

Office of Comptroller of the Currency

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2010 Actual	FY 2011 ^{1/} Estimated	FY 2012 ^{2/} Estimated	FY 2010 to FY 2012	
				\$ Change	% Change
Supervise	\$618,254	\$680,090	\$900,836	\$282,582	45.7%
Regulate	\$97,735	\$107,511	\$111,936	\$14,201	14.5%
Charter	\$24,434	\$26,878	\$27,984	\$3,550	14.5%
Total Cost of Operations	\$740,423	\$814,479	\$1,040,756	\$300,333	40.6%
Reimbursable FTE	3,101	3,140	3,976	875	28.2%

^{1/} It is anticipated that for the majority of FY 2011, the OCC will not be regulating the Federal savings associations; accordingly, the FY 2011 estimates only reflect the cost of regulating the National Banking System. Figures are subject to revision once the personnel realignment provisions of the Dodd-Frank Act are implemented.

^{2/} FY 2012 estimates include the cost of regulating the National Banking System and Federal savings associations. Figures are subject to revision once the personnel realignment provisions of the Dodd-Frank Act are implemented.

Summary

The 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.

As the regulator of national banks, the OCC has established four strategic goals outlined in its strategic plan that help support a strong economy for the American public: 1) assuring the safety and soundness of the institutions subject to its jurisdiction; 2) fair access to financial services and fair treatment of bank customers; 3) a flexible legal and regulatory framework that enables the institutions subject to its jurisdiction 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: (1) Supervise, (2) Regulate, and (3) Charter, to achieve the goals and objectives.

As of September 30, 2010, the OCC supervised 1,487 national bank charters and 51 federal branches of foreign banks in the United

States. Total assets under the OCC's supervision are approximately \$8.6 trillion or approximately 70 percent of total United States commercial banking assets. As a result of the Dodd-Frank Act, in FY 2012 the OCC anticipates supervising approximately 700 Federal savings associations with assets currently totaling approximately \$0.9 trillion. The average size and complexity of the institutions in the national banking system continue to grow. This combined with OCC's supervision of Federal savings associations and responsibility for the Home Owners' Loan Act creates increasing and diverse challenges for the OCC.

The OCC's priorities focus on strengthening the resiliency of the institutions subject to its jurisdiction through its supervisory and regulatory programs and activities. Through on-site examinations, OCC will work to ensure that national banks and Federal savings associations appropriately identify, account for, and follow prudent strategies for problem assets; instill 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 will be identifying and resolving potential problem banks at the earliest possible stage; encouraging national banks and Federal savings associations to meet the needs of credit worthy borrowers, including appropriate and effective residential mortgage modification programs, and ensuring that they comply with the Community Reinvestment Act and the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) and USA PATRIOT Act requirements; and further enhancing OCC's supervisory analytical tools.

A major focus of the OCC's supervisory, regulatory, and administrative programs in FYs 2011-2012 will be implementing applicable provisions of the Dodd-Frank Act. The OCC will work closely within the Treasury and other federal regulatory agencies on these initiatives, including developing and issuing implementing rulemakings on a broad range of topics, including regulatory capital; permissible proprietary trading, hedge fund, and private equity fund investments (the so-called Volcker rule); derivative margin requirements; executive compensation; risk retention standards for securitizations; and real estate appraisals. Similarly, the OCC is working to provide smooth transitions for the transfer and integration of various regulatory and supervisory functions across and among the agencies. These efforts will include the transfer of certain supervisory responsibilities and personnel associated with consumer compliance activities to the Consumer Financial Protection Bureau (CFPB) and the integration of the Office of Thrift Supervision (OTS) functions and personnel into the OCC.

In FY 2011, an estimated \$814,479 is needed to fund ongoing OCC operations and address program priorities effectively. Estimated OCC revenue for FY 2011 is \$820,200.

Operations are funded primarily (approximately 97 percent) from semiannual assessments levied on national banks, and for FY 2012, 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.

OCC FY 2012 Budget Highlights

(Dollars in thousands)

Budget Estimate	Amount
FY 2010 Actual	\$740,423
FY 2011 Estimated	\$814,479
Changes to Base:	
Maintaining Current Levels (MCLs):	\$4,564
Maintaining Current Levels	\$4,564
Subtotal FY 2012 Changes to Base	\$4,564
Total FY 2012 Base	\$819,043
Program Changes:	
Program Increases:	\$221,713
Adjustment	\$221,713
Subtotal FY 2012 Program Changes	\$221,713
Total FY 2012 Estimate	\$1,040,756

Explanation of Budget Activities

Supervise (\$680,090,000 from reimbursable programs)

The Supervise program consists of 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. Included are 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.

Regulate (\$107,511,000 from reimbursable programs)

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

Charter (\$26,878,000 from reimbursable programs)

The Charter program consists of 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.

Capital Investments Summary

Central Application Tracking System (CATS) - This initiative will significantly improve the accuracy, tracking, monitoring, recording, and reporting of the applications and notices by the Licensing and Community Affairs Departments.

Personnel Administration and Security System (PASS) - This initiative will improve and automate core personnel security processes, including on-boarding and off-boarding. The PASS initiative will bring the OCC into compliance with audit and Homeland Security Presidential Directive 12 (HSPD-12) requirements.

OCC Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Prevented or mitigated financial and economic crises	Percent of National Banks With Composite CAMELS Rating 1 or 2 (Oe)	92.0	82.0	70.0	90.0	90.0
Prevented or mitigated financial and economic crises	Percentage of National Banks with Consumer Compliance Rating of 1 or 2 (Oe)	97.0	97.0	95.0	94.0	94.0
Prevented or mitigated financial and economic crises	Rehabilitated National Banks as a Percentage of Problem National Banks One Year Ago (CAMEL 3,4, or 5) (Oe)	47.0	29.0	23.0	40.0	40.0
Improved economic opportunity at home and abroad	Percentage of National Banks that are Categorized as Well Capitalized (Oe)	99.0	86.0	90.0	95.0	95.0
Charter	Percentage of Licensing Applications and Notices Completed within Established Timeframes (Oe)	95.0	95.0	96.0	95.0	95.0

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

Description of Performance

The Federal Deposit Insurance Act established a system that classifies insured depository institutions into five categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on their capital levels relative to their risks. Through September 30, 2010, 90 percent of national banks were classified as well capitalized.

The composite CAMELS (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk) rating reflects the overall condition of a bank. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational, and compliance factors inherent in a bank. The rating scale is 1 through 5 of which 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. Through September 30, 2010, 70 percent of national banks earned composite CAMELS rating of either 1 or 2.

Problem banks ultimately can reach a point at which rehabilitation is no longer feasible. The OCC's early identification and intervention with problem banks can lead to successful remediation of these banks. As a result, 23 percent of banks with composite CAMELS ratings of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year.

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. 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 95 percent earning a consumer compliance rating of either 1 or 2 through September 30, 2010.

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. 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, 2010.

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. This measure supports the OCC's strategic goal of efficient use of agency resources.