

Office of the Comptroller of the Currency

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2015	FY 2016	FY 2017	FY 2016 TO FY 2017	
	Actual	Estimated	Estimated	\$ Change	% Change
Supervise	\$873,414	\$993,905	\$1,013,782	\$19,878	2.00%
Regulate	\$103,574	\$117,863	\$120,221	\$2,357	2.00%
Charter	\$18,992	\$21,532	\$21,963	\$431	2.00%
Total Cost of Operations	\$995,910	\$1,133,300	\$1,155,966	\$22,666	2.00%
FTE	3,805	3,955	3,955	0	0.00%

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 the OCC the responsibility for the supervision of federal savings associations and rulemaking authority for all savings associations.

As of September 30, 2015, the OCC supervised 1,010 national bank charters and 49 federal branches of foreign banks in the United States with total assets of approximately \$10.4 trillion, and 416 federal savings associations (which include 165 mutual institutions) with total assets of approximately \$688 billion. In total, the OCC supervises approximately \$11.1 trillion in financial institution assets. The average size and complexity of financial institutions continue to grow. This creates increasing and diverse challenges for the OCC.

The OCC has established three goals outlined in its strategic plan that help support a strong economy for the American public: 1) A vibrant and diverse system of national banks

and federal savings associations that supports a robust U.S. economy; 2) “One OCC” focused on collaboration, innovation, coordination, and process efficiency; 3) The OCC is firmly positioned to continue to operate independently and effectively into the future. To achieve its goals and objectives, the OCC organizes its activities under three programs: 1) Supervise, 2) Regulate, and 3) Charter. Effective supervision and a comprehensive regulatory framework are the key tools that 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 entrants into the financial services sector while ensuring that they have the necessary capital, managerial, and risk management processes to conduct activities in a safe and sound manner.

The OCC’s priorities focus on strengthening the resiliency of the institutions subject to its jurisdiction through its supervisory and regulatory programs and activities. A stronger and more resilient banking system directly supports three of the Department of the Treasury’s FY 2014-2017 (Treasury) strategic goals: 1) Promote domestic economic growth and stability while continuing reforms of the financial system; 4) Safeguard the financial system and use financial measures to counter

national security threats; and 5) Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction.

In supervising banks, the OCC has the power to:

- Examine banks;
- Approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure;
- Take supervisory and enforcement actions against banks that do not comply with laws and regulations or that otherwise engage in unsafe or unsound practices;
- Remove and prohibit officers and directors, negotiate agreements—both formal (i.e., public) and informal (i.e., non-public)—to change banking practices, and issue cease-and-desist orders as well as Civil Money Penalties (CMP); and
- Issue rules and regulations, legal interpretations, supervisory guidance, and corporate decisions governing investments, lending, and other practices.

Through on-site examinations, the OCC assesses whether national banks and federal savings associations appropriately identify, account for, and follow prudent strategies for problem assets; and maintain 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.

The OCC continues to encourage lenders to work with creditworthy borrowers who may be facing financial difficulties. The OCC continues to be actively involved in the residential foreclosure oversight process to ensure that all foreclosures are handled consistent with regulatory requirements. While assessing credit quality, adequacy of loan loss reserves, interest rate risk and capital

adequacy, risk management practices have been and continue to be areas of focus. Operational risk issues – the risk of loss due to failures of people, processes, systems, and external events – have become an area of heightened risk and supervisory attention. Strong enterprise risk management processes have been and will continue to be a point of emphasis, particularly at larger institutions. In addition, the OCC continues to assess and address supervisory issues in the areas of fair lending, consumer protection, Bank Secrecy Act/Anti-Money Laundering, and information security.

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 (\$993,905,000 from revenue/offsetting collections)

The Supervise program consists of ongoing supervision and enforcement activities undertaken to ensure that each national bank and federal savings institution 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 and market trends in the federal banking system, the financial services industry, and the economic and regulatory environment.

Regulate (\$117,863,000 from revenue/offsetting collections)

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 banking practices, provide guidance on risks and responsibilities facing national banks and federal savings associations, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe.

This includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representation of the OCC’s regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

Charter (\$21,532,000 from revenue/offsetting collections)

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 banks, federal savings association, and their subsidiaries. This includes the review and approval of new national bank and thrift 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

		Actual	Actual	Actual	Target	Target
Supervise	Percent of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	80.0	87.0	91.0	90.0	90.0
Supervise	Percentage of National Banks and Federal Savings Associations That Are Categorized As Well Capitalized	94.0	93.0	95.0	95.0	95.0
Supervise	Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	94.0	95.0	96.0	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)	34.0	39.0	39.0	40.0	40.0
Supervise	Total OCC Costs Relative To Every \$100,000 in Bank And Federal Savings Associations Assets Regulated (\$)	9.99	9.75	9.37	10.20	10.20
Charter	Percentage of Licensing Applications and Notices Completed within Established Timeframes	97.0	98.0	97.0	95.0	95.0

Key: DISC – Discontinued

Description of Performance

The OCC's Supervision Program specifically supports the following Treasury Objectives:

1.3: Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability;

1.4: Facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public;

4.3: Improve the cybersecurity of our Nation's financial sector critical infrastructure; and

4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

The OCC charters, regulates and supervises all national banks and federal savings associations, as well as supervises federal branches and agencies of foreign banks. The primary goal of the OCC's Supervision Program is to ensure that these institutions operate in a safe and sound manner and in compliance with laws requiring fair treatment of their customers and fair access to credit and financial products. The OCC's Supervision Program supports the implementation of the financial regulatory reform initiatives including those in the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as other regulatory initiatives designed to strengthen the nation's federal banking system. The OCC also monitors risks and threats to the stability of the federal banking system through its regular examinations of the institutions it supervises and other monitoring programs such as its Semi-annual Risk Perspectives Report, participation in the Shared National Credit Program, and its Credit Underwriting Survey.

The overall objective of the OCC's Supervision Program supports facilitating commerce through the goal of ensuring the safety and soundness of the federal banking system. Through its Supervision Program the

OCC supports facilitating commerce through the goal of ensuring the safety and soundness of the federal banking system. The OCC has taken a number of steps to improve the cybersecurity of the nation's financial sector critical infrastructure including organizing webinars for community bankers. The agency continues to update examiner handbooks, procedures, and training materials to ensure that, as threats evolve, all national banks and federal savings associations can identify cyber risks and strengthen their risk management and control systems. The OCC is an active member of the Financial Services Information Sharing and Analysis Center, which provides greater real-time insight into a broad range of potential threats to the industry and the ability to assist, when appropriate, in a coordinated response with other government agencies. Finally, the OCC supports protecting the integrity of the financial system through its examinations of compliance with BSA/AML and through the initiation of enforcement actions for non-compliance with BSA/AML laws and regulations.

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. Through September 30, 2015, 95 percent of national banks and federal savings associations 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 bank. 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 bank. 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. Through September 30, 2015, 91 percent of national banks and federal savings associations earned composite CAMELS rating of either 1 or 2.

Problem banks ultimately can reach a point at which rehabilitation is no longer feasible. The OCC's early identification and intervention with problem banks can lead to successful remediation of these banks. The OCC recommends corrective actions to problem banks for improving their operations and, as a result, 39 percent of banks with composite CAMELS ratings of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year. The OCC continues to focus on the early identification and rehabilitation of problem institutions.

To ensure fair access to financial services and fair treatment of bank customers, the OCC evaluates a bank'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 assimilating and evaluating significant consumer compliance factors inherent in a bank. Each financial institution is 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 in increasing order of supervisory concern. National banks and federal savings associations continue to show strong compliance with consumer protection regulations with 96 percent earning a

consumer compliance rating of either 1 or 2 through September 30, 2015.

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 bank 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. The OCC completed 97 percent of applications and notices within the time standard through September 30, 2015.

The OCC monitors the efficient use of its resources by measuring Total OCC Costs Relative to Every \$100,000 in Bank Assets Regulated. This measure reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex financial 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. The OCC will continue its efforts to ensure that resources are used prudently and that programs are carried out in a cost effective manner.

