



## **Fiscal Year 2016 Operating Plan Office of the Comptroller of the Currency Committee on Bank Supervision**

The Office of the Comptroller of the Currency's (OCC) Committee on Bank Supervision (CBS) annually develops an operating plan that sets forth the agency's supervision priorities and objectives. The agency's fiscal year (FY) for 2016 begins October 1, 2015, and ends September 30, 2016. The FY 2016 CBS operating plan outlines the OCC's bank supervision priorities by operating unit and aligns with "The OCC's Strategic Plan, Fiscal Years 2015–2019," National Risk Committee (NRC) risk priorities, and the OCC's response to international peer review<sup>1</sup> recommendations. The operating plan guides the development of supervisory strategies for individual national banks and federal savings associations (collectively, banks). CBS managers use this plan to guide their supervisory priorities, planning, and resource allocations for FY 2016.

### **Priority Objectives for CBS Operating Units**

The FY 2016 operating plan identifies priority objectives across each of the CBS operating units that CBS managers will use in developing individual operating unit plans and risk-focused bank supervisory strategies. While the objectives are similar for Large Bank Supervision and Midsize and Community Bank Supervision, CBS managers will differentiate the size, complexity, and risk profile of the banks when developing supervisory strategies. The OCC will adjust supervisory strategies as appropriate during the fiscal year in response to emerging risks and supervisory priorities. For FY 2016, the development of supervisory strategies focused on the following priority objectives:

- Business model and strategy changes
- Compliance
- Credit risk and loan underwriting
- Cybersecurity and resiliency planning
- Interest rate risk

The OCC will provide periodic updates about supervisory priorities through the *Semiannual Risk Perspective* in the spring and fall and with a mid-cycle operating plan status report in the third quarter of the fiscal year. The following provides additional details on the operating plan for each CBS operating unit and for the NRC, which coordinates across CBS operating units.

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<sup>1</sup> See [OCC News Release 2014-75](#), "OCC Announces Actions to Respond to International Peer Review Recommendations" (May 28, 2014).

## National Risk Committee

The NRC serves as a central point of coordination for the agency's existing and emerging supervision and policy issues, including recommended actions to address such issues. NRC initiatives focus on the following:

- **Staffing:** Effectively using dedicated staff members to identify existing and emerging supervision risks across the agency.
- **Supervisory analytics:** Establishing an NRC management information system and analytics group with an agency-wide perspective to develop a core NRC data package.
- **Coordination:** Incorporating frontline perspectives on key supervisory initiatives, rulemakings, and guidance through operating unit and risk committees that regularly report to the NRC.
- **Horizontal reviews:** Facilitating horizontal reviews and ensuring review findings are disseminated and incorporated, as applicable, for consideration of future bank supervision strategies.
- **Communication:** Providing timely assessments to the industry and examiners of banking risks through the *Semiannual Risk Perspective* and other internal and external issuances, as appropriate.
- **Standardized processes:** Using and refining established documentation standards for assessing supervision risk, including the scope of banks most affected by specific issues under review.
- **Effectiveness measures:** Measuring effectiveness of actions taken in response to issues highlighted by the NRC and recommending adjustments, as needed.
- **Collaboration:** Maintaining regular interaction with domestic and international regulators, trade groups, and other interested parties to effectively identify system-wide risk and facilitate consistent regulatory responses.

## Large Bank Supervision

Large Bank Supervision will develop and execute individually approved FY 2016 supervisory strategies for each large bank, federal branch, or federal agency. Supervisory strategies will focus on key risks, achieve supervisory objectives, and effectively use OCC resources. As appropriate, examiners will consult and coordinate on supervisory strategies with other agencies, primarily the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, U.S. Securities and Exchange Commission, U.S. Commodity Futures Trading Commission, and the Consumer Financial Protection Bureau. Large Bank Supervision focuses on the following:

- **Governance and oversight:** Assessing business model and strategy changes and their risks, focusing on bank governance and risk management practices, to ensure compliance with the final guidelines for heightened standards and to identify substantive gaps.<sup>2</sup> Examiners should

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<sup>2</sup> [OCC Bulletin 2014-45](#), "Heightened Standards for Large Banks; Integration of 12 CFR 30 and 12 CFR 170: Final Rules and Guidelines" (September 25, 2014). Enforceable guidelines establish minimum standards for the design and implementation of a risk governance framework for large insured national banks, insured federal savings associations, and insured federal branches of foreign banks.

ensure that any gaps are clearly documented and communicated and that management has committed to appropriate time frames to close the gaps.

- **Credit underwriting:** Reviewing commercial and retail credit underwriting practices, especially for leveraged loans, indirect auto loans, and commercial loans, sectors that have experienced higher growth and weakening underwriting standards. Examiners will continue to assess banks' efforts to mitigate risk for home equity lines of credit approaching end-of-draw periods.<sup>3</sup>
- **Cyber threats:** Reviewing banks' programs for assessing the evolving cyber threat environment and banks' cyber resilience. Examiners will use the new Cybersecurity Assessment Tool<sup>4</sup> in conjunction with information security and operational risk supervisory activities.
- **Operational risk:** Assessing information security and data protection, model risk management, and third-party risk management, including risks associated with third-party relationships.<sup>5</sup> OCC supervisory staff members evaluate bank management's plans to respond to increasing operational risk resulting from the introduction of new or revised business products, processes, delivery channels, or third-party relationships.
- **Bank Secrecy Act/Anti-Money Laundering:** Assessing effectiveness of Bank Secrecy Act/Anti-Money Laundering programs and controls to address evolving money-laundering schemes, the rapid pace of technological change, and overall money laundering and terrorist financing risks.
- **Compliance:** Developing and implementing plans for assessing compliance with new regulatory requirements, including those related to capital, liquidity, trading activities, residential mortgages, and risk retention. Emphasis will be on the following:
  - Assessing compliance management systems to determine operational and compliance issues arising in connection with the integrated mortgage disclosure under the Truth in Lending Act of 1968 and the Real Estate Settlement Procedures Act of 1974.
  - Continuing to share information and coordinate examinations with the Consumer Financial Protection Bureau to assess overall compliance with consumer laws, regulations, and guidance.
  - Determining compliance with the Flood Disaster Protection Act of 1973 and the Servicemembers Civil Relief Act of 2003, focusing on adequacy of enterprise-wide compliance risk management.
  - Assessing banks' effectiveness in identifying and responding to risks posed by new products, services, or terms.
- **Interest rate risk:** Focusing on management of interest rate risk to ensure that banks properly assess vulnerability to changes in interest rates. Emphasis will be on banks' ability to accurately assess nonmaturity deposit changes under varying model scenarios.
- **Fair access:** Assessing banks' efforts to meet the needs of creditworthy borrowers and monitoring banks' compliance with the Community Reinvestment Act and fair lending laws

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<sup>3</sup> [OCC Bulletin 2014-29](#), "Risk Management of Home Equity Lines of Credit Approaching the End-of-Draw Periods: Interagency Guidance" (July 1, 2014).

<sup>4</sup> The Federal Financial Institutions Examination Council developed the Cybersecurity Assessment Tool to help institutions identify their risks and determine their cybersecurity preparedness. See [OCC Bulletin 2015-31](#), "FFIEC Cybersecurity Assessment Tool" (June 30, 2015).

<sup>5</sup> [OCC Bulletin 2013-29](#), "Third-Party Relationships: Risk Management Guidance" (October 30, 2013).

and regulations.

- **Matters requiring attention and enforcement actions:** Ensuring effective, timely, and consistent application of guidance for matters requiring attention and enforcement actions. This work includes assessing and validating that requirements for matters requiring attention (MRA) and enforcement actions are met and that concerns are addressed and the MRA/action is closed or terminated in a timely manner. Examiners-in-charge will clearly communicate any additional actions needed to satisfy the requirements.
- **Industry outreach:** Conducting outreach sessions with the industry and other appropriate parties to present OCC perspectives on emerging issues, explain new policies and regulations, clarify supervisory expectations, and provide bankers opportunities to discuss their concerns with regulators and peers.

### **Midsize and Community Bank Supervision**

Midsize and Community Bank Supervision will develop and execute supervisory strategies for each bank. Supervisory strategies will focus on key risks, achieve supervisory objectives, and effectively use OCC resources. As appropriate, examiners will consult and coordinate on supervisory strategies with other agencies, primarily the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Consumer Financial Protection Bureau. Midsize and Community Bank Supervision will focus on the following:

- **Governance and oversight:** Assessing business model and strategy changes and reinforcing the importance of sound corporate governance appropriate for the size and complexity of the individual bank. A specific focus will be on determining the adequacy of strategic, capital, and succession planning. Examiners will assess whether the plan is appropriate in light of the risks in new products or services. If applicable, examiners will assess the bank's merger and acquisition processes and procedures.
- **Credit underwriting:** Evaluating underwriting practices on new or renewed loans for easing in structure and terms. Reviews will focus on new products, areas of highest growth, or portfolios that represent concentrations. Examiners will continue to assess banks' efforts to mitigate risk for home equity lines of credit approaching end-of-draw periods.<sup>6</sup>
- **Cyber threats:** Reviewing banks' programs for assessing the evolving cyber threat environment and banks' cyber resilience. Examiners will use the new Cybersecurity Assessment Tool.
- **Operational risk:** Assessing information security and data protection, model risk management, and third-party risk management, including risks associated with third-party relationships.<sup>7</sup> OCC supervisory staff members will evaluate bank management's plans to respond to increasing operational risk resulting from the introduction of new or revised business products, processes, delivery channels, or third-party relationships.
- **Bank Secrecy Act/Anti-Money Laundering:** Determining whether banks have effective Bank Secrecy Act/Anti-Money Laundering programs and controls to address changing customer profiles, evolving money-laundering schemes, the rapid pace of technological

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<sup>6</sup> [OCC Bulletin 2014-29](#), "Risk Management of Home Equity Lines of Credit Approaching the End-of-Draw Periods: Interagency Guidance" (July 1, 2014).

<sup>7</sup> [OCC Bulletin 2013-29](#), "Third-Party Relationships: Risk Management Guidance" (October 30, 2013).

- change, and the overall risk that money laundering and terrorist financing activities create.
- **Compliance:** Evaluating adequacy of compliance risk management and assessing banks' effectiveness in identifying and responding to risks posed by new products, services, or terms. Examiners will also assess compliance with the following:
    - new requirements for integrated mortgage disclosure under the Truth in Lending Act of 1968 and the Real Estate Settlement Procedures Act of 1974.
    - relevant consumer laws, regulations, and guidance for banks under \$10 billion in assets.
    - Flood Disaster Protection Act of 1973 and the Servicemembers Civil Relief Act of 2003.
  - **Interest rate risk:** Evaluating management of interest rate risk including the ability to accurately identify and quantify interest rate risk in assets and liabilities under varying model scenarios.
  - **Fair access:** Assessing banks' efforts to meet the needs of creditworthy borrowers and to monitor banks' compliance with the Community Reinvestment Act and fair lending laws. Examiners at banks with more than \$500 million in assets will continue to use the Fair Lending Risk Assessment Tool in their fair lending assessments.
  - **Matters requiring attention and enforcement actions:** Ensuring effective, timely, and consistent application of guidance for matters requiring attention and enforcement actions. This includes assessing and validating that requirements for matters requiring attention and enforcement actions are met and that concerns are addressed and the action/MRA is closed or terminated in a timely manner. Examiners-in-charge will clearly communicate any additional actions needed to satisfy requirements.
  - **Industry outreach:** Conducting outreach sessions with the industry and other appropriate parties to present OCC perspectives on emerging issues, explain new policies and regulations, clarify supervisory expectations, and provide bankers opportunities to discuss their concerns with regulators and peers.

### Chief National Bank Examiner

The Office of the Chief National Bank Examiner focuses on monitoring risk, developing agency supervisory policy, and supporting examination activities. Initiatives for FY 2016 include the following:

- **Risk assessment:** Improving the OCC's ability to anticipate and address emerging risks by working with the NRC, Financial Stability Oversight Council, Office of Financial Research, Federal Reserve, Federal Deposit Insurance Corporation, and Consumer Financial Protection Bureau to identify system-wide risk and related metrics.
- **Policy guidance:** Working with the NRC and its support committees to identify new or emerging risks and to provide timely policy guidance. A focus will be on collaborating with the NRC, CBS, Office of Enterprise Risk Management, Economics Department, Chief Counsel's Office, Licensing Division, and Office of Continuing Education to prioritize the resources necessary to develop and implement new or updated guidance.
- **Supervisory analytics:** Enhancing analytical tools for internal clients to measure and monitor bank performance, including benchmarks, performance dashboards, and improved tracking and reporting of matters requiring attention and enforcement actions. Assisting with development, implementation, and ongoing monitoring of metrics for assessing banks' compliance with new regulatory requirements, including those related to capital, liquidity,

trading activities, residential mortgages, and risk retention.

- **Technical assistance:** Delivering technical assistance to supplement OCC supervisory activities, including providing timely responses to examiner inquiries, on-site examination support, resource materials, comparative data, and tools that benefit internal and external audiences.
- **Industry outreach:** Conducting outreach sessions with the industry and other appropriate parties to present OCC perspectives on emerging issues, explain new policies and regulations, clarify supervisory expectations, and provide bankers opportunities to discuss their concerns with regulators and peers.