Office of the Comptroller of the Currency

Mission Statement

To ensure a safe and sound national banking system for all Americans.

Program Summary by Budget Activity

Dollars in Thousands

	FY 2007	FY 2008	FY 2009		
Office of the Comptroller of the Currency	Obligated	Estimated	Estimated	$ Change	% Change
Supervise	$528,622	$625,582	$675,780	$50,198	8.02%
Regulate	91,296	98,669	108,414	9,745	9.88%
Charter	18,515	24,849	26,678	1,829	7.36%
Total Resources	**$638,433**	**$749,100**	**$810,872**	**$61,772**	**8.25%**

FY 2008 Priorities

- Regulate and supervise approximately 1,740 national bank charters and 48 federal branches of foreign banks with total assets of approximately $7.7 trillion;
- Conduct examinations based on the risk profile of individual national banks to ensure they are safe and sound, sufficiently capitalized, and comply with consumer protection laws and regulations;
- Address potential adverse changes in national bank asset quality and risk profiles;
- Fill key experienced and specialty examiner and bank supervision policy analyst positions; continue the recruitment of entry-level examiners and enhance their retention at the critical three/four-year point of their careers; develop the next generation of bank supervision leadership;
- Work with other federal banking regulators to implement the banking agencies' risk-based capital standards (Basel II);
- Combat fraud and money laundering and protect the integrity of the financial system through national banks' compliance with the Bank Secrecy Act, anti-money laundering, and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act laws and regulations;
- Address sound underwriting, risk management systems, and consumer issues presented in connection with retail banking products offered by national banks;
- Continue to support and defend the attributes and benefits of the national bank charter; and
- Continue to support a competitive national banking system through entry of new charters, other bank structure transactions, and expansion of bank services and products in a safe and sound manner.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Office of the Comptroller of the Currency (OCC) was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to ensure that national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers.

The OCC supervises approximately 1,740 national bank charters and 48 federal branches of foreign banks in the United States (U.S.). Total assets under the OCC supervision are approximately $7.7 trillion or 68 percent of total U.S. commercial banking assets. The average size and complexity of the institutions in the national banking system continue to grow, creating increasing and diverse challenges for the OCC.

As the regulator of national banks, the OCC has established four strategic goals that help support a strong economy for the American public: 1) a safe and sound national banking system; 2) fair access to financial services and fair treatment of bank customers; 3) a flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services; and 4) an expert, highly motivated, and diverse workforce that makes effective use of OCC resources. The OCC organizes its activities under three programs: Supervise, Regulate, and Charter, to achieve the goals and objectives outlined in its strategic plan.

The OCC's priorities for the 2008 fiscal year (FY) include supervisory issues related to potential adverse changes in national bank asset quality and risk profiles, continued work on proposed revisions to the federal banking agencies' risk-based capital standards, compliance with Bank Secrecy Act/anti-money laundering (BSA/AML) and USA PATRIOT Act requirements, and addressing issues raised by the range of retail banking products offered by national banks. Coordination and cooperation with state regulators will be a significant focus for the agency. Filling key experienced and specialty examiner and bank supervision policy analyst positions, recruiting entry-level examiners and enhancing their retention at the critical three/four-year point of their careers, and developing the next generation of bank supervision leadership are also critical initiatives of the OCC.

1B – Program History and Future Outlook

The OCC has its headquarters in Washington, D.C., and operates four district offices in Chicago, Dallas, Denver, and New York, and field and satellite offices throughout the U.S. Resident examiner teams are located in the largest banking companies, and there is an examining office in London, England.

Operations are funded primarily (approximately 96 percent) from semiannual assessments levied on national banks. Revenue from investments in U.S. Treasury securities and licensing and other fees comprises the remaining four percent of the OCC's funding. The OCC does not receive congressional appropriations to fund any portion of its operations.

Continued uncertainty about the future direction of interest rate changes, coupled with net interest margin compression, will pose challenges to bank management and put pressure on bank earnings. Credit quality will continue to be monitored closely for deterioration, with the leveraged lending and subprime markets being the most vulnerable. Domestic and foreign nonbank players and investors increasingly affect the way that banks structure and price products and manage their risk profiles. The role and transparency of hedge funds in financial markets will continue to receive heightened scrutiny by investors, regulators, and Congress. Fair lending, information security, and other consumer protection issues will remain in the forefront for the banking industry and the OCC. BSA and AML supervision will continue to be an important component of the federal law enforcement and national security programs. Basel II implementation will require significant bank and examiner resources at mandatory Basel II banks and large banks owned by foreign-owned banking organizations. Operational risk issues, including technology security and management, payment systems and backroom operations, and outsourcing and vendor management, will continue to be prominent.

The following are highlights of the OCC's FY 2007 accomplishments and specific FY 2008 challenges.

<u>Supervisory Activities</u>

The OCC continuously supervises banks in its community bank, midsize and credit card bank, and large bank programs. A supervisory strategy is developed based on each banking institution's risk profile and condition. Examination activities focus on safety and soundness, consumer compliance, BSA/AML/USA PATRIOT Act, fair lending, asset management, bank information technology, and the Community Reinvestment Act (CRA).

Areas of emphasis during the OCC's FY 2007 supervisory strategies included: credit quality and the adequacy of credit risk management systems; allowance for loan and lease loss methodology and adequacy; compliance with guidance on nontraditional mortgage products and commercial real estate concentrations; risk management practices; audit and internal controls; BSA/AML compliance; Basel II implementation at mandatory and opt-in banks; capital adequacy; risk measurement and management for new and innovative trading activities; risk management systems related to hedge fund exposures; compliance management systems; Home Mortgage Disclosure Act (HMDA) data and fair lending reviews; and business continuity planning.

Monitoring Credit Quality

Monitoring and evaluating the quality of the loans and investments made by national banks is a fundamental component of the OCC's supervision program. Examiners evaluate asset quality and the adequacy of a bank's credit and investment risk management and controls through their on-site examination activities. They also look to ensure that the bank has properly recorded any losses that have occurred in their loans or investments and that the bank maintains adequate reserves for inherent losses in their loan portfolio.

In addition to individual bank examinations, the OCC conducts a variety of other activities aimed at identifying and responding to systemic trends and emerging risks that could adversely affect asset quality or the availability of credit at national banks and the banking system. FY 2007 activities included:

- Annual Survey of Credit Underwriting Practices - This annual survey, conducted by the OCC examiners and Credit Risk staff, identifies trends in lending standards and credit risk for the most common types of commercial and retail credit products offered by national banks. It provides an aggregate snapshot of how various factors, such as competition, are affecting how banks price and underwrite loans and whether the OCC examiners believe that the inherent credit risk in banks' portfolios are increasing or decreasing.

- Shared National Credit Review - The annual Shared National Credit (SNC) review is a joint program conducted by the OCC, the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) that reviews large syndicated loans held by multiple banks. The 2007 review covered 7,700 facilities (or 5,400 borrowers) with commitments totaling $2.3 trillion. SNC commitments increased by nearly $400 billion, or 21 percent, since the 2006 SNC review. Overall credit quality of the SNC portfolio remains satisfactory with criticized commitments as a percentage of total SNC commitments in-line with prior year results. Easing of underwriting standards continued to be evident, especially in the syndicated leveraged loan market. However, the largest national banks that originate and agent SNCs mitigate direct credit risk by selling down their SNC exposures to hold levels that are appropriate for the bank's earnings/capital position. The OCC and other agencies also continued work on a modernization effort to standardize and expand the data collection process to improve the effectiveness of SNC reviews. This project will also continue in FY 2008.

- Horizontal Examinations - Large Bank Supervision (LBS) conducted or is in the process of completing three horizontal reviews to determine large bank compliance with interagency guidance. The scope of these reviews focused on nontraditional mortgage guidance, credit risk management guidance for home equity lending, and credit card account management guidance.

Bank Secrecy Act/Anti-Money Laundering
Through on-site examination activities, the OCC examiners evaluate banks' compliance with BSA/AML requirements and, where weaknesses are noted, seek corrective action. The OCC investigates national banks that fail to meet BSA/AML requirements and brings enforcement actions against them. Other supervisory activities during FY 2007 included updates to the Federal Financial Institutions Examination

Council's (FFIEC) BSA/AML Examination Manual and issuance of the OCC's 2007 Money Laundering Risk (MLR) System results. The MLR provides over 1600 community bank charters with succinct BSA/AML risk assessment information. This information also enhances the OCC's effectiveness in BSA/AML supervision. Also, an Interagency Statement on Enforcement of BSA/AML Requirements was issued by the OCC, FRB, FDIC, OTS, and the National Credit Union Administration (NCUA) which promotes consistency among the agencies, as well as transparency in the way that enforcement decisions are made.

<u>Concentrations in Commercial Real Estate Lending</u>

Commercial real estate is an area in which some banks are becoming increasingly concentrated. In FY 2007, the OCC, FRB, and FDIC issued guidance on sound risk management practices for concentrations in commercial real estate lending to help ensure that institutions pursuing a significant commercial real estate lending strategy remain healthy and profitable while continuing to serve the credit needs of their communities.

<u>Allowance for Loan and Lease Losses</u>

The allowance for loan and lease losses (ALLL) represents one of the most significant estimates in an institution's financial statements and regulatory reports. Management's assessment of the appropriateness of the ALLL is critical to the safety and soundness of a financial institution, especially in today's uncertain economic environment and when concentrations in untested loan products are present. In December 2006, the OCC, FRB, FDIC, OTS, and NCUA (the agencies) issued updated guidance that describes the responsibilities of the boards of directors, management, and examiners of banks and savings associations regarding the ALLL; factors to be considered in the estimation of the ALLL; and the objectives and elements of an effective loan review system, including a sound credit grading system. The agencies also issued a series of frequently asked questions to assist institutions in applying the guidance. During FY 2007, the OCC completed ALLL training related to this new policy statement.

<u>Subprime and Nontraditional Mortgages</u>

Weaknesses in the U.S. housing and mortgage markets, resulting in increased residential mortgage delinquencies and foreclosures, have been a major concern for bankers, consumers, regulators, and public policy officials throughout the past year. In recent weeks these concerns have adversely affected U.S. and global financial markets. These effects have included a sharp contraction in the liquidity in certain secondary markets, such as those for jumbo, non-conforming mortgage loans, asset-backed commercial paper programs, and various collateralized debt obligations. Investors' heightened concerns about overall credit quality have also affected the commercial leveraged and collateralized loan markets. Through the OCC's on-site examiners at the OCC's largest institutions and various regulatory coordinating mechanisms, the agency is monitoring closely these market conditions. The OCC will work with Treasury and the other regulatory agencies to pursue any policies or actions as needed. In addition, the OCC will continue to encourage banks to work with homeowners who are unable to make mortgage payments.

Supervisory Guidance
During the past year, the OCC has worked with the other federal banking regulators to issue supervisory guidance on nontraditional mortgage products and subprime mortgage lending. Both issuances articulate the prudent safety and soundness and consumer protection standards that institutions should follow to ensure that borrowers obtain loans they can afford to repay. Given the prominent role that nonfederally regulated institutions play in these markets, the agencies worked closely with the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators to encourage individual states to adopt and effectively enforce these guidelines for mortgage brokers under their supervision. The agencies also issued a statement encouraging financial institutions to work constructively with residential borrowers who are financially unable to make their contractual payment obligations on their home loans.

Illustrated Consumer Disclosures for Nontraditional and Subprime Mortgage Products
To make informed choices when seeking a mortgage loan, consumers must understand and be able to compare the material features and potential risks, including the likelihood of increased payments or substantial prepayment penalties, of products before entering a loan. The agencies' supervisory guidance sets forth recommended practices to ensure that consumers have clear and balanced information about these products. The agencies issued illustrations of consumer information to help institutions implement these practices. They also published a booklet for consumers, *Interest-Only Mortgage Payments and Payment-Option ARMs — Are They for You?* that provides a glossary of lending terms, a mortgage shopping worksheet, and a list of additional information sources. This information can help consumers, whether buying a house or refinancing a mortgage, decide whether an interest-only mortgage (an I-O mortgage) or an adjustable-rate mortgage (ARM) with the option to make a minimum payment (a payment-option ARM) is right for them.

Assessing Complex Financial Activities

Advances in risk modeling and the concurrent globalization of financial markets have led to an ever expanding array of complex financial products that are used and offered by large national banks. The OCC resident examination staffs at the largest national banks closely monitor these developments to ensure that banks have adequate risk management policies and controls in place to govern these activities. Supervisory activities in this area during FY 2007 included:

- Improving Backroom Processing of Derivatives Contracts - The OCC has worked with other U.S. and international regulators and major dealers to improve the infrastructure that supports the global derivatives market. These efforts, which include reducing the level of backlog confirmations and moving towards more electronic processing platforms, will help ensure the smooth operations of the derivatives markets as the volume of activities in these markets continue to grow.

- Interagency Statement on Complex Structured Finance Transactions - In January 2007, the OCC, FRB, FDIC, OTS, and Securities Exchange Commission (SEC) issued a final statement on the complex structured finance activities of financial institutions. The statement describes the types of internal controls and risk management procedures that should help financial institutions identify, manage, and address the heightened legal and reputational risks that may arise from certain complex structured finance transactions.

<u>Implementation of a Revised Capital Framework - Basel II</u>

Bank capital serves as a buffer against unexpected losses. The OCC continued work with the FRB, FDIC, and OTS to modernize the agencies' regulatory capital requirements. Beginning with the issuance of the New Basel Accord in June 2004, the OCC has worked with the other U.S. banking regulators to implement the revised framework for risk-based capital standards. In September 2006, the OCC, together with the FRB, the FDIC, and the OTS issued a proposed regulation, generally referred to as the Basel II proposal, implementing that framework for certain U.S. banks. At the same time, the agencies published revisions to their current market risk capital rule. Subsequently (in December 2006), the agencies issued a third proposed regulation that would revise the current risk-based capital framework. This third proposal was commonly referred to as Basel IA.

When the Basel II proposal was issued, the agencies contemplated that the largest, internationally active U.S. banks (so-called "core banks") would be required to use the Basel II rule. Certain other banks (so-called "opt-in banks") could use the Basel II rule with the permission of their primary federal supervisor, and banks that were neither core banks nor opt-in banks would be subject to the Basel IA rule. On July 20, 2007, the Comptroller of the Currency and the principals of the other three federal banking agencies announced their agreement on an approach to finalizing the Basel II rule and on a plan to issue a new proposal that would make the so-called standardized approach, contained in the new Basel Accord, available to non-core banks. This would replace the earlier proposed rule to adopt the "Basel 1A" option. The final Basel II rule was published in the Federal Register on December 7, 2007 (72 FR 69288), and the text of the new standardized proposal is expected to be released during 2008.

<u>Protecting the National Bank System and Its Customers against Natural Disasters, Criminal Activity, and Terrorist Threats</u>

The events of September 11, 2001, and more recently, Hurricanes Katrina and Rita underscore the vital role that the national banking system plays in the U.S. economy and the lives of its citizens. Through the OCC supervisory programs and partnerships with other government agencies, the OCC works to ensure the resiliency of the nation's banking system in the face of regional or national emergencies and to prevent the inappropriate use of the financial system by criminals and terrorists.

Sound business continuity plans allow banks to recover, resume, and maintain their critical operations in the event of an unexpected disruption. To assist banks in developing and evaluating their business continuity plans, the OCC, in conjunction with the FFIEC, is revising the FFIEC's Business Continuity Planning Booklet for release in FY 2008. The revised booklet will incorporate lessons learned from the Gulf Coast hurricanes. It will also highlight issues and challenges that financial institutions could face during a pandemic, and the mitigating controls that should be implemented to address pandemics.

Fair Access to Financial Services and Fair Treatment of Bank Customers

The OCC fulfills its strategic goal of fair access to financial services and fair treatment of bank customers through its ongoing supervisory programs for national banks and their operating subsidiaries. These programs include ongoing supervisory examinations to ensure compliance with fair lending laws, the Community Reinvestment Act (CRA), section 5 of the Federal Trade Commission Act (prohibiting unfair or deceptive acts and practices), and other consumer laws and regulations. In addition to supervisory activities, the OCC issues guidance and handbooks and offers training to bankers and bank directors to help them understand and meet their compliance and CRA obligations.

The OCC's fair lending supervisory and enforcement process is designed to assess and monitor the level of fair lending risk in every national bank. The OCC assesses compliance with fair lending laws and regulations; obtains corrective action when significant weaknesses or deficiencies are found in a bank's policies, procedures, and controls relating to fair lending; and ensures that enforcement action is taken when warranted. This includes referrals to the Department of Justice and notifications to the Department of Housing and Urban Development (HUD).

The OCC also conducts outreach with a variety of organizations, including advocacy groups, research organizations, community development practitioners, and community development membership organizations whose constituencies include or affect low- and moderate-income consumers, distressed communities, and small and minority-owned businesses. To better reach consumers directly, the OCC launched a new website in July 2007, helpwithmybank.gov, which is designed to help consumers when they have questions or need help in resolving problems with their banks.

During FY 2007, the OCC and other federal banking agencies issued proposed interagency questions and answers that address topics related to their CRA regulations, updated lists of distressed or underserved non-metropolitan middle-income geographies in which bank revitalization or stabilization activities will receive CRA consideration, and updated median family income levels that are used in CRA performance evaluations.

The OCC actively supports the efforts of national banks to engage in sound and successful community development activities. During FY 2007, the OCC issued a bulletin to national banks implementing changes in the authority for national banks to make public welfare investments under 12 USC 24. On October 13, 2006, the Financial Services Regulatory Relief Act of 2006 was enacted, which among other provisions increased the maximum aggregate public welfare investment limit for a national bank from 10 to 15 percent of the bank's unimpaired capital and surplus.

The OCC held a tele-seminar that focused on the Small Business Administration 504 Certified Development Companies Loan program, which brought together 504 practitioners and an examiner to provide interested listeners with additional information on how the program operates. The OCC also publishes periodic *Community Development Insights* papers on products, services, and initiatives that are relevant to community development and consumer banking activities. During FY 2007, the OCC produced such papers on foreclosure prevention, new markets tax credits, reaching ethnic markets, workforce housing, and federal low-income housing tax credits. The OCC also published *Community Developments* newsletters covering topics on community development venture capital and minority-owned financial institutions.

During FY 2007, the OCC continued its work with the other federal banking agencies to improve financial disclosures to consumers. In May 2007, the agencies issued final illustrations of consumer information for nontraditional mortgage products. The illustrations are intended to help implement the consumer protection portion of the "Interagency Guidance on Nontraditional Mortgage Products Risks." English and Spanish versions of the illustrations are available on the OCC's website. Also, in March 2007, the OCC and seven other federal regulators released a notice of proposed rulemaking requesting comment on a proposed model privacy notice. The proposed model privacy notice is intended to provide consumers with a succinct and comprehensive privacy notice.

The OCC issued several bulletins and advisories that were geared toward helping consumers. Consumer Advisory 2007-3 provides advice to help consumers avoid becoming victims of fraud involving cashier's checks, money orders, and official bank checks. In March 2007, the OCC issued a consumer alert regarding certain deceptive loan solicitations sent to consumers that implied cash grants or disbursements were available from so-called CRA programs.

The OCC also issued a reminder to banks about working with customers in disaster areas related to hurricane Katrina. The OCC Bulletin 2007-8 provided guidance on making decisions regarding payment deferrals, loan modifications, extensions, restructurings or other workout programs.

In addition, the OCC issued Bulletin 2007-14, which discusses the interagency policy on working with mortgage borrowers who have ARMs scheduled to reset in the next 12 to 18 months, particularly subprime hybrid ARMs. The OCC, along with the other federal banking agencies, encourages institutions to work with borrowers who may be unable to meet contractual payment obligations on loans secured by their primary residence. The OCC paid special attention to foreclosure prevention issues affecting banks and consumers, in particular by highlighting best practices of bankers and their nonprofit partners in a research paper and by holding interagency roundtables across the country. The OCC also unveiled public service announcements aimed at encouraging delinquent mortgage borrowers to get help by contacting their lenders or a trusted counselor in order to avoid foreclosure. In addition, the OCC highlighted efforts to assist minority-owned banks, including sponsoring an interagency conference and a newsletter dedicated to issues involving those institutions.

Customer Assistance

The OCC's Customer Assistance Group (CAG) assists consumers who have questions or complaints about national banks and their operating subsidiaries. The CAG received 67,000 contacts from consumers in the form of telephone calls, letters, faxes, and e-mails in FY 2007.

In FY 2007, CAG received favorable results from a customer satisfaction survey that was conducted at the beginning of the fiscal year. In FY 2008, follow-up surveys will be conducted to identify trends and patterns in the responses. Also, during FY 2007, the OCC expanded the CAG call center hours to Monday through Friday, from 7 a.m. to 7 p.m. (CST) to enhance customer accessibility.

During FY 2007, outreach activities to state bank regulators resulted in Memorandums of Understanding (MOU) being signed between the OCC and 25 state banking departments and the Commonwealth of Puerto Rico with several other MOU agreements in process. The agreements detail ways to gain efficiencies in processing cases by streamlining the way the states and the CAG exchange bank customers' complaint information. The CAG goals for FY 2008 include a continuation of outreach activities to state regulators and others.

Regulation

As one of its four strategic goals, the OCC strives to maintain a flexible legal and regulatory framework that enables the national banking system to provide a full, competitive array of financial services. In FY 2007, the OCC participated in the interagency review of regulations required by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA), continued progress on the implementation of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act), and issued supervisory guidance in areas of lending activity that present new or heightened risks to national banks.

The OCC's strategic objectives emphasize regulatory oversight practices that support national banks' ability to compete while maintaining safety and soundness. This objective entails, among other things, refinement and clarification of the key attributes that define the national bank charter, including the preemptive attributes of the charter. In FY 2006, the U.S. Supreme Court granted *certiorari* in Watters v. Wachovia Bank, *N.A.*, a national bank preemption case in which the OCC, represented through the Solicitor General of the United States, participated as *amicus curiae*. The Supreme

Court's decision in the *Watters* case, issued in FY 2007, reaffirmed the key principle from its *Barnett Bank of Marion County, N.A. v. Nelson* decision of over a decade ago that state law may not significantly burden, curtail, or hinder a national bank's exercise of its express or implied powers, whether those powers are exercised directly by the bank or through other means. *Watters* confirms that preemption depends on the effects that state law has on the exercise of national bank powers regardless of the corporate structure a bank uses.

In FY 2007, the OCC made permanent a pilot program aimed at helping community banks with national charters continue to meet the credit needs of their customers. National banks are generally allowed to lend no more than 15 percent of capital on an unsecured basis, plus an additional 10 percent secured by readily marketable collateral, to a single borrower. Many states have established higher limits for the banks they charter. Under the program, a qualified, well-managed national bank may use a higher lending limit for 1-4 family residential real estate loans, small business loans, and small farm loans, if the state where the bank is located allows its state-chartered banks to use a higher lending limit for these types of loans.

In FY 2008, the OCC will continue to provide case-by-case analysis, when appropriate, with respect to the applicability of state law and the exclusivity of the agency's visitorial authority under the national banking laws, in order for national banks to operate efficiently under uniform national standards.

Completion of Regulation Review

In FY 2006, the OCC, together with the other federal banking agencies and the NCUA, completed the review of regulations required by the EGRPRA. EGRPRA requires the federal agencies that are members of the FFIEC to review their rules every 10 years to identify those that are outdated or unnecessary and to revise or eliminate such rules if appropriate.[1] Upon completion of the review, EGRPRA further requires the agencies to submit a report to Congress. The agencies submitted that report in November 2007.

The OCC identified a number of changes to its rules that should streamline existing requirements or procedures and enhance national banks' flexibility in conducting authorized activities. The OCC's proposed amendments to its rules effecting these changes were published for comment in July 2007. Work on a rule to finalize the changes the OCC proposed will continue into FY 2008.

Implementation of the FACT Act

The FACT Act[2] amended the Fair Credit Reporting Act in a number of areas that require the issuance of implementing regulations. In FY 2006, the OCC, together with the FRB, the FDIC, the OTS, and the NCUA completed a rulemaking implementing the FACT Act's limitations on obtaining and sharing medical information. In addition, these agencies and the Federal Trade Commission issued a final rule in October 2007,

[1] 12 U.S.C. § 3311
[2] Pub. L. No. 108-159, 117 Stat. 1952 (Dec. 4, 2003)

pertaining to patterns, practices, and specific forms of activity (referred to as "red flags") that indicate the possible existence of identity theft.

OMB Circular A-123, Management's Responsibility for Internal Control, Appendix A

In compliance with OMB Circular A-123, Appendix A, in FY 2007 the OCC continued to refine its A-123 program. A risk assessment of all business processes related to financial reporting was expanded to include additional assessment of other programs that have an impact on the OCC's financial statements or which pose other risks to the OCC, such as reputation risk. Based on this assessment, the OCC carried out 40 comprehensive test plans, including coverage of the information systems that support financial reporting. The testing revealed no material internal control weaknesses. During FY 2008, the OCC's risk assessment process will be enhanced to incorporate the Enterprise Risk Management Framework recommended by the Committee of Sponsoring Organizations of the Treadway Commission, as well as the OCC strategic risk assessment. The OCC will also update documentation over financial processes as needed and carry out test plans to support the FY 2008 assessment over financial reporting.

Homeland Security Presidential Directive 12 (HSPD-12) and Federal Information Security Management Act (FISMA)

In FY 2007, the OCC successfully established a HSPD-12 program that involves both a physical and logical security implementation strategy. This program involves close coordination with the Treasury HSPD-12 Program Management Office (PMO) and General Services Administration (GSA) Managed Service Office (MSO). The program plan calls for a three-phase implementation strategy. The three phases of the OCC HSPD-12 program are: 1) Phase I - Project planning, requirements analysis, and acquisition of integration services, 2) Phase II – HSPD-12 system enterprise/infrastructure integration and deployment, and 3) Phase III – HSPD-12 systems maintenance and the OCC application integration.

In FY 2007, the OCC completed the Phase I project planning elements of the program. It established system integration plans with both Treasury and GSA. The OCC is working with Treasury to leverage the shared services solution provided by the GSA MSO. This Treasury and GSA solution will also satisfy the additional goals pertaining to the E-Government initiatives for sharing government-wide services and will also provide a complete solution to support the OCC's ID badge program requirements. In FY 2008, the OCC will work with Treasury and GSA on the Phase II systems enterprise/infrastructure integration and deployment of the systems necessary to create and use smartcard IDs, which control both physical access to the OCC facilities and logical access to the OCC information systems.

The OCC also has made improvements in computer security via policy and technical changes. New rules instituted in FY 2007 on the use of the OCC computer equipment and networks include a policy that all data on computers and removable media be encrypted, procedures for assessing the impact and any needed agency response to data breaches, and procedures for sensitive data on the OCC computers. Technical changes include full disk encryption on the OCC computers, encrypting all BlackBerry devices, enhancing network and computer security software, and instituting two-factor authentication for remote access to the OCC network. On the compliance side, the OCC continues to refine its approach to documentation, training, and certification and accreditation activities required by the FISMA as well as evolving Treasury and government-wide standards. Employees and contractors in the OCC's Chief Information Officer's office with special security responsibility took additional training to underscore and reinforce their security duties.

To further strengthen computer and physical security, during FY 2007, the OCC contracted with a third-party vendor to conduct an end-to-end assessment. This project resulted in recommendations for improvements to physical and technological infrastructure and security policies and procedures. Actions to address the recommendations are currently underway.

1C – Industry Outlook

Bank earnings have been strong for the last 15 years, and strong earnings have in turn contributed to healthy capital ratios. Banks have successfully expanded their product range, and this expansion has been an important factor in maintaining robust earnings growth. Along with the greater range of products has come the growing importance and complexity of off-balance sheet income and noninterest income. These have been especially important at the largest banks, and are now becoming important for some smaller institutions as well. The OCC expects these trends to continue. There is more uncertainty about banks' ability to continue to rely on the real estate sector to drive asset and earnings growth.

Over the next five years, bank assets are likely to grow at the same rate as nominal Gross Domestic Product (GDP). This is consistent with historical experience and with the status of banking as a mature industry, in which profits grow over the long-term at about the rate of nominal GDP.

	Commercial Banks		National Banks		Share of total system assets in banks over $10 billion
	Assets ($t)	Number	Assets ($t)	Number	
2006	10.1	7,402	6.8	1,715	77.3%
2011e	12.9	6,781	8.7	1,571	80.0%

The number of banks has fallen steadily for at least two decades. The long-term trend of bank consolidation is likely to continue, and that over the next five years, the number of national banks will likely decline at the same rate experienced by the total commercial bank population. In 2006, 88 banks had assets exceeding $10 billion, while about 3,200 banks had assets under $100 million. By 2011, the number of banks over $10 billion is expected to remain about the same, while the number of banks under $100 million is expected to continue to decline.

Large banks will continue to dominate the industry. Banks with over $10 billion in assets now account for 77 percent of system assets; this share has been increasing, and this trend is expected to continue.

Until about five years ago, national banks consistently accounted for about 59 percent of all commercial bank assets. Since then, a series of mergers has increased the national bank share to about 68 percent of commercial bank assets.

Risks to the banking system include an economic slowdown, and deterioration in real estate markets, have accounted for much of the growth in bank income and assets over the last several years.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Dollars in Thousands

Bureau: Office of the Comptroller of the Currency	FY 2007 Obligated	FY 2008 Estimated	FY 2009 Estimated
FTE	**2,954**	**3,078**	**3,139**
Object Classification:			
11.1 - Full-time permanent	308,736	347,157	369,946
11.3 - Other than full-time permanent	7,583	7,194	7,666
11.5 - Other personnel compensation	1,726	2,003	2,135
11.8 - Special personal services payments	148	0	0
12 - Personnel benefits	105,590	116,584	132,787
13 - Benefits for former personnel	453	190	206
21 - Travel and transportation of persons	39,073	45,360	50,351
22 - Transportation of things	2,023	2,837	3,190
23.1 - Rental payments to GSA	921	2,690	2,716
23.2 - Rental payments to others	27,380	29,432	31,371
23.3 - Comm, utilities, and misc charges	9,744	14,242	15,367
24 - Printing and reproduction	1,158	1,182	1,234
25 - Other contractual Services	0	0	0
25.1 - Advisory and assistance services	33,460	37,247	38,524
25.2 - Other services	15,472	19,223	20,665
25.3 - Other purchases of goods and services from Govt. accounts	4,786	6,588	7,082
25.4 - Operation and maintenance of facilities	2,834	3,678	3,954
25.5 - Research and development contracts	0	0	0
25.6 - Medical care	0	0	0
25.7 - Operation and maintenance of equip	43,629	56,206	56,598
25.8 - Subsistence and support of persons	0	0	0
26 - Supplies and materials	5,269	7,152	8,022
31 - Equipment	20,056	20,481	26,443
32 - Land and structures	8,368	29,604	32,565
33 - Investments and loans	0	0	0
41 - Grants, subsidies, and contributions	0	0	0
42 - Insurance claims and indemnities	24	50	50
43 - Interest and dividends	0	0	0
44 - Refunds	0	0	0
Total Budget Authority	$638,433	$749,100	$810,872
Budget Activities:			
Supervise	528,622	625,582	675,780
Regulate	91,296	98,669	108,414
Charter	18,515	24,849	26,678
Total Budget Authority	$638,433	$749,100	$810,872

2.3 – Resource Detail Table

	FY 2007 Obligated		FY 2008 Estimated		FY 2009 Estimated		% Change FY 2008 to FY 2009	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Budgetary Resources:								
Revenue / Offsetting Collections								
Assessments		$677,890		$725,400		$779,900		7.51%
Interest		27,622		29,100		31,100		6.87%
Other Income		2,810		3,100		3,200		3.23%
Total Revenue / Offsetting Collections		$708,322		$757,600		$814,200		7.47%
Unobligated balances, Start of year		597,772		667,661		676,161		1.27%
Recoveries of prior year obligations		0		0		0		0.00%
Net transfers *(includes capital transfers)*		0		0		0		0.00%
Total budgetary resources available		$1,306,094		$1,425,261		$1,490,361		4.57%
Expenses/Obligations								
Supervision	2,482	528,622	2,557	625,582	2,609	675,780	2.03%	8.02%
Regulate	390	91,296	428	98,669	436	108,414	1.87%	9.88%
Charter	82	18,515	93	24,849	94	26,678	1.08%	7.36%
Total Expenses / Obligations	2,954	$638,433	3,078	$749,100	3,139	$810,872	1.98%	8.25%
Net Results		$667,661		$676,161		$679,489		0.49%

2B – Appropriations Language and Explanation of Changes

OCC receives no appropriations from Congress.

2C – Legislative Proposals

OCC currently has no legislative proposals.

Section 3 – Budget and Performance Plan

This table lists all FY 2009 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: http://www.treasury.gov/offices/management/budget/strategic_plan.shtml

3.1 – Budget by Strategic Outcome

Dollars in Thousands

TREASURY Strategic Outcome	FY 2008 Estimated AMOUNT	FY 2009 Estimated AMOUNT	Percent Change AMOUNT
Economic competitiveness	123,518	135,092	**9.4%**
Fin. & econ.crises	625,582	675,780	**8.0%**
Total	**$749,100**	**$810,872**	**8.2%**

3A – Supervise *($625,582,000 from reimbursable programs):* The Supervise program consists of those ongoing supervision and enforcement activities undertaken to ensure that each national bank is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the bank and the customers and communities it serves. This program includes bank examinations and enforcement activities; resolution of disputes through the National Bank Appeals process; ongoing monitoring of banks; and analysis of systemic risks and market trends in the national banking system or groups of national banks, the financial services industry, and the economic and regulatory environment.

3.2.1 – Supervise Budget and Performance Plan

Supervise Budget Activity					
Resource Level	**FY 2005 Obligated**	**FY 2006 Obligated**	**FY 2007 Obligated**	**FY 2008 Estimated**	**FY 2009 Estimated**
Appropriated Resources	$0	$0	$0	$0	$0
Reimbursable Resources	$408,091	$471,882	$528,622	$625,582	$675,780
Total Resources	**$408,091**	**$471,882**	**$528,622**	**$625,582**	**$675,780**
Budget Activity Total	**$408,091**	**$471,882**	**$528,622**	**$625,582**	**$675,780**

Supervise Budget Activity					
Measure	**FY 2005 Actual**	**FY 2006 Actual**	**FY 2007 Actual**	**FY 2008 Target**	**FY 2009 Target**
Percentage of national banks that are categorized as well capitalized (%) (Oe)	99%	99%	99%	95%	95%
Percentage of national banks with composite CAMELS rating 1 or 2 (%) (Oe)	94%	95%	96%	90%	95%
Rehabilitated national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4, or 5) (%) (Oe)	44%	46%	52%	40%	40%
Percentage of national banks with consumer compliance rating of 1 or 2 (%) (Oe)	94%	94%	97%	94%	94%
Total OCC costs relative to every $100,000 in bank assets regulated ($) (E)	N/A	$8.57	$8.89	$9.55	$9.55

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance:

Well Capitalized National Banks

The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on their capital levels relative to their risks. Through September 30, 2007, 99 percent of national banks were classified as well capitalized. National banks' capital has remained at this consistently high level for the past several years.

National Banks with Composite CAMELS Rating of 1 or 2

The composite CAMELS (**C**apital adequacy, **A**sset quality, **M**anagement, **E**arnings, **L**iquidity, and **S**ensitivity to market risk) rating reflects the overall condition of a bank. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational and compliance factors inherent in a bank. The rating scale is 1 through 5 of which 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. Through September 30, 2007, 96 percent of national banks earned a composite CAMELS rating of either 1 or 2, signifying an overall safe and sound national banking system and a foundation for a strong U.S. economy.

Rehabilitated National Banks

Problem banks ultimately can reach a point at which rehabilitation is no longer feasible. The OCC's early identification and intervention with problem banks can lead to successful remediation of these banks. The OCC recommends corrective actions to problem banks for improving their operations and, as a result, 52 percent of banks with composite CAMELS rating of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year. This is an improvement from 46 percent achieved in FY 2006 and 44 percent achieved in FY 2005.

National Banks with Consumer Compliance Rating of 1 or 2

To ensure fair access to financial services and fair treatment of bank customers, the OCC evaluates a bank's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer

Compliance Rating, to provide a general framework for assimilating and evaluating significant consumer compliance factors inherent in a bank. Each bank is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 in increasing order of supervisory concern. National banks continue to show strong compliance with consumer protection regulations with 97 percent earning a consumer compliance rating of either 1 or 2 through September 30, 2007.

Total OCC Costs Relative to Every $100,000 in Bank Assets Regulated
Beginning in FY 2006, the OCC implemented a performance measure—Total OCC Costs Relative to Every $100,000 in Bank Assets Regulated—that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system. OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. Bank assets are those reported quarterly by national banks on their Reports of Condition and Income. Total bank assets represent the growth and complexity of the national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of the banking system benefits all national bank customers.

3B – Regulate *($98,669,000 from reimbursable programs):* The Regulate program consists of those ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks. These regulations, policies, and interpretations may establish system-wide standards, define acceptable banking practices, provide guidance on risks and responsibilities facing national banks, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe. This program includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representation of the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

3.2.2 – Regulate Budget and Performance Plan

Regulate Budget Activity					
Resource Level	FY 2005 Obligated	FY 2006 Obligated	FY 2007 Obligated	FY 2008 Estimated	FY 2009 Estimated
Appropriated Resources	$0	$0	$0	$0	$0
Reimbursable Resources	$64,011	$70,992	$91,296	$98,669	$108,414
Total Resources	**$64,011**	**$70,992**	**$91,296**	**$98,669**	**$108,414**
Budget Activity Total	**$64,011**	**$70,992**	**$91,296**	**$98,669**	**$108,414**

Regulate Budget Activity					
Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target	FY 2009 Target

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

3C – Charter *($24,849,000 from reimbursable programs):* The Charter program involves those ongoing activities that result in the chartering of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries. This includes the review and approval of new national bank charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issues.

3.2.3 – Charter Budget and Performance Plan

Charter Budget Activity					
	FY 2005	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Resource Level	**Obligated**	**Obligated**	**Obligated**	**Estimated**	**Estimated**
Appropriated Resources	$0	$0	$0	$0	$0
Reimbursable Resources	$15,011	$13,952	$18,515	$24,849	$26,678
Total Resources	**$15,011**	**$13,952**	**$18,515**	**$24,849**	**$26,678**
Budget Activity Total	**$15,011**	**$13,952**	**$18,515**	**$24,849**	**$26,678**

Charter Budget Activity					
Measure	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
	Actual	**Actual**	**Actual**	**Target**	**Target**
Percentage of licensing applications and notices completed within established timeframes. (%) (Oe)	96%	94%	96%	95%	95%

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance:

Licensing Applications and Notices Completed within Time Frames
The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a bank of a competitive or business opportunity, create business uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. The OCC completed 96 percent of applications and notices within the time standard through September 30, 2007. Institutions receiving decisions on their corporate applications and notices rated the OCC's overall licensing services an average of 1.2. The licensing survey is based on a five-point rating scale, in which 1 indicates outstanding and 5 indicates significantly deficient.

For detailed information about each performance measure, including definition, verification and validation, please go to:
http://www.treasury.gov/offices/management/dcfo/accountability-reports/2007-par.shtml

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

The OCC has developed bureau-specific human capital goals to meet its overall strategic goals of ensuring the safety and soundness of national banks and maintaining an expert, highly motivated, and diverse workforce. The first is to align and employ the OCC workforce resources consistent with current and projected agency priorities. To help achieve this goal, on an annual basis, the OCC identifies high priority recruitment needs and approves incentives specifically designed to address those priorities. Other strategies include: 1) using all qualified personnel on priority assignments, realizing the increasing dependence and need for "fungibility" among and within various disciplines; 2) using the midsize/community banks area as the primary entry-level recruitment, training, and development vehicle to provide a diverse bank examiner selection pool for many departments and divisions in the bureau; and 3) identifying skill gaps and using them to establish recruitment and training priorities as part of the OCC's ongoing strategic planning process.

The OCC has implemented a number of programs to increase and strengthen its examiner and leadership pools. The OCC has a highly successful college hiring and training team program to ensure a steady pipeline of entry-level bank examiners. Since the program's inception in FY 2003, almost 600 examiners have been hired, including more than 150 in FY 2007. The agency has focused heavily on recruiting the expertise needed to fill positions in our Chief National Bank Examiner's (CNBE) office and Large Banks line of business. The OCC has also recognized the challenge of ensuring that it has the skill sets needed now and in the future to supervise the increasingly complex array of activities and businesses found in the national banking system. As a result, the OCC recently developed a framework to assess where and when specialized skills are needed (e.g., what types of bank assignments) and to ensure that the OCC has the staffing resources necessary to meet those needs. This framework, the Specialty Skills Assessment, allows the OCC to measure gaps in its current skill levels in eight critical business line areas (Asset Management, Bank Information Technology, Capital Markets, Compliance, Commercial Lending, Retail Lending, Mortgage Banking, and Operational Risk) and to develop strategic plans to fill those gaps. It establishes a standard process to identify an individual's specialty skills, which can be compared to actual examination resources necessary for the effective supervision of the population of national banks. Assessment results will aid examination staffing, recruiting initiatives, and provide employees and managers with a valuable tool that can be used to identify developmental opportunities to further an individual's career objectives.

A second human capital goal is to develop current and future leaders who demonstrate strong strategic, people management, and technical skills. To achieve this goal, the OCC is piloting a leadership development program, LeaderTRACK, based upon identified competencies. The program, which will be piloted for 18 months, began in FY 2007. This pilot program offers participants three six-month assignments, with significant managerial and supervisory roles, that will develop leadership skills rather than prepare them for a specific position. The OCC also continues to focus on aligning leadership performance expectations with organizational goals and preparing leaders to create and sustain a productive work environment and assume responsibility for developing staff.

A third human capital goal is to maintain strategic compensation/benefit programs and performance systems that link with organizational goals and mission accomplishment, enable the OCC to recruit and retain critical positions, and reward high performers. To accomplish this goal, the OCC regularly reviews and adjusts compensation and benefits and performance management programs to ensure that they continue to support the OCC objectives. The OCC operates under a merit-based performance system. Annual across-the-board increases are not granted. Salary increases are awarded based on merit to reward employee performance, employee development that is relevant to the OCC needs, and employee contributions to the OCC's priorities. The OCC continually evaluates its programs to ensure that there is an appropriate correlation between pay and performance.

The OCC is confident that these strategies will enable it to avoid any critical deficiencies in terms of having the right numbers of people with the right skills to accomplish the OCC's mission.

OCC Makes Top Ten List of Best Places to Work in Federal Government
The OCC ranked fourth out of more than 200 federal agency sub-components for best places to work in the federal government in 2006, according to the Partnership for Public Service and American University's Institute for the Study of Public Policy Implementation. The list reflects the responses of more than 221,000 randomly selected federal employees who completed the Office of Personnel Management's 2006 Federal Human Capital Survey. The list compares agencies in effective leadership, employee skills/mission match, family friendly culture, pay and benefits, performance-based rewards and advancement, strategic management, support for diversity, teamwork, training/development, and work/life balance.

4.1 – Summary of IT Resources Table

Dollars in Thousands

Information Technology Investments (from Exhibit 53) * (Dollars in thousands) Major IT Investments / Funding Source	Budget Activity	FY 2006 Obligated	FY 2007 Obligated	% Change from FY06 to FY07	FY 2008 Estimated	% Change from FY07 to FY08	FY 2009 Estimated	% Change from FY08 to FY09
Chief Counsel	OCC - Charter, Supervise, Regulate	3,765	2,770	-26.4%	523	-81.1%	0	-100.0%
Enterprise Services	OCC - Charter, Supervise, Regulate, Manage	1,262	1,323	4.8%	806	-39.1%	0	-100.0%
Examinations	OCC - Supervise	3,946	2,535	-35.8%	3,236	27.7%	0	-100.0%
WISDM ***	OCC - Supervise	0	0	0.0%	0	0.0%	2,452	0.0%
Fiscal Management ***	OCC - Manage	754	312	-58.6%	2,490	698.1%	1,920	-22.9%
Subtotal, Major IT Investments **		$9,727	$6,940	-28.7%	$7,055	1.7%	$4,372	-38.0%
Chief Counsel	OCC - Charter, Supervise, Regulate	240	0	-100.0%	0	0.0%	203	0.0%
Canary Early Warning System	OCC - Supervise	301	460	52.8%	250	-45.7%	150	-40.0%
Examiner View	OCC - Supervise	0	0	0.0%	665	0.0%	669	0.6%
Ombudsman	OCC - Supervise	154	150	-2.6%	745	396.7%	389	-47.8%
Shared National Credit	OCC - Supervise	731	0	-100.0%	3,567	0.0%	1,542	-56.8%
SIS LB - Institutional Data	OCC - Supervise	523	0	-100.0%	847	0.0%	410	-51.6%
SIS - Peer Analytical Data	OCC - Supervise	0	0	0.0%	636	0.0%	370	-41.8%
Suspicious Activity Reports	OCC - Supervise	181	204	12.7%	0	-100.0%	0	0.0%
CARS & FINDRS	OCC - Supervise	0	272	0.0%	0	-100.0%	0	0.0%
STARS	OCC - Supervise	0	0	0.0%	5,755	0.0%	0	-100.0%
HR/Operational Datamarts & Mainframe Retirement	OCC - Manage	966	321	-66.8%	0	-100.0%	0	0.0%
Web & Electronic Publishing System	OCC - Supervise	488	0	-100.0%	4,449	0.0%	1,672	-62.4%
Non-Major IT Investments **		$3,584	$1,407	-60.7%	$16,914	1102.1%	$5,405	-68.0%
OCC - Data Center Systems & Services (Consolidated Infrastructure)		6,099	8,261	35.4%	8,486	2.7%	18,085	113.1%
OCC - Security Program		1,396	2,077	48.8%	2,959	42.5%	0	-100.0%
OCC - Telecommunications Systems & Services		11,258	12,453	10.6%	11,476	-7.8%	21,200	84.7%
OCC - Enterprise Identity Management		0	1,323	0.0%	1,050	-20.6%	2,159	105.6%
Infrastructure Investments		$18,753	$24,114	28.6%	$23,971	-0.6%	$41,444	72.9%
Enterprise Architecture		$0.00	$0.00	0.0%	$0.00	0.0%	$0.00	0.0%
Total IT Investments		$32,064	$32,461	1.2%	$47,940	47.7%	$51,221	6.8%

Notes:

*/ All OCC budget authority derives from an indefinite availability trust fund, i.e., "no-year".

**/ OCC uses an IT Portfolio setaside where major and non-major projects can be selected throughout the year which may cause realignments between categories or line-items for FY 2009.

***/ Beginning in FY 2009, OCC will report 1 major investment to Treasury (FISCAL MANAGEMENT). WISDM will be reported as part of the consolidated Treasury Enterprise Content Management 300.

4B – Information Technology Strategy

The OCC's strategic plan for meeting its IT needs is tied to the current and target enterprise architecture. The OCC's enterprise architecture provides the agency with the data, technology, and infrastructure needs to support the operational and strategic needs of the business. The OCC's capital planning process ensures that all IT investments are aligned with the current or target enterprise architecture and will align to the mission of the OCC before a project is selected for funding.

The capital planning process ensures that business cases are reviewed to ensure alignment to Enterprise Architecture (EA), to leverage opportunities to use existing technology, to capitalize on enterprise opportunities as well as ensure that there is no redundancy in IT systems that are selected into the portfolio.

The Department's overall strategy to effectively use technology to support the mission, goals, and objectives of the agency is enforced by the Investment Review Board (IRB), comprised of business unit and IT representatives from across the agency. The IRB makes recommendations to the OCC's Technology and Systems and Subcommittee (TSS). The TSS is chaired by the Chief Information Officer and includes the Senior Deputy Comptrollers for Large Bank Supervision, International and Economic Affairs, the Chief Financial Officer, and the Chief of Staff. Both the IRB and TSS have regularly scheduled meetings to address IT investments. This process ensures that the overall IT strategy has adequate funding, resources, and prioritization to support the direction of Information Technology in alignment with the mission, goals and objectives of the agency.

Linkage to the OCC programs and strategic goals are documented in each project business case and prioritized by the IRB and TSS. Performance metrics are linked to the delivery, alignment, and achievement of the OCC strategic program objectives. Investments are monitored on a quarterly basis by the IRB and TSS. The OCC's IT investments are also subject to Quarterly Control reviews conducted by Treasury's CIO Council. During the Quarterly Control Review meetings, the IRB and TSS decide whether to continue, defer, or terminate projects based on project performance including performance metrics. If it is determined that the project is not meeting its performance metrics, it first is asked to develop a remediation plan to address the risk. The IRB monitors the risk mitigation implementation process and decides whether the strategy is satisfactory. The IRB decides whether to terminate or proceed with the project based on the results of the implementation of the risk mitigation strategy.

4.2 – PART Evaluation Table

PART Name:	Bank Supervision
Year PARTed:	FY 2003
Rating:	Effective

OMB Major Findings/Recommendations

1. The FY 2003 assessment of the OCC's Bank Supervision found that the program purpose is clear, goals are outcome-oriented, program measurements are clear, program is efficiently and effectively managed, but the program is not unique in that other agencies perform similar types of regulatory functions in the banking industry.

2. Federal banking regulatory agencies, including the OCC, the Office of Thrift Supervision (OTS), the National Credit Union Administration (NCUA), the Federal Reserve, and the Federal Deposit Insurance Corporation (FDIC), should work together to align outcome goals and related measures to allow for greater comparison of program performance in the industry.

Bureau Actions Planned or Underway

1. Regulatory agencies that include the OCC, OTS, NCUA, FDIC, Federal Reserve, Office of Federal Housing Enterprise Oversight (OFHEO), Securities and Exchange Commission (SEC), and the Federal Housing Finance Board (FHFB) continue to share their strategic plans, performance plans, and performance measures on a regular basis. This allows each agency to consider the approaches used by the other agencies when developing or revising their goals and measures. The OCC and OTS, as bureaus in the Department of the Treasury, continue to work together to maintain alignment of their performance measures.

For a complete list of PART results visit the following website:
http://www.whitehouse.gov/omb/expectmore/all.html