



Fiscal Year 2016 Mid-Cycle Operating Plan Status Report
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 broad supervision priorities and objectives. The agency's fiscal year (FY) commenced on October 1, 2015, and concludes September 30, 2016. The operating plan provides the foundation for developing individual bank supervisory strategies and policy initiatives. CBS managers use this plan to guide their supervisory priorities, planning, and resource allocations for FY 2016. This document provides a mid-cycle status report on some of the key accomplishments to date and priorities for the remainder of the year.

Key Actions Completed Through First Half of FY 2016

The Large Bank Supervision (LBS) and Midsize and Community Bank Supervision (MCBS) departments are executing approved supervisory strategies designed to ensure individual national banks and federal savings associations (collectively, banks) operate in a safe and sound manner and provide fair access and fair treatment to customers.¹ OCC staff, as appropriate, collaborated with the Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, and Board of Governors of the Federal Reserve System (Federal Reserve) in developing and executing coordinated supervisory strategies. While supervisory strategies require extensive advance planning, these strategies remain flexible as priorities change in response to emerging risks.

OCC supervisory staff issued various supervisory communication, including 557 reports of examination, from October 1, 2015, to March 31, 2016, to communicate examination findings to bank boards of directors and management. When examiners identified weaknesses or undue risk, they directed bank management to implement appropriate remedial actions.

The OCC operating units provided examiners and bankers with tools, policy guidance, and best practices to address existing and emerging risks. Specific supervisory initiatives included the following:

- Continuing to balance prudent credit risk management with the ability to reduce barriers to financing homes in communities officially targeted for revitalization.²

¹ The "[Bank Supervision Process](#)," "[Community Bank Supervision](#)," and "[Large Bank Supervision](#)" booklets of the *Comptroller's Handbook* establish the supervisory framework for bank supervision.

² Remarks by Thomas J. Curry, Comptroller of the Currency before the 2016 National Interagency Community Reinvestment Conference, Los Angeles, California, February 9, 2016.

- Implementing an interagency initiative to improve cybersecurity awareness by using the Federal Financial Institutions Examination Council’s Cybersecurity Assessment Tool for bankers and examiners.
- Conducting OCC examiner-led workshops to provide practical training and guidance for bank directors to support the safe and sound operation of community banks.
- Monitoring the direct and correlated risk to OCC-supervised banks from leveraged lending and sustained low crude oil prices through established supervisory strategies; updating the *Comptroller’s Handbook* booklet titled “[Oil and Gas Exploration and Production Lending](#)”; and participating in the interagency [Shared National Credits](#) review in February. The Shared National Credits review involves two reviews, with the second in the latter part of FY 2016, to maintain rigorous credit risk monitoring.
- Issuing the OCC’s 21st annual [Survey of Credit Underwriting Practices](#) report, which highlighted continued easing in underwriting standards and increasing credit risk. Examiners in each operating unit focused on evaluating new loan originations, new product portfolios, and loan portfolios with increasing volumes.
- Issuing the eighth OCC [Semiannual Risk Perspective](#) report, which discusses emerging risks facing OCC-supervised banks and identifies supervisory priorities for the OCC.
- Conducting 316 outreach meetings or presentations with bankers to ensure that the banking industry understands OCC perspectives and expectations.
- Coordinating with the Federal Deposit Insurance Corporation, Federal Reserve, Financial Stability Oversight Council, and Basel-related committees on supervisory policies and strategies.
- Actively implementing the Dodd–Frank Wall Street Reform and Consumer Protection Act and developing enhanced capital and liquidity rules.

Priority Objectives for CBS Operating Units

For the remainder of the fiscal year, the OCC will continue to execute individually approved FY 2016 supervisory strategies. These strategies are designed to prioritize risks, achieve supervisory objectives, and effectively use OCC resources. Generally, the objectives are similar for large bank supervision and midsize and community bank supervision; however, individual bank strategies vary given the bank’s size, complexity, and risk profile. The supervisory focus for the second half of FY 2016 centers on the following:

- **Compliance:** OCC supervisory staff will assess changes in higher-risk customers and determine whether overall Bank Secrecy Act/Anti-Money Laundering program controls are commensurate with the bank’s products, services, customers, and geographies. Staff will also continue to assess the bank’s effectiveness in complying with consumer laws, regulations, and guidance, which includes the Truth in Lending Act and the Real Estate Settlement Procedures Act Integrated Disclosures Rule requirements³ and preparation for implementation of the Military Lending Act.
- **Operational resiliency:** OCC supervisory staff will review the bank’s adequacy of operational resiliency to information security risks, cybersecurity threats, and third-party

³ Refer to OCC Bulletin 2015-27, “Consumer Compliance: Revised Interagency Examination Procedures for Consumer Compliance,” May 1, 2015.

relationship risk management. Supervisory staff should continue to implement the Federal Financial Institutions Examination Council's Cybersecurity Assessment Tool.

- **Credit risk management:** OCC supervisory staff will evaluate credit risk management, particularly concentration risk management, credit underwriting practices, loan growth strategies, quality of loan policies, allowance for loan and lease losses methodology, and stress testing.
- **Stress testing:** As part of credit stress testing, OCC supervisory staff will assess the spillover effect of continued low oil prices and evaluate the banks' practices for stress testing affected loans.
- **Strategic planning and execution:** OCC supervisory staff will assess bank board and management understanding of the benefits and risks of their overall business strategies and strategic changes before implementing new products and services, business model changes, outsourcing, and merger and acquisition activities.
- **Corporate governance:** OCC Large Bank Supervision staff will evaluate the bank governance and risk management practices with a focus on identifying substantive gaps related to heightened standards for risk governance.⁴
- **Interest rate risk:** OCC supervisory staff will focus on interest rate risk measurement processes to ensure that management properly assesses banks' vulnerability to changes in interest rates and implements measurement tools to monitor and control this risk. Staff will focus on banks' ability to accurately identify and quantify interest rate risk with emphasis on funding pressure that may arise with deposits.

This summer, the OCC will release the supervisory priorities that form the basis for developing supervisory strategies for FY 2017. The OCC will continue to adjust supervisory strategies as appropriate, given meaningful changes in emerging risks and supervisory priorities. In addition to the annual fiscal year guidance, the OCC will provide periodic updates to communicate supervisory priorities through the *Semiannual Risk Perspective* in the spring and fall, and a mid-cycle operating plan update in the third quarter of the fiscal year.

⁴ 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.