Office of the Comptroller of the Currency

FY 2015
President's Budget

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Section 1 – Purpose

1A – Mission Statement

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

1.1 – Resource Detail Table

Dollars in Thousands

Office of the Comptroller of the Currency	FY 2013		FY 2014		FY 2015		FY 2014 to FY 2015			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments		973,100		1,007,700		1,029,500		21,800		2.16%
Interest		17,900		16,700		17,000		300		1.80%
Other Income		15,700		18,600		18,900		300		1.61%
Unobligated Balances from Prior Years		1,087,200		1,076,400		1,068,505		(7,895)		-0.73%
Total Revenue/Offsetting Collections		**2,093,900**		**2,119,400**		**2,133,905**		**14,505**		**0.68%**
Expenses/Obligations										
Supervise	3,287	873,942	3,400	903,770	3,438	949,219	38	45,449	1.12%	5.03%
Regulate	420	111,783	435	115,998	440	121,412	5	5,814	1.15%	5.03%
Charter	115	30,486	119	31,527	120	33,112	1	1,585	0.84%	5.03%
Total Expenses/Obligations	**3,822**	**1,016,211**	**3,953**	**1,150,895**	**3,997**	**1,103,743**	**44**	**52,848**	**1.11%**	**-65.49%**
Net Results		**1,077,689**		**1,068,505**		**1,030,162**		**(38,343)**		**3.59%**

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

As of December 31, 2013, the OCC supervised 1,212 national bank charters and 48 federal branches of foreign banks in the United States with total assets of approximately $9.7 trillion, and 497 federal savings associations (which include 186 mutual institutions) with total assets of approximately $702 billion. In total, the OCC supervises over $10 trillion in financial institution assets.

OCC Vision and Core Values

Vision:

The OCC is a preeminent bank supervisor. The OCC culture is flexible, accountable, strategy-based, and data-driven. The OCC team of dedicated professionals uses substantive expertise, sound judgment, and comprehensive experience to assess the financial condition, management, and regulatory compliance of national banks and federal savings associations to ensure a vibrant and diverse banking system that benefits all Americans.

Core Values:

- Integrity
- Professionalism
- Independence
- Teamwork

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 the 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) Promote Domestic Economic Growth and Stability; and 4) Safeguard the Financial System and Use Financial Measures to Counter National Security Threats.

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 published 113 enforcement actions taken against institution-affiliated parties and 72 enforcement actions taken against institutions through June 30, 2013. The OCC and the Federal Reserve Board released amendments to enforcement actions against 13 mortgage servicers for deficient loan servicing and foreclosure processing, to result in $9.3 billion in payments and other assistance to borrowers. In addition, the OCC took significant enforcement actions to address Bank Secrecy Act/Anti-Money Laundering violations, unsafe and unsound practices related to derivatives trading, and failure to properly manage vendors engaged in deceptive debt collection practices.

The OCC supervisory activities in fiscal year (FY) 2013 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' enterprise risk management practices, as evidenced by effective credit risk rating systems that identify problems at an early stage where resolution is less costly, identifying any deterioration in credit underwriting standards, ensuring that the loan lease reserves are adequate and any releases from the reserves are adequately supported by current credit risk metrics, identifying and controlling cyber-security threats, ensuring the validity of interest rate risk monitoring system outputs and that policy limits on interest rate risk are reasonable and supportable.

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, BSA/AML, and information security.

In addition to its ongoing supervisory activities, the OCC undertook the following initiatives in 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.

  In January 2013, the OCC and the Federal Reserve announced a $9.3 billion agreement with 13 mortgage servicers to 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 commenced in April 2013 and is expected to conclude in the third quarter of 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 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 OCC announced actions to strengthen and improve the effectiveness of supervisory activities in this critical area. These actions included: 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 4) Taking steps to help ensure our examinations obtain a holistic view of a bank's BSA/AML compliance more promptly.

- *Guidance on Servicemember Relief Act Protection:* In June 2012, the agencies issued guidance to address mortgage servicer practices that pose risks to homeowners who are serving in the military and to ensure compliance with applicable consumer laws and regulations.

- St*rengthening Capital and Liquidity Resiliency:* Robust capital and liquidity buffers are essential to a strong 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. In July 2013, the OCC and FRB issued a final rule implementing the enhanced capital standards in Basel III, and along with the FDIC, which issued a companion interim final rule, issued a notice of proposed rulemaking for a supplementary leverage ratio that would apply to apply to U.S. top-tier bank holding companies that were designated as global systemically important (U.S. G-SIB) by the Financial Stability Oversight Council on November 1, 2012, and an insured depository institution subsidiary that is controlled by one or more of these bank holding companies.

- *Strengthening Credit Quality and Credit Risk Management:* The OCC took a number of steps in FY 2012 and FY 2013 to help ensure banks maintain strong underwriting discipline and strong credit risk management practices. These activities included the following:

  Guidance on Reserve Estimation Practices for Junior Liens- In January 2012, the OCC, FRB, and FDIC issued guidance on reserve estimation practices for junior liens on 1-4 family residential properties. This guidance reiterates key concepts included in generally accepted accounting principles (GAAP), expected risk management practices, and segmentation expectations pertaining to junior lien loans.
  Interagency Guidance on Leveraged Lending- In March 2013, the OCC, FRB, and FDIC issued guidelines for leveraged lending activities. The guidance outlines the expected risk management framework for those institutions that are actively engaged in leveraged lending activities.

  Interim Final Rule on Lending Limits- Pursuant to section 610 of Dodd-Frank, in January 2013 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 October 2012, the OCC issued a final rule that implements section 165(i) of Dodd-Frank that requires certain companies to conduct annual stress tests. Specifically, this rule requires national banks and federal savings associations with total consolidated assets over $10 billion (covered institutions) to conduct an annual stress test as prescribed by the rule. In March 2013, the OCC issued proposed guidance summarizing the types of reporting expected under the final rule.

- *Guidance on Deposit Advance Products:* In April 2013, the OCC proposed guidance on the use of deposit advance products. A deposit advance product is a small-dollar, short-term loan that a bank makes available to a customer whose deposit account reflects recurring direct deposits. The proposed guidance addresses how any bank offering these products may do so in a safe and sound manner without engaging in practices that would inappropriately increase credit, compliance, legal, and reputation risks to the institution.

- *Advisory Committees on Minority Institutions and Mutual Associations:* In FY 2013, the OCC established advisory committees 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 each have 10 members serving two-year terms and meet at least twice per year.

- *The 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. This authority comes in the form of formal and informal enforcement actions.

Significant enforcement activities include, among others:

- A civil money penalty assessment of $500 million against a national bank for violation of the Bank Secrecy Act (BSA) and its underlying regulations, and the bank's failure to fully comply with a previously issued cease and desist order addressing these violations. The OCC also issued a separate cease and desist order to address deficiencies in the bank's enterprise-wide compliance program, and entered into an agreement with the bank pursuant to the requirements of the Gramm-Leach-Bliley Act (GLBA).

- Another national bank was subject to cease and desist orders, by consent, for critical deficiencies in its BSA compliance program, while a civil money penalty of $10 million was issued against a third bank for late filing of Suspicious Activity Reports (SARS).

- A civil money penalty assessment of $5 million against a national bank for violation of section 5 of the Federal Trade Commission (FTC) Act, and a $2.5 million restitution ordered for 2.7 million affected consumers who were enrolled in overdraft protection programs or a check rewards program, or who requested stop payments of preauthorized recurring electronic payments. 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 found that the bank's internal controls failed to identify and prevent certain credit derivatives trading conducted by the Chief Investment Officer that resulted in substantial loss to the bank, which has exceeded $6 billion. 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 six 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.

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 2013.

The OCC devoted a significant amount of resources in FY 2013 to regulatory activities relating to implementation of the Dodd-Frank Act, Basel III, and participating on the Financial Stability Oversight Council. The agency issued final rules on large bank stress tests and appraisals for higher-priced mortgage loans.

Charter Activities
The OCC processed 1,716 corporate applications through June 30, 2013, of which 97 percent were completed within required timeframes. 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 2014 and 2015 Priorities
A major focus of the OCC's supervisory, regulatory, and administrative programs for FY 2014 and for FY 2015 will be implementing applicable provisions of the Dodd-Frank Act and the enhanced capital framework under Basel III. Work will also 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;

- Assess the adequacy of national banks and federal savings associations credit, liquidity, internal controls, compliance, and corporate governance processes and require corrective action when deficiencies or undue risk concentrations are found;

- 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;

- 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, and USA PATRIOT Act laws and regulations;

- 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 ("federal banking system"). Economic conditions are expected to improve in FY 2014. Yet despite progress in the housing sector to date, legacy credit issues will

likely tax the resources of many national banks and federal savings associations. The historically low interest rate environment is also constraining earnings, with many institutions experiencing margin compression. Concerns over sovereign debt in Europe, and uncertainty over the U.S. fiscal situation may amplify risk in the system.

The federal banking system faces heightened compliance, operational, reputation, and strategic risks because of significant changes in laws, regulations, and accounting standards. National banks and federal savings associations will need to adapt their operations to accommodate those changes, which could lead to fundamental shifts in many institutions' business models and strategic plans. National banks and federal savings associations also face risks from the eventual normalization of interest rates. To address these challenges, the OCC will need to conduct ongoing assessments of emerging risks and the underlying condition of the federal banking system, and to prioritize and allocate resources to the areas and institutions of highest risk.

The federal banking system has 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 system 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 would grow in the way shown in the following table. The long-term trend of consolidation in the federal banking system is likely to continue; the table below shows estimates of the change in number of institutions and share of assets held by banks with over $10 billion in assets, extrapolating from trends experienced between 2000 and 2012. 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 domestic 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	91.7%
2011 to 2017	-23%	-19%	28%	2017e	94.8%

e = estimated

Loan demand has been growing more slowly than is usual at this point of an economic recovery, in part because the economy as a whole has been growing more slowly than is usual after a severe recession. The combination of recession and financial crisis caused households to deleverage, cutting into the demand for consumer and residential mortgage loans. But commercial lending is now growing again, and total outstanding commercial and industrial loans are nearly back to their previous peak. In addition, many firms have accumulated cash reserves, and even medium-size firms can now borrow long-term at low rates in bond markets.

Credit loss rates for the system rose sharply for all major loan categories during the financial crisis and recession, but are now back to their two-decade averages, except for residential mortgages. To strengthen their positions in the aftermath of the crisis, many banks raised additional capital. The result is a banking system that is strengthening as it continues to rebound from the financial crisis.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Dollars in Thousands

Office of the Comptroller of the Currency Object Classification	FY 2013 Actual	FY 2014 Estimated	FY 2015 Estimated
11.1 - Full-time permanent	480,915	486,907	522,825
11.3 - Other than full-time permanent	8,350	10,619	11,307
11.5 - Other personnel compensation	3,325	2,780	2,960
11.9 - Personnel Compensation (Total)	**492,590**	**500,306**	**537,092**
12.0 - Personnel benefits	198,385	203,234	233,796
13.0 - Benefits for former personnel	186	199	212
Total Personnel and Compensation Benefits	**$691,161**	**$703,739**	**$771,100**
21.0 - Travel and transportation of persons	56,377	61,750	64,218
22.0 - Transportation of things	3,786	2,976	3,082
23.1 - Rental payments to GSA	1,458	2,161	65
23.2 - Rental payments to others	69,964	66,213	58,478
23.3 - Communication, utilities, and misc charges	10,210	14,047	14,957
24.0 - Printing and reproduction	429	912	790
25.1 - Advisory and assistance services	13,105	36,242	38,589
25.2 - Other services	20,547	24,033	25,090
25.3 - Other purchases of goods & serv frm Govt accounts	12,652	12,068	12,599
25.4 - Operation and maintenance of facilities	6,430	8,809	9,129
25.7 - Operation and maintenance of equip	56,364	66,793	68,293
26.0 - Supplies and materials	4,516	7,599	8,060
31.0 - Equipment	31,389	23,535	24,363
32.0 - Land and structures	37,005	12,338	13,137
42.0 - Insurance claims and indemnities	818	235	250
Total Non-Personnel	**325,050**	**339,711**	**341,100**
Total Budgetary Resources	**$1,016,211**	**$1,043,450**	**$1,112,200**
Budget Activities:			
Supervise	873,942	903,770	949,219
Regulate	111,783	115,998	121,412
Charter	30,486	31,527	33,112
Total Budgetary Resources	**$1,016,211**	**$1,050,895**	**$1,103,743**
FTE	**3,822**	**3,954**	**3,998**

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
($903,770,000 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 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 U.S. currency, services, and products for the American public and enterprises;
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 has taken a number of steps to improve the cybersecurity of the nation's financial sector critical infrastructure including organizing a Web conference, "The Evolving Cyber Landscape: Awareness, Preparedness, and Strategy for Community Banks," for more than 1,000 community bankers and holding a series of confidential briefings for banks, third-party service providers and bank examiners. The agency also created and filled a new position, Senior Infrastructure Officer whose focus is cybersecurity policy for the federal banking system. Actions taken to improve the cybersecurity of the federal banking system include the issuance of an alert on denial-of-service attacks, and reviews of 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. In addition, the OCC became a member of the Financial Services Information Sharing and Analysis Center in 2013. Membership gives the OCC 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 goal owner for this budget activity is the Comptroller of the Currency, Thomas J. Curry.

<u>Description of Performance:</u>

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. As of June 30, 2013, 79 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.

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 June 30, 2013, 93 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. The target for FY 2014 and FY 2015 will currently remain unchanged at 94 percent. As of June 30, 2013, national banks and federal savings associations continue to show strong compliance with consumer protection regulations with 94 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
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 June 30, 2013, 30 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, the 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.

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 and beyond. 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 2013 target is $9.22 with the actual result being reported at year-end. The OCC will continue its efforts to ensure that resources are used prudently and that programs are carried out in a cost effective manner.

3.1.1 – Supervise Budget and Performance Plan

Dollars in Thousands

Supervise Budget Activity								
Resource Level	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimated	FY 2015 Estimated
Expenses/Obligations	$565,921	$597,859	$618,254	$684,273	$924,417	$873,942	$903,770	$949,219
Budget Activity Total	**$565,921**	**$597,859**	**$618,254**	**$684,273**	**$924,417**	**$873,942**	**$903,770**	**$949,219**

Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Target	FY 2015 Target
Percent of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	N/A	N/A	N/A	N/A	76.0	80.0	90.0	90.0
Percentage of National Banks and Federal Savings Associations That Are Categorized As Well Capitalized	N/A	N/A	N/A	N/A	92.0	94.0	95.0	95.0
Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	N/A	N/A	N/A	N/A	93.0	94.0	94.0	94.0
Rehabilitated National Banks And Federal Savings Associations As A Percentage Of Problem National Banks One Year Ago (CAMEL 3,4, or 5)	47.0	29.0	23.0	22.0	27.0	34.0	40.0	40.0
Total OCC Costs Relative To Every $100,000 in Bank And Federal Savings Associations Assets Regulated ($)	N/A	N/A	N/A	N/A	10.51	9.99	10.22	9.22

Key: DISC - Discontinued and B - Baseline

3B – Regulate

($115,598,000 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 establishing of 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:
Specific activities undertaken in FY 2013 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.

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 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimated	FY 2015 Estimated
Expenses/Obligations	$87,683	$94,511	$97,735	$108,171	$125,416	$111,783	$115,998	$121,412
Budget Activity Total	**$87,683**	**$94,511**	**$97,735**	**$108,171**	**$125,416**	**$111,783**	**$115,998**	**$121,412**

3B – Charter

($31,527,000 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. The target of 95 percent remains for FY 2013 and FY 2014.
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 June 30, 2013, the OCC completed 97 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.

3.1.2 – Charter Budget and Performance Plan

Dollars in Thousands

Charter Budget Activity								
Resource Level	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimated	FY 2015 Estimated
Expenses/Obligations	$20,112	$23,628	$24,434	$27,043	$27,338	$30,486	$31,527	$33,112
Budget Activity Total	**$20,112**	**$23,628**	**$24,434**	**$27,043**	**$27,338**	**$30,486**	**$31,527**	**$33,112**

Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Target	FY 2015 Target
Percentage of Licensing Applications and Notices Completed within Established Timeframes	95.0	95.0	96.0	97.0	98.0	97.0	95.0	95.0

Key: DISC - Discontinued and B - Baseline

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 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 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 2014 and 2015 Plans The OCC has three major IT initiatives in FY 2014 and 2015.
Mainframes & Servers Support Services (MSSS) - The MSSS supports the OCC's mainframe computer operations and maintenance (O&M). As part of this initiative, the OCC has consolidated and relocated data center infrastructure to a third-party co-location facility. Relocation of the data center provides the 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. Our infrastructure staff continues to build out additional capacity at the co-location facility to support the server technology refresh and increases in enterprise storage capacity.
Telecommunications Services and Support (TSS) - The TSS includes telecommunications wide area network and local area network 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 investment also includes messaging services supporting highly mobile bank examiners and the OCC staff. In FY 2014, the OCC will continue an on-going 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 computers and peripherals were deployed to the entire workforce in FY 2013. In FY 2014, the OCC will refresh hand-held devices.

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