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Transmittal – See OCC 2020-11

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Enforceable Guidelines for Recovery Planning: Final Guidelines

Summary

The Office of the Comptroller of the Currency (OCC) is publishing final guidelines that establish enforceable standards for recovery planning by insured national banks, federal savings associations, and federal branches of foreign banks with average total consolidated assets of \$50 billion or more (collectively, covered banks). The final 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 final guidelines are enforceable under the terms of that statute.

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

Note for Community Banks

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

Highlights

Recovery Plan

- The final guidelines provide that a covered bank should develop and maintain a recovery plan that is appropriate for its individual size, risk profile, activities, and complexity, including the complexity of its organizational and legal entity structure.
- The final guidelines state that a recovery plan should do the following:
 - Identify triggers, which are quantitative or qualitative indicators of the risk or existence of severe stress; the breach of a trigger should always be escalated to senior management, the board of directors (board), or an appropriate committee of the board, 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 in response to severe stress to restore its financial strength and viability. A recovery plan should include an assessment and description of how each credible option would affect the covered bank.
 - Address escalation procedures, management reports, and communication procedures.
- The final guidelines state that a covered bank's recovery plan should be integrated into its risk governance functions and aligned with its other plans. The recovery plan

should be specific to each covered bank and coordinated with any recovery and resolution planning by the covered bank's holding company.

Management and Board of Directors

- The final 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 size, risk profile, activities, and complexity, 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 final guidelines provide that the covered bank's board or an appropriate committee of the board should review and approve the recovery plan at least annually, and as needed to address any significant changes made by management.

Enforceability of the Guidelines

- The final guidelines are 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 issuing the final guidelines as appendix E to the OCC's regulations at 12 CFR 30.

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 without the benefit of a well-developed plan. In addition, recent large-scale events, such as destructive cyber attacks, demonstrate the need for institutions to plan how to respond to such occurrences.

The OCC believes that covered banks should have recovery plans that identify options for responding to the financial effects of severe 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 described by these final guidelines to duplicate these efforts, and it encourages covered banks to leverage their existing planning.

The OCC's final guidelines address recovery planning for covered banks and provide a comprehensive framework for evaluating the financial effects of severe stress that may affect a covered bank as a whole and the options that will allow the covered bank to remain viable under severe stress. OCC examiners will assess the appropriateness and adequacy of a covered bank's ongoing recovery planning process as part of the agency's regular supervisory activities.

Further Information

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Related Link

- [“OCC Guidelines Establishing Standards for Recovery Planning by Certain Large Insured National Banks, Insured Federal Savings Associations, and Insured Federal Branches: Technical Amendments to Part 30”](#)

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