

Office of the Comptroller of the
Currency

Congressional Budget
Justification
and
Annual Performance
Report and Plan

FY 2018

Table of Contents

Section 1 – Purpose	3
A – Mission Statement.....	3
B – Summary of the Request	3
1.1 – Resource Detail Table.....	4
1.3 – Operating Levels Table.....	5
D – Appropriations Language and Explanation of Changes	5
E – Legislative Proposals.....	5
Section II – Annual Performance Plan and Report	6
A Strategic Alignment	6
B – Budget and Performance by Budget Activity	7
2.1.1 Supervise Resources and Measures Table	7
Supervise Budget and Performance	7
2.1.2 – Regulate Resources and Measure Table	10
Regulate Budget and Performance.....	10
2.1.3 – Charter Budget and Performance Plan.....	11
Charter.....	11
Section III – Additional Information	12
A – Summary of Capital Investments.....	12

Section 1 – Purpose

A – Mission Statement

To ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

B – Summary of the Request

The Office of the Comptroller of the Currency (OCC) was created by Congress in 1863 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.

As of March 31, 2017, the OCC supervised 973 national bank charters and 48 federal branches of foreign banks in the United States with total assets of approximately \$11.0 trillion, and 373 federal savings associations with total assets of approximately \$738 billion. In total, the OCC supervises approximately \$11.7 trillion in financial institution assets.

Goals

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) An OCC that is firmly positioned to continue to operate independently and effectively into the future. To achieve its goals and objectives, the OCC organizes its programs under three activities: 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.

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.

FY 2017 and 2018 Priorities

A major focus of the OCC's supervisory, regulatory, and administrative programs for FY 2017 will involve reviews of existing regulations to consider changes consistent with safety and soundness and fair treatment of bank customers with the goal of enhanced regulatory coordination, reducing unnecessary regulatory burden, and increasing examination efficiency.

The OCC is observing signs that credit risk is building, including erosion in the underwriting standards for commercial real estate, and auto lending. Therefore, the OCC will continue to closely evaluate current underwriting standards by conducting targeted underwriting examinations and using the credit underwriting assessment tool. The OCC will be working to complete the implementation of recommended actions arising out of the Large and Midsize Supervision Peer Review project and will also continue efforts to implement its strategic initiatives to make the OCC a stronger and more effective organization.

The OCC will 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. Priorities and activities will include supervisory reviews related to corporate governance and oversight, credit underwriting, compliance, cyber threats, operational risk, BSA/AML, and fair access. Examiners will work to 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.

1.1 – Resource Detail Table

Dollars in Thousands

Office of the Comptroller of the Currency Budgetary Resources	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments		1,135,000		1,087,000		1,182,000		95,000		8.74%
Interest		18,000		23,000		23,000		0		0.00%
Other Income		17,000		23,000		23,000		0		0.00%
Unobligated Balances from Prior Years		1,302,000		1,400,000		1,351,000		(49,000)		-3.50%
Total Revenue/Offsetting Collections		2,472,000		2,533,000		2,579,000		46,000		-1.82%
Expenses/Obligations										
Supervise	3,441	975,477	3,525	1,057,980	3,617	1,099,477	92	41,497	2.61%	3.92%
Regulate	319	90,463	326	98,114	335	101,963	9	3,849	2.76%	3.92%
Charter	85	23,978	87	26,006	89	27,026	2	1,020	2.30%	3.92%
Total Expenses/Obligations	3,845	1,089,918	3,938	1,182,100	4,041	1,228,466	103	46,366	2.62%	3.92%
Net Results		1,382,082		1,350,900		1,350,534		(366)		-0.03%

1.3 – Operating Levels Table

Dollars in Thousands

Office of the Comptroller of the Currency Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
11.1 - Full-time permanent	524,417	561,585	601,926
11.3 - Other than full-time permanent	7,772	7,615	8,624
11.5 - Other personnel compensation	2,628	3,365	3,585
11.9 - Personnel Compensation (Total)	534,817	572,565	614,135
12.0 - Personnel benefits	250,661	276,567	297,994
Total Personnel and Compensation Benefits	\$785,478	\$849,132	\$912,130
21.0 - Travel and transportation of persons	56,382	61,792	63,473
22.0 - Transportation of things	2,726	2,809	2,715
23.2 - Rental payments to others	63,735	66,072	64,663
23.3 - Communication, utilities, and misc charges	15,188	17,837	18,067
24.0 - Printing and reproduction	619	734	734
25.1 - Advisory and assistance services	29,009	26,250	23,086
25.2 - Other services	21,220	22,388	21,264
25.3 - Other purchases of goods & serv frm Govt accounts	13,777	14,236	13,959
25.4 - Operation and maintenance of facilities	6,926	5,730	5,814
25.7 - Operation and maintenance of equip	56,682	68,833	65,887
26.0 - Supplies and materials	6,436	8,070	8,474
31.0 - Equipment	24,682	27,688	26,869
32.0 - Land and structures	1,171	10,076	875
42.0 - Insurance claims and indemnities	5,887	395	398
Total Non-Personnel	304,440	332,968	316,336
Total Budgetary Resources	\$1,089,918	\$1,182,100	\$1,228,466
FTE	3,845	3,938	4,041

D – Appropriations Language and Explanation of Changes

The OCC receives no appropriations from Congress.

E – Legislative Proposals

The OCC has no legislative proposals.

Section II – Annual Performance Plan and Report

A Strategic Alignment

The OCC's nationwide staff of bank examiners conducts on-site reviews of banks and provides sustained supervision of these institutions' operations. Examiners analyze asset quality, capital adequacy, earnings, liquidity, and sensitivity to market risk for all banks, and assess compliance with federal consumer protection laws and regulations. Examiners also evaluate management's ability to identify and control risk, and assess banks' performance in meeting the credit needs of the communities in which they operate, pursuant to the Community Reinvestment Act (CRA). In addition, under the bank supervision program, the OCC will also:

- 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.

Given that Treasury is developing the FY 2018-2022 strategic plan, the OCC's annual performance plan will be updated in the FY 2019 budget to reflect any new and relevant priorities.

B – Budget and Performance by Budget Activity

2.1.1 Supervise Resources and Measures Table

Dollars in Thousands

Supervise Budget Activity							
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$924,417	\$873,942	\$889,111	\$873,414	\$975,477	\$1,057,980	\$1,099,477
Budget Activity Total	\$924,417	\$873,942	\$889,111	\$873,414	\$975,477	\$1,057,980	\$1,099,477

Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2016	FY 2017	FY 2018	FY 2012 -
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target	FY 2016
									Trend
Percentage of National Banks and Federal Savings Associations That Are Categorized As Well Capitalized	92.0	94.0	93.0	95.0	96.0	95.0	95.0	95.0	
Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	93.0	94.0	95.0	96.0	98.0	94.0	90.0	90.0	
Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	76.0	80.0	87.0	91.0	93.0	90.0	90.0	90.0	
Rehabilitated National Banks And Federal Savings Associations As A Percentage Of Problem National Banks One Year Ago (CAMEL 3,4, or 5)	27.0	34.0	39.0	39.0	43.0	40.0	40.0	40.0	
Total OCC Costs Relative To Every \$100,000 in Bank And Federal Savings Associations Assets Regulated (\$)	10.51	9.99	9.75	9.37	9.65	10.2	10.2	10.2	

Key: DISC - Discontinued; B – Baseline

Supervise Budget and Performance

(\$1,057,980,000 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 core activities 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. The OCC has terminated several mortgage servicing-related consent orders, involving Civil Money Penalties, and took enforcement actions to address unfair billing practices, unsafe and unsound sales practices, violations of the Service Members Civil Relief Act, and violations of the Bank Secrecy Act.

Description of Performance:

Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating of 1 or 2:

The composite Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity (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. As of September 30, 2016, 93 percent of national banks and federal savings associations earned the top two composite CAMELS ratings. Degradation in CAMELS can reflect weaknesses in risk management systems that need corrective action. The OCC, consistent with Treasury's goal of repairing and reforming the financial system and supporting the recovery of the housing market, 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.

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.

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, 2016, 96 percent of national banks and federal savings associations were classified as well capitalized.

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 and the 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. The target for FY 2016 and FY 2017 will currently remain unchanged at 94 percent. As of September 30, 2016, national banks and federal savings associations continue to show strong compliance with consumer protection regulations with 98 percent earning a consumer compliance rating of either 1 or 2. Under the Dodd-Frank Act, the OCC has enforcement and supervisory authority for those institutions with total assets of no more than \$10 billion.

Rehabilitated National Banks and Federal Savings Associations as a Percentage of Problem National Banks and Federal Savings Associations One Year Ago:

The OCC's early identification and intervention with problem financial institutions can lead to a successful rehabilitation. As of September 30, 2016, 43 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. This aligns with the target of 40 percent for FY 2016. The OCC continues to focus on the early identification and rehabilitation of problem institutions. As previously noted, the OCC continuously takes steps through its Supervise and Regulate programs to 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 2016 and beyond.

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 federal 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. As of September 30, 2016, total OCC cost relative to every \$100,000 in assets regulated was \$9.65 compared to the FY 2016 target of

\$10.26. The OCC continues to meet its efforts to ensure that resources are used prudently and that programs are carried out in a cost effective manner.

2.1.2 – Regulate Resources and Measure Table

Dollars in Thousands

Regulate Budget Activity							
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$125,416	\$111,783	\$105,436	\$103,574	\$90,463	\$98,114	\$101,963
Budget Activity Total	\$125,416	\$111,783	\$105,436	\$103,574	\$90,463	\$98,114	\$101,963

Regulate Budget and Performance

(\$98,114,000 from reimbursable resources):

The Regulate Program supports the OCC’s strategic goal of a vibrant and diverse system of national banks and federal savings associations that supports a robust U.S. economy. 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 establishing examination policies and handbooks; interpreting administrative, judicial, and congressional proceedings; and establishing the applicable legal and supervisory framework for new financial services and products.


Description of Performance:

OCC undertook a number of activities in FY 2016 to reduce regulatory burden on and support responsible innovation by regulated institutions. The agency issued a Framework for Responsible Innovation and sponsored a forum on the topic. OCC completed its schedule of Economic Growth and Regulatory Paperwork Reduction Act outreach meetings, and proposed a number of rule changes to reduce regulatory burden. The 18-month examination cycle was expanded to cover a larger population of regulated institutions. The agency completed a Framework for Receivership of Uninsured Federally Chartered National Banks, and completed a number of rules and guidance issuances, covering such topics as swaps margin, bank reserve ratios, bank stress test scenarios, large bank recovery plans, and an accounting standard on financial instrument credit losses. The OCC continued to support operations of the Financial Stability Oversight Council, and participate in the Federal Financial Institutions Examination Council and other national and international financial service regulation and policy bodies.

2.1.3 – Charter Budget and Performance Plan

Dollars in Thousands

Charter Budget Activity							
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$27,338	\$30,486	\$19,262	\$18,922	\$23,978	\$26,006	\$27,026
Budget Activity Total	\$27,338	\$30,486	\$19,262	\$18,922	\$23,978	\$26,006	\$27,026

Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2016	FY 2017	FY 2018	FY 2012 -
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target	FY 2016
									Trend
Percentage of Licensing Applications and Notices Completed within Established Timeframes	98.0	97.0	98.0	97.0	98.0	95.0	95.0	95.0	

Key: DISC - Discontinued; B - Baseline

Charter

(\$26,006,000 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 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.

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, 2016, the OCC completed 98 percent of national bank and federal savings association applications and notices within the required time frame, above the target of 95 percent. 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.

Section III – Additional Information

A – Summary of Capital Investments

The OCC's 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 the disposition of redundant or "end-of-lifecycle" applications, capabilities, and services.

The IT strategic plan is implemented through the budget formulation and the Capital Planning and Investment Control processes. 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 OCC IT strategy ensures 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 2017 and 2018 Plans

The OCC has 4 major IT initiatives in FY 2017 and 2018:

Servers Support Services (SSS) - The SSS supports the OCC's server Operations and Maintenance. The infrastructure staff continues to build out additional capacity at the co-location facility to support the server technology refresh, business resiliency, and increases in enterprise storage capacity. In addition, a managed Enterprise Disaster Recovery (eDR) contract has been awarded to implement a proven, highly reliable, secure, expandable, and cost-effective eDR solution for OCC's critical business systems.

Telecommunications Services and Support (TSS) - TSS includes telecommunications Wide Area Network (WAN) and Local Area Network (LAN) infrastructure. Remote access to the OCC systems is facilitated via a virtual private network, dial-in, and cellular wireless access using two-factor authentication. This also includes messaging services supporting highly mobile bank examiners and the OCC staff. In FY 2017, the OCC will continue an on-going effort to upgrade the headquarters and field office phone systems and telecom infrastructure including LAN/WAN hardware, Video Tele-Conferencing and Voice over Internet Protocol.

End User Services and Support (EUSS) - EUSS includes help desk/customer service support, personal computer hardware and software operations and maintenance, asset management, and desktop engineering and image management. New computers and peripherals will be deployed to the workforce in FY 2017.

Cyber Security (CS) – CS includes technologies, processes and practices aligned to protect networks, computers, programs and data from attack, damage or unauthorized access. The OCC has awarded a Cyber Security Defense Center (CDC) contract that provides 24 x 7 computer-incident response support, along with monitoring of security appliances and applications.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.