

# RESCINDED

OCC BULLETIN 2015-50

**Subject: Enforceable Guidelines for Recovery Planning**

**Date: December 17, 2015**

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

**Transmittal: See OCC 2016-30**

**Description: Notice of Proposed Rulemaking**

## Summary

The Office of the Comptroller of the Currency (OCC) is requesting comment on a proposed rule to establish enforceable guidelines for recovery planning by insured national banks, insured federal savings associations, and insured federal branches of foreign banks with average total consolidated assets of \$50 billion or more (covered banks). The guidelines are issued pursuant to a federal statute that authorizes the OCC to prescribe operational and managerial standards for national banks and federal savings associations (collectively, banks). The OCC guidelines would be enforceable under the terms of that statute.

The comment period for the proposed rule ends February 16, 2016.

### Note for Community Banks

The proposed guidelines would generally apply to banks with average total consolidated assets of \$50 billion or more and therefore would not apply to community banks.

## Highlights

### Recovery Plan

- The proposed guidelines provide that a covered bank should develop and maintain a recovery plan that is appropriate for its individual risk profile, size, activities, and complexity, including the complexity of its organizational and legal entity structure. The proposed guidelines state that a recovery plan should do the following:
  - Establish triggers, which are quantitative or qualitative indicators of the risk or existence of severe stress that should always be escalated to management or the board of directors, as appropriate, for purposes of initiating a response. To identify triggers that appropriately reflect the particular vulnerabilities of a covered bank, the bank should design severe stress scenarios that would threaten its critical operations or cause the covered bank to fail if one or more recovery options were not implemented in a timely manner.
  - Identify a wide range of credible options that a covered bank could undertake to restore financial and operational strength and viability. A recovery plan should include an assessment and description of the effect of each credible option on the covered bank.
  - Address escalation procedures, management reports, and communication procedures.

### Management and Board of Directors

- The proposed guidelines provide that management of the covered bank should review the recovery plan at least annually and in response to a material event. Management should revise the plan as necessary to reflect material changes in the covered bank's risk profile, complexity, size, and activities, as well as changes in external threats. This review should evaluate the covered bank's organizational structure and its effectiveness in facilitating a recovery.
- The proposed guidelines provide that the covered bank's board of directors (or an appropriate committee of the board) should review and approve the recovery plan at least annually and more often as needed to address any changes made by management.

### **Enforceability of the Guidelines**

- The proposed guidelines would be enforceable pursuant to section 39 of the Federal Deposit Insurance Act (FDIA), 12 USC 1831p-1. If a covered bank fails to meet a standard prescribed by the guidelines, the OCC may require the covered bank to submit a plan specifying the steps it will take to comply with the standard. The OCC may issue an order enforceable under section 8 of the FDIA, 12 USC 1818(b), if a covered bank, after being notified that it is in violation of a standard, fails to submit an acceptable compliance plan or fails materially to comply with an OCC-approved plan. The OCC is proposing to issue the guidelines as a new appendix E to part 30 of OCC regulations.

### **Background**

The financial crisis highlighted the fact that many financial institutions had insufficient plans for identifying and responding rapidly to significant stress events. As a result, many institutions were forced to take significant actions quickly and without the benefit of a well-developed plan. In addition, recent large-scale operational events, such as destructive cyber attacks, demonstrate the need for institutions to plan how to address significant stress events before they happen. The OCC believes that, to fill this gap, covered banks should have recovery plans that identify options for responding to stress events.

The OCC recognizes that many covered banks already engage in significant planning to respond to events such as cyber attacks, business interruptions, and leadership vacancies. The OCC does not intend for the recovery planning required by these guidelines to duplicate these efforts, and it encourages covered banks to leverage their existing planning.

The OCC's proposal addresses recovery planning for covered banks and provides a comprehensive framework for evaluating how severe stress may affect the covered bank as a whole and the options that will allow the covered bank to remain viable even under severe stress. As part of the OCC's regular supervisory activities, OCC examiners will assess the appropriateness and adequacy of a covered bank's recovery planning process and the integration of that process into the covered bank's overall risk management and corporate governance functions. Examiners will also assess the quality and reasonableness of a covered bank's recovery plan, including its triggers and the stress scenarios upon which the triggers are based, recovery options, impact assessments, and execution strategies, as well as the covered bank's management and board responsibilities.

### **Further Information**

Please contact Lori Bittner, Large Bank Supervision—Resolution and Recovery, at (202) 649-6093; Stuart Feldstein, Director, Andra Shuster, Senior Counsel, or Karen McSweeney, Counsel, Legislative and Regulatory Activities Division, at (202) 649-5490; or Valerie Song, Assistant Director, Bank Activities and Structure Division, at (202) 649-5500.

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### **Related Link**

- “Notice of Proposed Rulemaking: Guidelines Establishing Standards for Recovery Planning by Certain Large Insured National Banks, Insured Federal Savings Associations, and Insured Federal Branches”

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