

Office of Comptroller of the Currency

Program Summary by Budget Activity

Dollars in thousands

Budget Activity	FY 2011	FY 2012	FY 2013	FY 2012 TO FY 2013	
	Actual 1/	Estimated 2/	Estimated 2/	\$ Change	% Change
Supervise	\$707,845	\$1,052,200	\$942,000	(\$110,200)	-10.5%
Regulate	\$95,699	\$142,800	\$127,870	(\$14,930)	-10.5%
Charter	\$21,450	\$31,079	\$27,830	(\$3,249)	-10.5%
Total Cost of Operations/3	\$824,994	\$1,226,079	\$1,097,700	(\$128,379)	-10.5%
FTE	3,150	3,822	3,898	76	2%

(1) For the majority of FY 2011, the OCC did not regulate federal savings associations.

(2) FY 2012 and FY 2013 estimates include the cost of regulating the national banks and federal savings associations.

(3) Estimates of total budgetary obligations in FY 2012 do not match those presented in the President's Budget due to inclusion of the OTS Public Enterprise Fund, which was included in error.

Summary

The Office of the Comptroller of the Currency (OCC) was created by Congress to charter national banks, oversee a nationwide system of banking institutions, and ensure national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers. Effective on July 21, 2011, Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), transferred to OCC responsibility for the supervision of federal savings associations (thrifts) and rulemaking authority for all savings associations.

The OCC supervises 1,400 national bank charters and 48 federal branches of foreign banks in the United States with total assets of approximately \$8.9 trillion as of September 30, 2011. Effective July 21, 2011, with the OCC/Office of Thrift Supervision (OTS) integration, the OCC assumed supervisory responsibility of 637 federal savings associations, which include 216 mutuals, with total assets of over \$922 billion. The average size and complexity of the institutions in the national banking system continue to grow. This, combined with the OCC's supervision of federal savings associations and responsibility

for the Home Owners' Loan Act, creates increasing and diverse challenges for the OCC.

The OCC has established four strategic goals outlined in its strategic plan that help support a strong economy for the American public: 1) A safe and sound system of national banks and federal savings associations; 2) Fair access to financial services and fair treatment of national bank and federal savings association customers; 3) A flexible legal and regulatory framework that enables national banks and federal savings associations to provide a full, competitive array of financial services consistent with statutory and prudential safety and soundness constraints; and 4) A competent, highly motivated, and diverse workforce that makes effective use of OCC resources.

The OCC organizes its activities under three programs: 1) Supervise, 2) Regulate, and 3) Charter, to achieve its goals and objectives. Effective supervision, supported by a comprehensive regulatory framework, are the key tools the OCC uses to ensure that national banks and federal savings associations operate in a safe and sound manner and that they provide fair access to financial services and fair treatment of their customers. A robust

chartering program allows new entry into the financial services sector while ensuring that such new entrants have the necessary capital, managerial, and risk management processes to conduct activities in a safe and sound manner.

Through on-site examinations, the OCC works to ensure that national banks and federal savings associations appropriately identify, account for, and follow prudent strategies for problem assets; and instill a strong corporate governance culture that fosters sound loan underwriting standards, properly aligned incentive compensation structures, and strong internal controls, risk management, and compliance functions. Other supervisory priorities will be identifying and resolving potential problem banks at the earliest possible stage; encouraging national banks and federal savings associations to meet the needs of creditworthy borrowers, including appropriate and effective residential mortgage modification programs; ensuring that institutions comply with the Community Reinvestment Act (CRA), the Bank Secrecy Act/Anti-Money Laundering (BSA/AML), and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act requirements and that they maintain strong controls and risk management processes for information security; and further enhancing the OCC's supervisory analytical tools.

Operations are funded primarily (approximately 97 percent) from semiannual assessments levied on national banks, and federal savings associations. Revenue from investments in Treasury securities and other income comprise the remaining three percent of the OCC's funding.

The OCC does not receive congressional appropriations to fund any portion of its operations.

Explanation of Budget Activities

Supervise (\$1,052,200,000 from reimbursable resources)

The Supervise program consists of ongoing supervision and enforcement activities undertaken to ensure that each national bank and federal savings association is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the financial institution and the customers and communities it serves. Included are examinations and enforcement activities; resolution of disputes through a formal Appeals process; ongoing monitoring of national banks and federal savings associations; and analysis of systemic risks in the national banking system or groups of national banks or federal savings associations, the financial services industry, and the economic and regulatory environment.

Regulate (\$142,800,000 from reimbursable resources)

The Regulate program consists of ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks and federal savings associations. These regulations, policies, and interpretations may establish system-wide standards, define acceptable financial practices, provide guidance on risks and responsibilities facing national banks and federal savings associations, or prohibit (or restrict) financial practices deemed to be imprudent or unsafe. This includes establishing examination policies, handbooks, and interpretations in administrative, judicial, and congressional hearings.

Charter (\$31,079,000 from reimbursable resources)

The Charter program consists of ongoing activities that result in the chartering of national banks and federal savings associations as well as the evaluation of the permissibility

of structures and activities of national banks and federal savings associations and their subsidiaries. This includes the review and approval of new national bank and federal savings association charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate

reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issues.

Legislative Proposals

OCC has no legislative proposals.

OCC Performance by Budget Activity

Budget Activity	Performance Measure	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
		Actual	Actual	Actual	Target	Target
Supervise	Percent of National Banks and Federal Savings Associations With Composite CAMELS Rating 1 or 2	82.0	70.0	75.0	90.0	90.0
Supervise	Percentage of National Banks and Federal Savings Associations that are Categorized as Well Capitalized	86.0	90.0	93.0	95.0	95.0
Supervise	Percentage of National Banks and Federal Savings Associations with Consumer Compliance Rating of 1 or 2	97.0	95.0	94.0	94.0	94.0
Supervise	Rehabilitated National Banks and Federal Savings Associations as a Percentage of Problem National Banks One Year Ago (CAMEL 3,4, or 5)	29.0	23.0	22.0	40.0	40.0
Charter	Percentage of Licensing Applications and Notices Completed within Established Timeframes	95.0	96.0	97.0	95.0	95.0

Key: DISC - Discontinued and B – Baseline

Description of Performance

The Federal Deposit Insurance Act established a system that classifies insured depository institutions into five categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on their capital levels relative to their risks. The OCC has established a 95 percent target that national banks and federal savings associations will meet or exceed the well capitalized threshold. For FY 2011, 93 percent of national banks were classified as well capitalized.

The composite CAMELS (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk) rating reflects the overall condition of a national bank or federal savings association. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational, and compliance factors inherent in a national bank or federal savings association. The rating scale is 1 through 5 of which 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a

change in CAMELS. The OCC has established a 90 percent target that institutions under its supervision have a composite CAMELS rating of 1 or 2. Such a rating is consistent with the strategic goal of a safe and sound banking system, that banks maintain adequate capital and liquidity and have strong risk management practices. For FY 2011, 75 percent of national banks earned composite CAMELS rating of either 1 or 2.

Problem national banks and federal savings associations ultimately can reach a point at which rehabilitation is no longer feasible. The OCC's early identification and intervention with problem financial institutions can lead to successful remediation. For FY 2011, 22 percent of national banks with composite CAMELS ratings of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year. As with other measures, this target has been adversely affected by the underlying economic conditions facing the banking industry.

To ensure fair access to financial services and fair treatment of national bank and federal savings association customers, the OCC evaluates an institution's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer Compliance Rating, to provide a general framework for evaluating significant consumer compliance factors inherent in an institution. Each institution assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 of which 1 is the highest rating granted. National banks continue to show strong compliance with consumer protection regulations with 94 percent earning a

consumer compliance rating of either 1 or 2 for FY 2011.

The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks and federal savings associations to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a national bank or federal savings association of a competitive or business opportunity, create business uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. For FY 2011, the OCC completed 97 percent of national bank applications and notices within the time frame.

The OCC implemented a performance measure—Total OCC Costs Relative to Every \$100,000 in Bank Assets Regulated—that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex financial institution system. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of national banks and federal savings associations benefits all national bank and federal savings association customers.

All FY 2011 performance measures do not include federal savings associations. For FY 2012, federal savings associations will be incorporated into the OCC's performance measure.