, thrifts, and credit unions) are the primary providers of wholesale and retail payments services, such as wire transfers, checking accounts, and credit and debit cards. These institutions use and/or operate the payments infrastructure, which includes electronic large value transfer systems, automated clearinghouses (ACH), and automated teller machines (ATM). These institutions are the primary point of contact with the sector for many individual customers. Additionally, these institutions may be Federal or State-chartered banks or credit unions; however, in most instances, the Federal financial regulators have at least some authority over the institutions.

Along with the aforementioned payment systems, the depository institutions provide customers with various forms of extensions of credit, such as mortgages and home equity loans, collateralized and uncollateralized loans, and lines of credit, including credit cards. Consumers have multiple ways of accessing these services. For example, customers can make deposits in person at a depository institution’s branch office, through the mail, at an ATM, or via direct deposit using ACH transactions. Customers can make withdrawals at a branch office, at an ATM, or by using a debit card or check. Customers also can access credit lines through other retail banking services using the telephone or the internet. In the United States, customers typically have deposit, checking, and loan accounts with more than one depository institution. The average household may have up to 18 account relationships spread among 12 financial institutions.[4]

1.1.2 Credit and Liquidity Products

Customers seek liquidity and credit for a wide variety of needs. For example, individuals may seek a mortgage to purchase a home, businesses may obtain a line of credit to expand their operations, and governments may issue sovereign debt obligations. Many financial institutions, such as depository institutions, finance and lending firms, securities firms, and Government Sponsored Enterprises (GSEs) meet customers’ long and short-term needs through a multitude of financial products. Some of these entities provide credit directly to the end customer, while others do so indirectly by providing wholesale liquidity to those financial services firms that provide these services on a retail basis.

Essential to the credit and liquidity market is the assurance that these products are available with integrity and fairness. The law provides for consumer protections against fraud involving these products, as well as certain other consumer protections, many of which are tied directly to the specific type of credit and liquidity product. Furthermore, credit and liquidity products are governed by a complex body of laws. These laws include Federal and State securities laws, banking laws, and laws that are tailored to the specifics of a particular class of lending activity.

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[4] Sheshunoff Bank Profit Improvement Manual.

1.1.3 Investment Products

Diversity of investment service providers and products promotes the global competitiveness of U.S. financial markets. These products provide opportunities for both short- or long-term investments and include debt securities (such as bonds and bond mutual funds) and equities (such as stocks or stock mutual funds), and derivatives (such as options and futures). Securities firms, depository institutions, pension funds, and GSEs all offer financial products that are used for investing needs. These investment products are issued and traded in various organized markets, from physical trading floors to electronic markets. Certain securities -- U.S. Treasuries and equities of some multinational companies -- are traded around the globe 24 hours a day. The Treasury Department, the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), banking regulators, and insurance regulators all provide financial regulation for certain investment products. The SEC and CFTC have legally designated SROs. Notably, the SEC has the power to delegate authority to its SROs, national stock exchanges and NASD, to enforce certain industry standards and requirements related to securities trading and brokerage. Similarly, the CFTC oversees exchanges and the industry SRO, *i.e.* designated futures exchanges and the NFA, which have regulatory authority to enforce industry standards and requirements related to futures trading and participants. These regulatory requirements are directed toward consumer protection, fair and orderly markets, and the ongoing capability of financial services firms to meet their financial obligations.

1.1.4 Risk Transfer Products (including Insurance)

The transfer of financial risks, such as the financial loss due to theft or the destruction of physical or electronic property resulting from a fire, cyber attack or other loss event, or the loss of income due to a death or disability in a family, is an important tool for the sustainability of businesses and economic vitality of individuals and their families. A wide variety of financial institutions provide risk transference products to meet this market need.

The U.S. market for financial risk transfer products is among the largest in the world, measuring in the trillions of dollars. These products range from being straightforward to exceedingly complex. For example, insurance companies, futures firms, and forward market participants offer financial products that allow customers to transfer various types of financial risks under a myriad of circumstances. Marketplace efficiency often requires that market participants engage in both financial investments as well as in financial risk transfers that enable risk hedging. Financial derivatives, including futures and security derivatives, can provide both of these functions for market participants.

1.1.5 Federal and Self-Regulation of Financial Services Firms

All financial services firms are subject to the constraints of the financial market, and these markets have certain, though often informal, market constraints and self-regulation. Many of these financial firms are subject to additional governmental and legally mandated regulation and self-regulation. Such regulation is designed to provide reasonable assurance that consumers are protected, and that the financial services firm is able to meet its financial obligations on an ongoing basis. The U.S. financial regulatory system includes Federal and, in some cases, self regulatory organizations (SROs), concerned among other responsibilities with institutional and systemic ability to withstand operational disruptions.

1.1.6 State Regulation of Financial Services Firms

Some financial services may be regulated at both the Federal and State levels. Insurance services are unique in that they are primarily regulated by States. Under the McCarran-Ferguson Act of 1945,[5] Congress affirmed the right of the States exclusively to regulate the insurance industry. Except for a few Federal laws and regulations, State insurance commissioners generally have regulatory authority over all aspects of a firm's business, including rates and terms of policies, qualifications for licensing, market conduct, and financial structures and practices. (See Appendix B for a listing of State statutory authorities.)

The chief insurance regulatory officials from each State collaborate through the National Association of Insurance Commissioners (NAIC). The NAIC is a member of the FBIIC. Many of the State insurance regulators review the disaster response and business continuity plans of insurers and conduct periodic examinations of these plans. The NAIC developed a handbook for state insurance regulatory response to disasters entitled, *The State Disaster Response Plan*.[6]

In addition to the insurance industry, State agencies regulate banks, thrifts, and credit unions that are State-chartered. Membership in the Federal Reserve System is optional for State-chartered banks, but all of the banks are insured by the Federal Deposit Insurance Corporation (FDIC). The Office of Thrift Supervision (OTS) also regulates State-chartered savings associations with FDIC insured deposits. The National Credit Union Administration (NCUA) regulates State-chartered credit unions that have Federal deposit insurance. State agencies also regulate the purchase and sale of securities and the provision of investment advice regarding securities.

1.2 Security Partners

As the SSA for the Banking and Finance sector, the Treasury Department recognizes the vital role of both the financial regulators and the private sector. These regulators and the private sector are committed to the Banking and Finance sector's security partnership. Working collaboratively, this partnership achieves its security goals and addresses the evolving nature of both the sector and potential risks.

The Treasury Department has encouraged the collaboration of the sector's regulators, associations, and individual market participants through the FBIIC and a variety of

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[5] 15 USC § 1011 et seq.

[6] Information is available at http://www.naic.org/store_pub_naic_state.htm#state_drp.

private sector organizations. The Treasury and FBIIC members, working with private sector organizations: (1) share information at both the national and local levels; (2) assess and mitigate sector-wide risks; (3) develop and maintain key relationships; (4) conduct periodic testing of emergency protocols to be used during times of crisis; (5) establish research priorities; (6) organize and conduct exercises; and (7) act as a focal point of information sharing between the public and private sectors.

Furthermore, the Treasury Department works closely with DHS to meet seek high levels of resilience. As a member of various key working groups led by DHS, the Treasury Department has apprised DHS of situational priorities and remained fully engaged with DHS.

The Treasury Department and the FBIIC also share information with other Federal agencies on physical and cyber threats to the sector. In addition, the Treasury Department works with other statutory members of the intelligence community, the Department of Justice (DOJ), the U.S. Secret Service (U.S.S.S.), the Federal Bureau of Investigation (FBI), the National Communication System (NCS), as well as 17 CIKRs sectors to gather and share information with the sector.[7].

1.2.1 Relationships with International, Federal, and State Regulators and Related Associations

The FBIIC is a standing subcommittee of the President's Working Group on Financial Markets (PWG) and is chaired by the Treasury Department's Assistant Secretary for Financial Institutions.[8] The FBIIC's role is to coordinate the efforts of Federal and State financial regulators with respect to financial services sector critical infrastructure issues, including preparation for and response to man-made or natural disasters of harm to the financial system or indirect attacks or events that may impact the sector.

The FBIIC has also reached out on a bilateral and multilateral basis to counterparts in other countries who are grappling with resilience issues. Federal regulators, for example, meet regularly through the auspices of international organizations and established inter-governmental groups to discuss issues of mutual concern that affect the stability of financial institutions and systems.

The FBIIC's membership includes regulators from the following agencies and associations:

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[7] More information about all 18 CIKRs is available at http://www.dhs.gov/xprevprot/programs/gc_1189168948944.shtm.

[8] The PWG was established explicitly in response to events in the financial markets surrounding October 19, 1987, to give recommendations for legislative and private sector solutions for "enhancing the integrity, efficiency, orderliness, and competitiveness of [United States] financial markets and maintaining investor confidence". Executive Order No.12631 (1988). The PWG is chaired by the Secretary of the U.S. Department of the Treasury and includes the chairs of the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the Board of Governors of the Federal Reserve System.

FBIIC Members
American Council of State Savings Supervisors (ACSSS)
Board of Governors of the Federal Reserve System (FRB)
Commodity Futures Trading Commission (CFTC)
Conference of State Bank Supervisors (CSBS)
Farm Credit Administration (FCA)
Federal Deposit Insurance Corporation (FDIC)
Federal Housing Finance Agency (FHFA)
Federal Reserve Bank of New York (FRBNY)
National Association of Insurance Commissioners (NAIC)
National Association of State Credit Union Supervisors (NASCUS)
National Credit Union Administration (NCUA)
North American Securities Administrators Association (NASAA)
Office of the Comptroller of the Currency (OCC)
Office of Thrift Supervision (OTS)
Securities and Exchange Commission (SEC)
Securities Investor Protection Corporation (SIPC)
U.S. Department of the Treasury

These agencies have regulatory authority over different sections of the financial services sector, and currently address infrastructure protection issues through routine regulatory interactions.

In fulfilling its mission, the FBIIC:

- Identifies critical infrastructure assets and their locations, and prioritizes their importance to the financial system;
- Establishes secure communications capability and protocols for communicating during an emergency amongst the financial regulators;
- Identifies the critical interdependencies of the Banking and Finance sector with the Energy, Transportation, Communications, and Information Technology sectors; and
- Promotes information sharing among and between the Federal, State, local, and tribal authorities, as well as the private sector.

The Treasury Department also has worked with Federal, State, local and tribal law enforcement, including DHS and DOJ. Areas in which collaborative initiatives are being undertaken include:

- Providing protective response planning exercises designed to protect key assets and critical infrastructures, and to create a response plan that incorporates State, local and tribal law enforcement; and
- Enhancing communication and coordination across the sector.

As noted previously, these agencies and organizations have extensive means to identify, assess, and assist with mitigating risks at the institutions within their legal purview. (See Appendix B, "Public Sector Regulatory Tools, Guidance, and Reports," for specific examples from these agencies.) Their principal functions in the regulatory arena are described briefly below.

- The American Council of State Savings Supervisors (ACCSS) is the national professional association of state-chartered savings institution regulators.
- The CFTC regulates futures commission merchants, introducing brokers, commodity trading advisors, commodity pool operators, futures markets, and derivatives clearing organizations. This is done in conjunction with exchanges such as the CME and the New York Mercantile Exchange, and the industry SRO, the NFA.
- The CSBS members regulate State-chartered banks.
- The FCA regulates the Farm Credit System.
- The FDIC regulates State-chartered banks that are not members of the Federal Reserve System and insured State branches of foreign banks.
- The FHFA is an independent agency established to regulate Fannie Mae, Freddie Mac, and Federal Home Loan Banks.[9]
- The FRB regulates financial and bank holding companies and State-chartered member banks within the Federal Reserve System.
- The NAIC assists State insurance regulators in achieving their goals.
- The NCUA regulates Federally-chartered credit unions and shares some supervision responsibility with the State supervisory authorities for the Federally-insured State-chartered credit unions.

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[9] The Office of Federal Housing Enterprise Oversight and the Federal Housing Finance Board have no continuing supervisory responsibilities as of July 30, 2008. They continue to exist for a period of one year from that date, solely for the purpose of winding up their affairs and facilitating the transfer of functions to the FHFA.

- Members of the NASAA represent State securities regulators.
- NASCUS, a professional regulators association, is comprised of the 47 State agencies that charter, regulate and examine the nation's State-chartered credit unions.
- The OCC regulates national banks and the Federal branches or agencies of foreign banks.
- The OTS regulates savings associations and savings and loan holding companies.
- The SEC regulates investment companies, investment advisors, broker-dealers, transfer agents, securities markets, and securities clearing organizations. This is done in conjunction with SROs such as the MSRB and FINRA.
- The NAIC is an association of state insurance commissioners regulate insurance companies and producers.
- The Department of the Treasury is the President's leading policy advisor on a broad range of domestic and international economic issues.

1.2.2 Relationships with Private Sector Owner/Operators and Organizations

The Treasury Department has formed a strong bond with the private sector, including depository and lending institutions, as well as exchanges, trade associations, and other organizations within the sector.

1.3 Sector Security Goals

The Banking and Finance sector has an infrastructure that is designed to respond quickly and appropriately to detect, deter, prevent, and mitigate intrusions, and attacks. This ability strives to ensure the continuity and efficient operation of the sector's institutions.

The Banking and Finance sector has three primary goals for achieving its goals:

1) To achieve the best possible position in the face of a myriad of intentional, unintentional, manmade, and natural threats;

2) To address and manage the risks posed by the dependence of the sector on the communications, information technology, energy, and transportation sectors; and

3) To work with the law enforcement community, financial regulatory authorities, the private sector, and our international counterparts to address threats facing the financial services sector.