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Heightened Standards for Large Banks; Integration of 12 CFR 30 and 12 CFR 170: Final Rules and Guidelines

Summary

The Office of the Comptroller of the Currency (OCC) issued enforceable final guidelines that 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 (collectively, banks). The final guidelines also establish minimum standards for an institution's board of directors in overseeing the framework. In addition, as part of the OCC's ongoing efforts to integrate the regulations of the OCC and the former Office of Thrift Supervision, the OCC issued final rules and guidelines to make 12 CFR 30 and all of its appendixes applicable to federal savings associations and to remove 12 CFR 170 of the OCC's regulations. 12 CFR 30 and 12 CFR 170 are nearly identical, except that 12 CFR 30 includes an appendix governing residential mortgage lending.

To

Chief Executive Officers of All National Banks and Federal Savings Associations, Federal Branches and Agencies, Department and Division Heads, All Examining Personnel, and Other Interested Parties

Highlights

The heightened standards guidelines

- apply to banks with average total consolidated assets (1) equal to or greater than $50 billion; (2) less than $50 billion, if that bank's parent company controls at least one other covered bank; or (3) less than $50 billion, if the OCC determines that the bank's operations are highly complex or otherwise present a heightened risk that warrants the application of the guidelines.
- set out the roles and responsibilities for front line units, independent risk management, and internal audit. These organizational units are fundamental to the design and implementation of the framework.
- provide that a covered bank should have a comprehensive written statement that articulates the covered bank's risk appetite and serves as a basis for the framework (i.e., a risk appetite statement).
- provide that the board should require management to establish and implement an effective framework that complies with the guidelines and approve any significant changes to the framework.
- provide that the board should actively oversee a covered bank's risk-taking activities and hold management accountable for adhering to the framework.
- provide that at least two members of a covered bank's board should be independent.

Note for Community Banks

The final heightened standards guidelines do not apply to community banks.

The final rules and guidelines integrating 12 CFR 30 and 12 CFR 170 make 12 CFR 30 and all of its appendixes applicable to all federal savings associations. The application of appendix C, which contains guidelines for residential mortgage lending, to federal savings associations results in a change from current law. The final rules and guidelines also remove 12 CFR 170 as redundant.

Background and Compliance Dates

The final rules and guidelines were published in the *Federal Register* on September 11, 2014, and become effective on November 10, 2014.

The heightened standards guidelines are issued pursuant to section 39 of the Federal Deposit Insurance Act (FDIA), 12 USC 1831p-1, which authorizes the OCC to prescribe, by guideline, operational and managerial standards for national banks and federal savings associations. The heightened standards guidelines are enforceable under section 39 of the FDIA.

The heightened standards guidelines contain a schedule that phases in the compliance date of the guidelines. A covered bank with average total consolidated assets

- equal to or greater than $750 billion should comply by the effective date of the guidelines.
- equal to or greater than $100 billion but less than $750 billion should comply within six months from the effective date.
- equal to or greater than $50 billion but less than $100 billion should comply within 18 months from the effective date.
- less than $50 billion that is a covered bank because that bank's parent company controls at least one other covered bank as of the effective date should comply on the same date that the other covered bank should comply.
- less than $50 billion on the effective date, but that exceeds this threshold after the effective date, should comply within 18 months from the most recent call report used in the calculation of average total consolidated assets.

Further Information

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Related Link

- OCC Guidelines Establishing Heightened Standards for Certain Large Insured National Banks, Insured Federal Savings Associations, and Insured Federal Branches; Integration of Regulations: Final Rules and Guidelines (PDF)