Office of the Comptroller of the Currency

FY 2014
President's Budget Submission

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Section 1 – Purpose

1A – Mission Statement

To assure the safety and soundness of, and compliance with laws and regulations, fair access to financial services, and fair treatment of customers by national banks and federal savings associations.

1.1 – Resource Detail Table

Dollars in Thousands

Office of Comptroller of the Currency	FY 2012		FY 2013		FY 2014		Change		% Change	
Budgetary Resources	Actual		Estimated		Estimated		FY 2012 to FY 2014		FY 2012 to FY 2014	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments		963,873		987,400		1,017,000		53,127		5.51%
Investment Income		15,689		17,200		18,900		3,211		20.47%
Other Income		21,954		18,400		18,800		(3,154)		-14.37%
Unobligated Balances from Prior Years		1,162,804		1,087,200		1,087,200		(75,604)		-6.50%
Total Budgetary Resources Available		**2,164,320**		**2,110,200**		**2,141,900**		**(22,420)**		**-1.04%**
Expenses/Obligations										
Supervise	3,137	924,417	3,265	877,800	3,265	895,350	128	(29,067)	4.08%	-3.14%
Regulate	426	125,416	424	119,200	424	121,580	-2	(3,836)	-0.47%	-3.06%
Charter	93	27,338	93	26,000	93	26,520	0	(818)	0.00%	-2.99%
Total Expenses/Obligations	**3,656**	**1,077,171**	**3,782**	**1,023,000**	**3,782**	**1,043,450**	**126**	**(33,721)**	**3.45%**	**-3.13%**
Net Results		**1,087,149**		**1,087,200**		**1,098,450**		**11,250**		**1.04%**

1B – Vision, Priorities and Context

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

The OCC supervises 1,295 national bank charters, 48 federal branches of foreign banks, and 546 federal savings associations (including 194 mutual institutions) in the United States with total assets of approximately $10 trillion as of December 31, 2012.

The OCC has established four 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. 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 out of five of the Department of the Treasury's (Treasury) strategic goals: 1) Repair and reform the financial system and support the recovery of the housing market; 2) Enhance U.S. competitiveness and promote international financial stability and balanced global growth; and 3) Protect our national security through targeted financial actions.

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. Other supervisory priorities are 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.

Supervisory Activities

The OCC has various ways to influence the banking system: 1) Policy guidance and regulations that set forth standards for sound banking practices; 2) On-site examinations and ongoing off-site monitoring that enable the OCC to assess compliance with those standards and to identify emerging risks or trends; and 3) A variety of supervisory and enforcement tools – ranging from matters requiring financial institution board's and management's attention to informal and formal enforcement actions – that are used to obtain corrective action to remedy weaknesses, deficiencies, or violations of law.

The OCC supervisory activities in fiscal year (FY) 2012 centered on evaluating and strengthening the quality of banks' risk management to identify, measure, monitor, and control the build-up of risk, both on and off-balance sheet. A primary focus of on-site supervisory activities was the quality of banks' credit risk management practices, as evidenced by effective credit risk rating systems and problem loan identification, adequate loan loss reserves in light of deteriorating credit quality, and effective loan work-out strategies. The OCC continues to encourage lenders to work with creditworthy borrowers who may be facing financial difficulties. Other areas of emphasis were sound interest rate risk and liquidity risk management, with diversified funding sources and realistic contingency funding plans, and strengthening capital buffers to address further earnings pressures and asset quality deterioration. While assessing credit quality, adequacy of loan loss reserves, liquidity, capital, and 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, especially at larger financial institutions. In addition, the OCC continues to assess and address supervisory issues in the areas of fair lending, consumer protection, BSA/AML, and information security.

In addition to its ongoing supervisory activities, the OCC undertook the following initiatives in FY 2012:

- *Integration of Office of Thrift Supervision (OTS) Supervisory Responsibilities:* The transfer of OTS functions and personnel was successfully completed in July 2011, and the examination of federal savings associations has been incorporated into the OCC's supervisory programs. Current integration efforts are now focused on coordinating and consolidating the various rules and policies that apply to national banks and federal savings associations. As part of this effort, the OCC has undertaken a comprehensive, multi-phased review of the OCC and OTS regulations to eliminate duplication and reduce unnecessary regulatory burden. The effort to further consolidate rules and policies will continue throughout FY 2013.

- *Independent Foreclosure Review:* On April 13, 2011, the OCC announced formal enforcement actions against eight servicers and two third-party servicers for unsafe and unsound practices related to residential mortgage loan servicing and foreclosure processing. The enforcement actions, among other things, required the servicers to make significant improvements in practices for residential mortgage loan servicing and foreclosure processing. It also required servicers to engage independent firms to conduct a multi-faceted review of foreclosure actions process in 2009 and 2010. That initiative included a process for eligible borrowers to request a review of their foreclosure if they believe they suffered financial injury as a result of errors on a foreclosure of their primary residence that was in process at any point in 2009 or 2010.

  In January 2013, the OCC and the Federal Reserve announced a $9.3 billion agreement with 13 mortgage servicers to terminate the foreclosure reviews for these servicers, pay 4.2 million eligible borrowers more than $3.6 billion, and provide $5.7 billion in additional foreclosure prevention assistance over the next two years. Compensation to borrowers is expected to begin in April 2013.

The Independent Foreclosure Review process continues for two OCC-supervised servicers. These reviews are expected to be completed over the remainder of calendar year 2013. The OCC also continues to work with other federal regulators to develop a set of comprehensive and robust, nationally applicable mortgage servicing standards that would apply to all servicers.

- *Enhancing OCC's Supervision of BSA/AML:* Ensuring that national banks and federal savings associations have effective BSA/AML programs in place is critical to safeguarding our financial systems from money launderers and terrorists. In July 2012, the Comptroller announced actions to strengthen and improve the effectiveness of the OCC's supervisory activities in this critical area. These actions include: 1) Fully incorporating BSA/AML findings in a safety and soundness context as part of the "management" component of a bank's Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk (CAMELS) rating. Examiners will presume that serious deficiencies in a bank's BSA/AML compliance area adversely affect a bank's management component rating; 2) Strengthening the OCC's internal Large Bank BSA Review Team; and 3) Providing more flexibility for citing BSA/AML violations, and taking steps to help ensure our examinations obtain a holistic view of a bank's BSA/AML compliance more promptly.

- St*rengthening Capital and Liquidity Resiliency:* Robust capital and liquidity buffers are essential to a resilient banking system. During FY 2012, the OCC took several actions to strengthen capital and liquidity standards. In June 2012, the OCC issued guidance on capital planning that sets forth the OCC's expectations for a robust capital planning process and factors that OCC examiners will consider when evaluating a bank's capital planning process and overall capital adequacy. That same month, the OCC, Federal Reserve Board (FRB), and Federal Deposit Insurance Corporation (FDIC) issued three notices of proposed rulemakings that would implement the enhanced capital standards set forth in Basel III and the Dodd-Frank Act and issued a final market risk capital rule to better capture the risks inherent in trading positions.

- *Strengthening Credit Quality and Credit Risk Management:* The OCC took a number of steps in FY 2012 to help ensure banks maintain strong underwriting discipline and strong credit risk management practices. These activities included the following:

  - *Guidance on Concentrations of Credit and Analytical Tools for Examiners and Bankers:* The OCC issued an updated OCC handbook on Concentrations of Credit. This updated handbook emphasizes risk management of credit concentrations. These risk management practices include portfolio management, stress testing and sensitivity analysis, management information systems and other risk management practices. The guidance was discussed with the industry on April 12, 2012, via an OCC web and telephone seminar. The OCC also developed a stress-testing tool for bankers and examiners for income-producing commercial real estate. Rollout of the tool to bankers via the OCC's BankNet was completed in October 2012.

  - *Interagency Guidance on Leveraged Lending:* In March 2012, the OCC, FRB, and FDIC issued for comment revised guidelines for leveraged lending activities. The leveraged lending guidance is in process of being finalized and reviewed by senior management at all the agencies.

- *Annual Underwriting Survey:* In June 2012, the OCC issued its annual survey of underwriting practices. The survey included 87 of the largest national banks and federal savings associations and covers the 12-month period ending February 29, 2012. The aggregate total of loans was $4.6 trillion as of December 31, 2011, which represents approximately 91 percent of total loans in the federal banking system.

Interim Final Rule on Lending Limits: Pursuant to section 610 of Dodd-Frank, in July 2012 the OCC issued an interim final rule amending its lending limit rule to apply to certain credit exposures arising from derivative transactions and securities financing transactions.

Guidance on Stress Testing Practices: In May 2012, the OCC and other federal financial regulators issued Supervisory Guidance on Stress Testing for Banking Organizations with Total Consolidated Assets of More Than $10 Billion. This guidance outlines high-level principles for stress-testing practices, and is applicable to all OCC-supervised, FRB-supervised, and FDIC-supervised banking organizations with more than $10 billion in total consolidated assets. The agencies also simultaneously issued guidance that community banks and federal savings associations with assets of $10 billion or less are not required or expected to conduct the types of stress testing articulated in the document. In October 2012, the OCC issued guidance on the use of stress testing by community banks and also issued a final rule to implement the Dodd-Frank capital stress testing requirements for banks with consolidated assets of more than $10 billion. In June 2012, the OCC issued an updated OCC handbook on liquidity risk management that incorporates lessons learned from the financial crisis, including the need for appropriate liquidity stress testing and contingency funding plans.

Additional Guidance on Troubled Debt Restructuring and Allowance for Loan and Lease Losses: The OCC issued additional guidance to address many inquiries received from bankers and examiners on the accounting and reporting requirements for Troubled Debt Restructurings (TDR), especially related to loan renewals and extensions of substandard commercial loans. The guidance focused on factors to consider when evaluating loans for TDR designation and considerations for the appropriateness of accrual status and impairment analyses. The OCC also joined the other banking agencies in issuing guidance on allowance for loan and lease loss estimation practices for loans and lines of credit secured by junior liens on residential properties.

Advisory Committees on Minority Institutions and Mutual Associations: The advisory committees are being established to provide perspectives to the agency on the unique challenges and needs of minority depository institutions and mutual savings associations.

The OCC Minority Depository Institutions Advisory Committee and the OCC Mutual Savings Association Advisory Committee will each have 10 members serving two-year terms and will each meet at least twice per year.

- *OCC National Risk Committee's Semi-Annual Risk Perspectives:* To provide a more robust dialogue with bankers and others about risks facing the banking industry, the OCC launched a semi-annual report that highlights the OCC's perspectives on key issues and risks that pose threats to the safety and soundness of banks. The report draws upon the findings of the OCC's supervisory activities and analyses of the banking industry.

Enforcement Activities

As needed, the OCC uses its enforcement authority to ensure that national banks and federal savings associations operate in a safe and sound manner and in compliance with laws and regulations. From October 1, 2011 to September 30, 2012, the OCC issued 295 formal and informal enforcement actions, including 103 Section 1829 Prohibitions Against Institution Affiliated Parties, 57 Formal Agreements, 66 Cease and Desist Orders, and 48 Civil Money Penalties.

Significant enforcement activities included:

- A $35 million civil money penalty against a national bank for violations of section 5 of the Federal Trade Commission (FTC) Act, and a $150 million reimbursement ordered for 2.5 million affected consumers. The OCC order also required the bank to stop the sales and marketing of any debt suspension product, debt cancellation product, credit and identity monitoring products, or any similar products.
- A civil money penalty assessment of $20 million and restitution order of more than $14.5 million against a national bank for the involvement of the bank's predecessor institutions in a bid rigging scheme involving transactions to market and sell derivative financial products to municipalities and nonprofit organizations. The OCC's action was part of a global resolution coordinated with the U.S. Department of Justice, U.S. Internal Revenue Service, U.S. Securities and Exchange Commission, FRB, and over 20 State Attorneys General.
- Enforcement actions against national banks for violations and compliance deficiencies related to the Servicemembers Civil Relief Act, ensuring protections such as limitations on foreclosures and interest rates, requirements to forgive interest in excess of 6 percent on pre-service debts, and allowances to terminate automobile leases under certain circumstances.
- A $500,000 civil money penalty against a federal savings association for violations of section 5 of the FTC Act, and order the bank to provide approximately $6 million in restitution to an estimated 17,000 affected customers, based on failure to properly manage vendors who engaged in deceptive debt collection practices. The OCC's actions were taken in coordination with separate actions by the FRB, the Consumer Financial Protection Bureau and the FDIC against affiliated companies under their jurisdiction.
- A fair lending settlement resulting from a referral to the Department of Justice to address the steering of minority borrowers into higher-priced subprime loans.

Regulatory Activities

The OCC's strategic objectives emphasize regulatory oversight practices that support national banks' and federal savings associations' ability to compete while maintaining safety and soundness. The OCC will continue its legal work of analysis and interpretation of national bank and federal savings association powers and authorities during the remainder of FY 2012 and FY 2013.

The OCC devoted a significant amount of resources in FY 2012 to regulatory activities relating to implementation of the Dodd-Frank Act, Basel III, and support of the Comptroller's participation on the Financial Stability Oversight Council. The agency issued a proposed regulation implementing the so-called "Volcker Rule" requirements of the Dodd-Frank Act, which prohibits federally-insured depository institutions and their affiliates from engaging in short-term proprietary trading of any security, derivative, and certain other financial instruments for a banking entity's own account, and from owning, sponsoring, or having certain relationships with, a hedge fund or private equity fund, and clarified the conformance period. Other issuances included a proposed rule on appraisals for higher-risk mortgages, and a proposed rule to remove references to credit ratings from various OCC regulations and related guidance to assist national banks and federal savings associations in meeting due diligence requirements in assessing credit risk for portfolio investments.

The OCC continued to prepare proposed regulations to fully integrate OCC and OTS rules.

Charter Activities

From October 1, 2011 to September 30, 2012 the OCC issued 1,639 corporate licensing decisions, with a 98 percent on-time rate. In order to address potential safety and soundness problems before they arise, the OCC may impose conditions upon bank transaction approvals covering, for example, capital and liquidity arrangements and deviations from business plans. The OCC continues to receive and process a significant share of applications involving resolution of problem financial institutions.

FY 2013 and 2014 Priorities

A major focus of the OCC's supervisory, regulatory, and administrative programs for FY 2013 and for FY 2014 will be implementing applicable provisions of the Dodd-Frank Act and the enhanced capital framework under Basel III, assessing achievement of the OCC's heightened expectations for governance and oversight of large banking institutions, and continuing to strengthen and enhance the effectiveness of the OCC's supervisory programs. Work also will continue to fully integrate the applicable regulatory, supervisory policy and examination platforms for national banks and federal savings associations and to ensure that these institutions comply with applicable new statutory and regulatory requirements.

Priorities and activities include the following:

- Conduct examinations based on the risk profile of individual national banks and federal savings associations to ensure they are safe and sound, sufficiently capitalized, and comply with consumer protection laws and regulations[1];
- Require corrective action when deficiencies or undue risk concentrations are found;
- Elevate supervisory expectations for governance and oversight of large banks;
- Monitor and assess the effectiveness of national bank and federal savings association mortgage servicers' loan modification and foreclosure actions, including needed actions to improve the corporate governance of their processes;

[1] Under the Dodd-Frank Act , the CFPB was given the authority to supervise and examine insured depository institutions with total assets over $10 billion for compliance with federal consumer financial laws. The OCC will continue to conduct examinations to assess compliance with consumer protection issues for national banks and federal savings associations with $10 billion or less in total assets, and to examine all national banks and federal savings associations for compliance with the Bank Secrecy Act, flood insurance regulations, and the CRA.

- Resolve problem national banks and federal savings associations situations effectively by identifying problems at the earliest possible stage, clearly communicating concerns and expectations to bank management through appropriate enforcement actions, and ensuring timely follow-up on needed corrective actions;
- Determine whether national banks and federal savings associations have required risk management, internal controls, operational processes and capital to support planned new or expanded lines of business;
- Determine whether national banks and federal savings associations establish and maintain incentive compensation policies that are consistent with principles of safety and soundness and do not encourage imprudent risk-taking;
- Work with other domestic and international supervisors to implement stronger capital and liquidity requirements and more robust risk management standards for large financial institutions;
- Enhance the OCC's ability to anticipate, identify, and respond to build-ups in risk and emerging issues through improved supervisory analytical tools, stress testing, and market intelligence capabilities;
- Combat fraud and money laundering, and protect the integrity of the financial system through national banks' and federal savings associations' compliance with the BSA/AML, USA PATRIOT Act laws and regulations and fully implement actions to strengthen the effectiveness of the OCC's supervisory activities in these areas;
- Continue to work with Treasury and other federal financial regulators to implement provisions of the Dodd-Frank Act and the enhanced capital and liquidity standards under Basel III;
- Continue to support a competitive national banking and federal savings association system through entry of new charters, other bank and federal savings association structure transactions, and expansion of national bank and federal savings association services and products in a safe and sound manner; and
- Maintain a highly skilled and experienced workforce by continuing efforts to identify and develop the next generation of bank supervision leadership, strengthen the breadth and depth of examiner specialty skills, and recruit and retain entry-level examiners.

Industry Outlook

The environment continues to be challenging for the OCC and the national banking and federal savings association industry. Economic conditions are expected to improve in FY 2013, yet troubled loans and borrowers will continue to tax the resources of many financial institutions. In addition, the shadow inventory of distressed residential properties will continue to hold back recovery in the housing market. Spillover from the sovereign debt crisis in Europe, uncertainty over the U.S. fiscal situation, and volatility in commodity prices may elevate and amplify risk in the systems.

National banks and federal savings associations will face heightened compliance, operational, reputation, and strategic risks as a result of significant changes in the statutory, regulatory, and accounting requirements for various bank products, services, and transaction structures. They will need to successfully integrate these changes into their operations; it is likely that some of these changes will lead to fundamental shifts in some national banks' and federal savings associations' business models and strategic plans. To address these challenges, the OCC will need to conduct ongoing assessments of emerging risks and the underlying condition of national banks and federal savings associations, and to prioritize and allocate resources to the areas and institutions of highest risk.

National banks and federal savings associations have weathered several years of disruption to financial markets, a crisis in the mortgage sector, and a slow recovery from a long and deep recession. If national bank and federal savings association assets continue to grow at the rate of nominal Gross Domestic Product (GDP), and if GDP growth returns to its historical average over the next five years, assets could grow in the way as shown in the table below. The long-term trend of national bank and federal savings association consolidation is likely to continue; the table below shows estimates of the change in number of institutions and share of assets held by banks over $10 billion in size, extrapolating from trends experienced between 2000 and 2011. The extrapolations exclude trust companies and foreign branch offices because, compared to national banks and federal savings associations, their growth is less closely linked to underlying economic trends.

	Number of Institutions		Assets	Share of Total System Assets In Institutions With Assets > $10 billion	
Estimated Change	OCC National Banks	OCC Federal Savings Associations	All OCC-Supervised	2011	91.0%
2011 to 2016	-23%	-18%	+28%	2016e	94.6%

e = estimated

Loan demand has been growing more slowly than is usual in an economic recovery, in part because the economy as a whole has been growing more slowly than is usual after a recession. The combination of recession and financial crisis already has caused widespread deleveraging among both households and firms, cutting into the demand for loans. Although business capital spending and commercial lending have been growing, total outstanding commercial and industrial loans have not returned to pre-recession levels. Many firms have accumulated cash reserves, and even medium-size firms can now borrow long-term at low rates in bond markets. Both of these factors tend to reduce business demand for bank loans. Most expect these trends to continue, limiting the pace of bank lending and asset growth.

Credit losses rose sharply during the financial crisis and recession, but are now receding for most loan categories. To strengthen their positions in the aftermath of the crisis, many banks raised additional capital. The result is a stronger banking system than existed three years ago. Risks to the system include continued problems in the credit markets, and a slower than normal economic recovery, which could lead to lower than expected growth in revenues.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Dollars in Thousands

Office of Comptroller of the Currency Object Classification	FY 2012 Actual	FY 2013 Estimated	FY 2014 Estimated
11.1 - Full-time permanent	449,134	477,360	486,907
11.3 - Other than full-time permanent	9,563	10,412	10,619
11.5 - Other personnel compensation	2,633	2,724	2,780
11.9 - Personnel Compensation (Total)	**461,330**	**490,496**	**500,306**
12.0 - Personnel benefits	285,941	199,249	203,234
13.0 - Benefits for former personnel	805	195	199
Total Personnel and Compensation Benefits	**$748,076**	**$689,940**	**$703,739**
21.0 - Travel and transportation of persons	53,412	60,539	61,750
22.0 - Transportation of things	1,595	2,918	2,976
23.1 - Rental payments to GSA	2,750	2,119	2,161
23.2 - Rental payments to others	46,955	64,915	66,213
23.3 - Communication, utilities, and misc charges	12,177	13,772	14,047
24.0 - Printing and reproduction	823	899	912
25.1 - Advisory and assistance services	31,374	35,531	36,242
25.2 - Other services	14,271	23,561	24,033
25.3 - Other purchases of goods & serv frm Govt accounts	10,404	11,831	12,068
25.4 - Operation and maintenance of facilities	7,369	8,636	8,809
25.7 - Operation and maintenance of equip	64,347	65,483	66,793
26.0 - Supplies and materials	4,546	7,450	7,599
31.0 - Equipment	44,666	23,074	23,535
32.0 - Land and structures	34,303	12,097	12,338
42.0 - Insurance claims and indemnities	103	235	235
Total Non-Personnel	**$329,095**	**333,060**	**339,711**
Total Budgetary Resources	**$1,077,171**	**$1,023,000**	**$1,043,450**
Budget Activities:			
Supervise	924,417	877,800	895,350
Regulate	125,416	119,200	121,580
Charter	27,338	26,000	26,520
Total Budgetary Resources	**$1,077,171**	**$1,023,000**	**$1,043,450**
FTE	**3,656**	**3,782**	**3,782**

2B – Appropriations Language and Explanation of Changes
The OCC receives no appropriations from Congress.

2C – Legislative Proposals
The OCC has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Supervise

($877,800,000 from reimbursable resources):

An effective supervision program is the cornerstone of the OCC's activities that support its strategic goals. Specifically, the Supervise program consists of ongoing supervision and enforcement activities that directly support the OCC's strategic goals to 1) 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, and 2) provide fair access to financial services and fair treatment of customers. Assessing the condition and risk management practices of national banks and federal savings associations, and requiring corrective actions when weaknesses are found, directly supports Treasury's goal of repairing and reforming the financial system.

The Supervise program includes national bank and federal savings association examinations and enforcement activities; resolution of disputes through the national bank and federal savings association appeals process; ongoing monitoring of national banks and federal savings associations; and analysis of systemic risks and market trends in the national banking system or groups of national banks and federal savings associations, the financial services industry, and the economic and regulatory environment.

The goal owner for this budget activity is the Comptroller of the Currency, Thomas J. Curry.

Description of Performance:
Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating of 1 or 2
The composite CAMELS 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. These 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 target outcome measure that 90 percent of the 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.

Beginning with FY 2012, federal savings associations were included in the performance measure. As of September 30, 2012, 76 percent of national banks and federal savings associations earned composite CAMELS ratings of either 1 or 2. The increase in the number of national banks with less favorable composite CAMELS ratings is not unexpected at this stage of the credit cycle and reflects impaired asset quality and earnings that is affecting many institutions. Degradation in CAMELS also can reflect weaknesses in risk management systems that need corrective action. Consistent with Treasury's goal of repairing and reforming the financial system and supporting the recovery of the housing market, the OCC has instructed bank examiners to identify and seek corrective action at an earlier stage to address potential problems or weaknesses. The OCC's primary focus is to ensure that CAMELS ratings are an accurate reflection of each institution's current financial position, and thus the OCC would not take action to prematurely restore a favorable CAMELS rating even though the current distribution of ratings is below the target. As national bank or federal savings association performance and asset quality improves and directed corrective actions are implemented, the OCC expects CAMELS ratings to gradually improve.

Percentage of National Banks and Federal Savings Associations that are Considered Well-Capitalized
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 target outcome measure that 95 percent of national banks and federal savings associations will meet or exceed the well-capitalized threshold. Beginning in FY 2012, federal savings associations were included in the performance measure.

The economic environment and resulting increase in problem assets placed a strain on some banks' capital buffers that has resulted in levels below the OCCs' target performance measure. The OCC works closely with problem national banks and federal savings associations to develop rehabilitation plans. Such plans typically include directives to improve or restore capital levels. These efforts, combined with a more stable operating environment, have resulted in improvement in this performance goal since FY 2009. As of September 30, 2012, 92 percent of national banks and federal savings associations were classified as well capitalized.

More broadly, the OCC is working with other regulators both domestically and internationally to strengthen capital standards. In June 2012, the OCC, FDIC, and FRB issued a final rule that revises and strengthens the agencies' risk-based capital rules for market risk and issued notices of proposed rulemakings to revise and strengthen the agencies' general risk-based capital requirements.

Percentage of National Banks and Federal Savings Associations with Consumer Compliance Rating of 1 or 2
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 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 of which 1 is the highest rating granted. Beginning in FY 2012 federal savings associations were included in

the performance measure and the target for FY 2013 and FY 2014 will currently remain unchanged at 94 percent. As of September 30, 2012, national banks and federal savings associations continue to show strong compliance with consumer protection regulations with 93 percent earning a consumer compliance rating of either 1 or 2.

Under the Dodd-Frank Act, this rating changed for those institutions with total assets of no more than $10 billion for which the OCC has enforcement and supervisory authority.

Rehabilitated National Banks and Federal Savings Associations as a Percentage of Problem National Banks and Federal Savings Associations One Year Ago
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 a successful rehabilitation. As of September 30, 2012, 27 percent of national banks and federal savings associations 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 the other measures, OCC's performance on this measure has been adversely affected by the underlying economic conditions facing the banking industry and is below the OCC's target of 40 percent. The number of serious problem financial institutions, where successful resolution is more difficult, has increased. In addition, the sharp contraction in certain segments of the economy, including the real estate sector, has resulted in a more rapid deterioration in some institutions' financial condition. Under the Dodd-Frank Act, the OCC assumed responsibility on July 21, 2011 for the supervision of federal savings associations. Federal savings associations are now incorporated into this measure.

As previously noted, the OCC is taking a number of steps through its Supervise and Regulate programs to repair and make national banks and federal savings associations more resilient to financial stresses and to identify and obtain corrective action at an earlier stage, when problems can be addressed most successfully. These efforts include heightened capital and liquidity standards and increased emphasis on the need for stress testing, designed to provide financial institutions with stronger capital buffers to withstand unforeseen events. These are multi-year efforts that will continue in FY 2013. The OCC also updated its guidance on credit concentrations and provided an additional tool for examiners, national banks, and federal savings associations to stress test an institution's income producing commercial real estate portfolios. Such concentrations were a major contributing factor to many, if not most of the recent problem financial institutions reflected in this measure. As these efforts progress and the operating condition for the financial sector improves, this performance measure is likely to improve to the current baseline target level of 40 percent for FY 2013 and FY 2014.

Total OCC Costs Relative to Every $100,000 in National Bank and Federal Savings Association Assets Regulated
Beginning in FY 2006, the OCC implemented a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system.

The OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. National bank and federal savings association assets are those reported quarterly by national banks and federal savings associations on the Reports of Condition and Income. Total national bank and federal savings association assets represent the growth and complexity of the financial institutions under the jurisdiction of the OCC. 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 FY 2012 target was $9.22 with the actual result at $10.51. The OCC will continue its efforts to ensure that resources are used prudently and that programs are carried out in a cost effective manner, as OTS functions relating to federal savings associations are integrated into the OCC.

3.1.1 – Supervise Budget and Performance Plan

Dollars in Thousands

Supervise Budget Activity Resource Level	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimated	FY 2014 Estimated
Revenue/Offsetting Collections	$528,622	$565,921	$597,859	$618,254	$684,273	$924,417	$877,800	$895,350
Budget Activity Total	**$528,622**	**$565,921**	**$597,859**	**$618,254**	**$684,273**	**$924,417**	**$877,800**	**$895,350**

Measure	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Percent of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	96.0	92.0	82.0	72.0	75.0	76.0	90.0	90.0
Percentage of National Banks and Federal Savings Associations that are Categorized as Well Capitalized	99.0	99.0	86.0	91.0	93.0	92.0	95.0	95.0
Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	97.0	97.0	97.0	96.0	96.0	93.0	94.0	94.0
Rehabilitated National Banks and Federal Savings Associations as a Percentage of Problem Financial Institutions One Year Ago (CAMEL 3,4, or 5)	52.0	47.0	29.0	22.0	22.0	27.0	40.0	40.0
Total OCC Costs Relative To Every $100,000 in Bank And Federal Savings Associations Assets Regulated ($)	8.89	8.39	8.81	9.28	8.76	10.51	9.22	9.22

Key: N/A - Not in Effect; DISC - Discontinued; B – Baseline

Note: Prior to FY 2012, OCC Performance Measures included only supervision of national banks. On July 21, 2011, the OCC assumed responsibility for regulating federal savings associations. Therefore, FY 2012 is the new baseline year for the OCC, with new measures. FY 2013 and FY 2014 targets are subject to revision based on the impact of integrating OTS functions relating to federal savings associations into the OCC and the transfer of designated OCC functions into the CFPB.

3B – Regulate

($119,200,000 from reimbursable resources):

The Regulate program supports the OCC's strategic goals of 1) assuring the safety and soundness of institutions subject to its jurisdiction; 2) fair access to financial services and fair treatment of national bank and federal savings association customers; and 3) a flexible legal and regulatory framework. Specifically, 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 national banking and federal savings association practices, provide guidance on risks and responsibilities facing national banks and federal savings associations, or prohibit (or restrict) national banking or federal savings association practices deemed to be imprudent or unsafe. They also establish standards for ensuring fair access to financial services and fair treatment of national bank and federal savings association customers. This program includes the establishment of examination policies and handbooks; interpretations in administrative, judicial, and congressional proceedings; and establishing the applicable legal and supervisory framework for new financial services and products.

Description of Performance:
Specific activities undertaken in FY 2012 as part of this program were described earlier and included the issuance of various supervisory guidance on the Volcker rule and lending limits. Significant resources also were spent on various Dodd-Frank rulemakings, including those pursuant to section 171(b) regarding minimum risk-based capital requirements; section 742(c)(2) related to certain off-exchange foreign currency transactions with retail customers; section 939A pertaining to removing the reliance on credit ratings; section 956 pertaining to incentive-based compensation arrangements; section 941 pertaining to risk retention requirements and associated minimum underwriting standards for asset securitizations; and sections 731 and 764 related to capital requirements and margin requirements on certain swap transactions. In FY 2013, the OCC will continue to support operations of the Financial Stability Oversight Council and issue Dodd-Frank rulemakings, as well as complete the comprehensive integration of OTS rules into the OCC regulatory structure. This effort will be accomplished through a robust internal project management system and consultative and joint rulemaking processes with other regulatory entities.

The goal owner for this budget activity is the Comptroller of the Currency, Thomas J. Curry.

3.1.2 – Regulate Budget and Performance Plan

Dollars in Thousands

Regulate Budget Activity Resource Level	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimated	FY 2014 Estimated
Revenue/Offsetting Collections	$91,296	$87,683	$94,511	$97,735	$108,171	$125,416	$119,200	$121,580
Budget Activity Total	**$91,296**	**$87,683**	**$94,511**	**$97,735**	**$108,171**	**$125,416**	**$119,200**	**$121,580**

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

3C – Charter

($26,000,000 from reimbursable resources):

The Charter program consists of ongoing activities that result in the chartering of national banks and federal savings associations and 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 issuances. By supporting the entry of new products and institutions into the financial system in a manner consistent with safety and soundness, the Charter program supports the OCC's strategic goals of assuring safety and soundness while allowing national banks and federal savings associations to offer a full competitive array of financial services. Since FY 2012 is the baseline year, the target of 95 percent may be revised for FY 2013 and FY 2014 as the impact of integrating OTS functions relating to federal savings associations into the OCC and the transfer of designated OCC functions into the CFPB.

The goal owner for this budget activity is the Comptroller of the Currency, Thomas J. Curry.

Description of Performance:

Percentage of Licensing Applications and Notices Completed within Established Time Frames

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. As of September 30, 2012, the OCC completed 98 percent of national bank and federal savings association applications and notices within the required time frame. The OCC will continue to meet its Charter program goals by providing staff training, coordination between charter and supervisory staff on safety and soundness and compliance matters, issuance of updated procedures, and maintaining an emphasis on accessibility and early consultation with national bank and federal savings association organizers and others proposing national bank and federal savings association structure changes.

3.1.2 – Charter Budget and Performance Plan

Dollars in Thousands

Charter Budget Activity								
Resource Level	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimated	FY 2014 Estimated
Revenue/Offsetting Collections	$18,515	$20,112	$23,628	$24,434	$27,043	$27,338	$26,000	$26,520
Budget Activity Total	**$18,515**	**$20,112**	**$23,628**	**$24,434**	**$27,043**	**$27,338**	**$26,000**	**$26,520**

Measure	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Percentage of Licensing Applications and Notices Completed within Established Timeframes	96.0	95.0	95.0	96.0	97.0	98.0	95.0	95.0

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

Note: Prior to FY 2012, OCC Performance Measures included only supervision of national banks. On July 21, 2011, the OCC assumed responsibility for regulating federal savings associations. Therefore, FY 2012 is the new baseline year for the OCC, with new measures. The FY 2013 and FY 2014 targets are subject to revision based on the impact of integrating OTS functions relating to federal savings associations into the OCC.

For detailed information about each performance measure, including definition, verification and validation, please go to: http://www.treasury.gov/offices/management/dcfo/accountability-reports/

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The OCC's Information Technology (IT) strategic plan aligns information technology initiatives and investments to the OCC's core mission, including the development of new or enhanced applications and services and disposition of redundant or "end-of-lifecycle" applications, capabilities, and services.

The IT strategic plan is implemented through the budget formulation process and the Capital Planning and Investment Control process. These processes ensure that all IT investments are aligned with the OCC's mission, goals, objectives, and target enterprise architecture before a project is funded. The capital planning process reviews and prioritizes detailed business cases to promote technology reuse, to capitalize on enterprise opportunities, and to reduce redundant and obsolete capabilities and services. Invest, evaluate, and control ensures that the OCC IT strategy has adequate funding and staff resources to address IT investment priorities, and considers risk mitigation strategies for IT investments that are not meeting stated cost, time, and performance goals. Performance metrics are linked to the delivery, alignment, and achievement of the OCC's strategic program objectives. Cost effectiveness for each investment is evaluated through regular benchmarking studies, featuring peer group organizations. Key metrics used to evaluate infrastructure include availability, reliability, utilization, defects, and customer satisfaction.

FY 2013 and 2014 Plans

The OCC has three major IT initiatives in FY 2013 and 2014:

Mainframes & Servers Support Services (MSSS) - The MSSS supports OCC's mainframe computer operations and maintenance (O&M). As part of this initiative, OCC is consolidating and relocating data center infrastructure to a third-party co-location facility commencing in FY 2012, with an anticipated completion in FY 2013. Based upon detailed alternatives analysis conducted in FY 2011, it was determined that the OCC's main data center cannot meet the capacity requirements for growth forecasts. Relocation of this data center will provide OCC with access to basic facilities and environmental services (floor space, power cooling, network and physical security) while supporting mandates for data center consolidation from Treasury and Office of Management and Budget.

Telecommunications Services and Support (TSS) - TSS includes telecommunications wide area network and local area network infrastructure. Remote access to OCC systems is facilitated via a virtual private network, dial-in, and cellular wireless access using two-factor authentication. This investment also has messaging services supporting highly mobile bank examiners and OCC staff. In FY 2013 the OCC will be commencing a three-year effort to upgrade the Headquarters and field office phones systems and telecom infrastructure including Local Area Network/Wide Area Network hardware, Video Tele-Conferencing and Voice Over Internet Protocol.

End User Services and Support (EUSS) - The EUSS includes help desk/customer service support, personal computer hardware and software O&M, asset management, and desktop engineering and image management. New PCs and peripherals will be deployed to the entire

OCC workforce in FY 2013 which will include Microsoft Windows 7, Microsoft Office 2010 and Internet Explorer 9.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded here: http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx