

# Office of Comptroller of the Currency

## Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2008	FY 2009		FY 2010	
	Obligated	Estimated	Estimated	\$ Change	% Change
Supervise	\$565,921	\$647,400	\$693,285	\$45,885	7.09%
Regulate	\$87,583	\$102,343	\$109,597	\$7,254	7.09%
Charter	\$20,212	\$25,586	\$27,399	\$1,813	7.09%
<b>Total Cost of Operations</b>	<b>\$673,716</b>	<b>\$775,329</b>	<b>\$830,281</b>	<b>\$54,952</b>	<b>7.09%</b>

\*FY 2010 data provided for informational purposes only. The budget information presented below is for FY 2009.

### Explanation of Budget Estimate

As of December 31, 2008, The Office of the Comptroller of the Currency (OCC) supervised approximately 1,605 national bank charters and 50 federal branches of foreign banks in the United States (U.S.). Total assets under the OCC supervision were approximately \$8.7 trillion or 70 percent of total U.S. commercial banking assets. The average size and complexity of the institutions in the national banking system continue to grow, creating increasing and diverse challenges for the OCC.

The OCC's priorities for fiscal year (FY) 2009 include conducting examinations based on the risk profile of individual national banks to ensure they are safe and sound, sufficiently capitalized, and comply with consumer protection laws. The OCC is working closely with the Department of Treasury to implement provisions of the Emergency Economic Stabilization Act (ESSA) of 2008 and the administration's Financial Stability Plan. Other significant activities include assessing national banks' compliance with BSA/AML and USA PATRIOT Act requirements, addressing issues raised by the range of retail banking products offered by national banks, and identifying and ensuring appropriate follow-up to continued disruption and volatility in the financial and credit markets. The latter activities include work underway with other global supervisors to enhance the

risk-based Basel II capital standards in response to the recent market turmoil and coordination among the federal banking agencies to oversee the implementation of those standards at large U.S. banking organizations. Coordination and cooperation with state regulators will be a significant focus for the agency. Filling key experienced and specialty examiner and bank supervision policy analyst positions, recruiting entry-level examiners and enhancing their retention at the critical three/four-year point of their careers, and continuing to develop the next generation of bank supervision leadership are also critical initiatives of the OCC.

In FY 2009, an estimated \$775,329,000 is needed to fund ongoing OCC operations and address program priorities effectively. Estimated OCC revenue for FY 2009 is \$784,000,000.

The OCC collects revenue primarily from semiannual assessments levied on national banks. The OCC receives no appropriated funds from Congress.

### Purpose of Program

The OCC was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to ensure that national banks are safe and sound, competitive

and profitable, and capable of serving in the best possible manner the banking needs of their customers.

As the regulator of national banks, the OCC has established four strategic goals that help support a strong economy for the American public: 1) a safe and sound national banking system; 2) fair access to financial services and fair treatment of bank customers; 3) a flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services; and 4) an expert, highly motivated, and diverse workforce that makes effective use of OCC resources. The OCC organizes its activities under three programs: Supervise, Regulate, and Charter, to achieve the goals and objectives outlined in its strategic plan.

### **Explanation of Budget Activities**

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***Supervise (\$647,400,000 from reimbursable programs):*** The Supervise program consists of those ongoing supervision and enforcement activities undertaken to ensure that each national bank is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the bank and the customers and communities it serves. This program includes bank examinations and enforcement activities; resolution of disputes through the National Bank Appeals process; ongoing monitoring of banks; and analysis of systemic risks and market trends in the national banking system or groups of national banks, the financial services industry, and the economic and regulatory environment.

***Regulate (\$102,343,000 from reimbursable programs):*** The Regulate program consists of those ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks. These

regulations, policies, and interpretations may establish system-wide standards, define acceptable banking practices, provide guidance on risks and responsibilities facing national banks, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe. This program includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representation of the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

***Charter (\$25,586,000 from reimbursable programs):*** The Charter program involves those ongoing activities that result in the chartering of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries. This includes the review and approval of new national bank charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issues.

### **Legislative Proposals**

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OCC currently has no legislative proposals.

### **Capital Investments Summary**

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In FY 2008, OCC implemented the Workflow and Information Systems and Document Manager (WISDM). WISDM streamlines the Large Bank Supervision (LBS) supervisory processes, improves collaboration, and enhances the security of sensitive documents while providing the OCC management greater visibility into the status of ongoing

examinations. The system will provides LBS examiners and management the ability to collaboratively develop, securely store, search, and report on the status of their work documents. Enhancements and upgrades to WISDM continue into FY 2009.

The OCC continues to develop an HSPD-12 program for Smartcard ID issuance and subsequent use of that card for both physical access to OCC facilities and logical access to OCC information systems. The OCC continued its close coordination with the Treasury HSPD-12 Program Management Office and General Services Administration (GSA) Managed Service Office to implement the Treasury Enterprise Solution for HSPD-12. This Treasury and GSA solution will satisfy goals pertaining to the E-Government

initiatives for sharing government-wide services and those goals relating to ensuring the interoperability of the HSPD-12 credentials across the Government.

The OCC Information Security program expanded to enable increased focus on policy, compliance, training, technical oversight and audit. A revised Federal Information Security Management Act (FISMA) compliant IT Security Policy was published. In addition to aligning the OCC information security program with FISMA requirements, the new security policy establishes a framework for addressing other information security related issues.

#### OCC Performance by Budget Activity

Budget Activity	Performance Measure	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
		Actual	Actual	Actual	Target	Target
Supervision	Percentage of national banks that are categorized as well-capitalized (%) (Oe)	99	99	99	95	95
Supervision	Percentage of national banks with composite CAMELS rating of 1 or 2 (%) (Oe)	95	96	92	90	90
Supervision	Percentage of national banks with consumer compliance rating of 1 or 2 (%) (Oe)	94	97	97	94	94
Supervision	Rehabilitated national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4 or 5) (%) (Oe)	46	52	47	40	40
Charter	Percentages of licensing applications and notices completed within established timeframes. (%) (Oe)	96	94	95	95	95

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

#### Description of Performance

While the national banking system remains fundamentally sound, the effects of disruption and volatility in the financial and credit markets are working through the financial system. At the beginning of FY 2009, banks rated 1 or 2 represented 92 percent of all national banks. However, the impact of economic conditions on national

banks will likely result in a decline from that level. As of September 30, 2008, 99 percent of national banks were classified as well capitalized and 97 percent had a consumer compliance rating of either 1 or 2.

Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial,

operational and compliance factors inherent in a bank. Evaluations are made on **C**apital adequacy, **A**sset quality, **M**anagement, **E**arnings, **L**iquidity, and **S**ensitivity to market risk. The rating scale is 1 through 5 of which 1 is the best rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. Although the absolute number of problem banks increased in FY 2008, during that period 47 percent of banks with composite CAMELS rating of 3, 4, or 5 improved their ratings to either 1 or 2. This exceeded the OCC goal of 40 percent.

The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a bank of a competitive or business opportunity, create business

uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. The OCC completed 95 percent of applications and notices within the time standard through September 30, 2008. Institutions receiving decisions on their corporate applications and notices rated the OCC's overall licensing services an average of 1.2. The licensing survey is based on a five-point rating scale, in which 1 indicates outstanding and 5 indicates significantly deficient.

Beginning in FY 2006, the OCC implemented a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of the banking system benefits all national bank customers.