RESCINDED

OCC 95-7

OCC BULLETIN

This issuance has been replaced by OCC 2011-48.

Comptroller of the Currency
Administrator of National Banks

Subject: Concentrations of Credit

Description: Identifying Credit Concentrations

TO: The Chief Executive Officers of all National Banks, Department and Division Heads, and all Examining Personnel

PURPOSE

This bulletin announces the OCC's decision to include information about concentrations of credit in the reports of examination of national banks. Effective immediately, all OCC reports of examination issued in connection with a full scope, onsite safety and soundness examination will include a page detailing all concentrations of credit.

BACKGROUND

On December 15, 1994, the Office of the Comptroller of the Currency (OCC) published a final rule implementing certain requirements imposed by section 305 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). Among its provisions, that section of FDICIA required the OCC to revise its risk-based capital standards (12 CFR 3) to take into account the risks involved in concentrations of credit and nontraditional activities.

The rule does not contain any specific quantitative requirements for measuring risks associated with concentrations of credit. A bank's ability to monitor and control its concentrations of credit and the inherent risks of such concentrations are important factors in assessing its overall capital adequacy. Banks with significant exposure to risks of concentrations of credit, or those not adequately managing concentration risks, require capital in excess of regulatory minimums.

The OCC believes that bank directors and management should be aware of the type and level of concentrations of credit and supervisory concerns related to those concentrations. Although some concentrations of credit are inevitable, they nonetheless can pose risks to bank capital. Effective tracking and management of concentration risks is important in ensuring the safety and soundness of national banks.

The requirements of this bulletin should not place any undue increase in burden on banks. Examiner burden will increase to the extent that information on concentrations is to now be noted on a report page and in the OCC's Supervisory Monitoring System (SMS). The type of information sought is already routinely gathered and reviewed by bankers and examiners.

IMPLEMENTATION

The guidelines and definitions currently set out in section 216 of the Comptroller's Handbook for National Bank Examiners (CHNBE) are to be used when preparing the Concentrations page for the report of examination. A concentration of credit consists of direct, indirect, or contingent obligations exceeding 25 percent of a bank's capital structure. For purposes of calculating levels of concentrations of credit, the term "bank's capital structure" means Tier 1 capital plus the Allowance for Loan and Lease Losses.

The report page, which was optional, now becomes mandatory and must be included in all OCC safety and soundness reports of examination issued after the date of this bulletin. Attached to this bulletin is an example of a revised Concentrations report page. The page should be placed immediately after the Capital Adequacy page. If there are no concentrations, as defined by Section 216 of the CHNBE, this page should indicate that fact with the word "None" in the narrative comment portion.

Examiners are to note the type and level of concentrations of credit in the Background section of the SMS Overall Summary Comments. Information should be limited to: description, SIC code (if applicable), and percent level. Any comments relative to supervisory concern about concentrations of credit should be incorporated into the report of examination and SMS Analysis comment.

Additional changes will be made to fully incorporate concentrations into the OCC's supervisory information system. As these changes are made, further guidance will be issued relative to data gathering for internal and/or external reporting as well as revisions to appropriate handbook sections (i.e., Report of Examination, Concentrations), the ROE pamphlet, and Examining Circular 263 (SMS Documentation).

QUESTIONS

Questions concerning this bulletin should be directed to the Office of the Chief National Bank Examiner at (202) 874-5190.

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Chief National Bank Examiner

Attachment

CONCENTRATIONS

Charter: 99999

Listed below are direct, indirect or contingent obligations of the same or affiliated interests which represent 25% or more of the bank's capital structure (Tier 1 Risk-based capital plus the Allowance for loan and lease losses). This list provides supplementary information, and any supervisory concerns regarding concentrations of credit are discussed in other appropriate narrative comments of this report of examination. The listing consists of all types of loans, including overdrafts; cash items; suspense resources; securities (including derivatives and mutual fund investments); leases; acceptances; advances; letters of credit; all other obligations due to the bank; and loans endorsed, guaranteed or cosigned by related individuals. Concentrations by industry, product line, types of collateral, etc. are detailed where appropriate. The listing also includes due from banks time and demand accounts, federal funds sold and other assets carried on the books of this bank where payment is dependent on one financial institution or affiliated group and the aggregate totals represent 25% or more of the bank's capital structure. U.S. Government corporations and agencies and any assets collateralized by same are not scheduled.

Amount	Type and Comments	Total
31,502	Due from bank - demand	
500,000	Federal Funds Sold - term	
2,150,000	Federal Funds Sold - overnight	2,681,502
	Normal National Bank Anytown, State	
	Represents 84.6% of bank's capital structure. For information purposes only.	
1,050,000	Commercial loans	1,050,000
	Loans secured by stock of Joe's Motor Corporation.	
	Represents 33.1% of bank's capital structure.	