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OCC Releases Two New Booklets
On Risk-Based Supervision

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency (OCC) today released two new supervision booklets -- Community Bank Risk Assessment and Bank Supervision Process -- that complete the basic outline of how the OCC will supervise national banks based on its assessment of banking risks. Supervision by Risk allows the OCC to focus its resources on the most significant risks in individual banks and in the banking system as a whole.

The OCC's Supervision by Risk program began with publication of Community Bank Procedures for Noncomplex Banks (July 1994), which outlined standard examination procedures for noncomplex community banks that share a common risk profile, and Large Bank Supervision (December 1995), which described how examiners would assess the quantity of risk and quality of risk management in nine risk categories.

The Community Bank Risk Assessment booklet released today describes how examiners will measure and assess risks in all community banks, defined as banks with less than \$1 billion in assets. In the examinations themselves, the OCC stressed that examiners will continue to use noncomplex examination procedures.

"The noncomplex examination procedures have been an unqualified hit with both bankers and examiners," said Comptroller of the Currency Eugene A. Ludwig. "The community bank risk assessment system will help us confirm which community banks fit the risk profile for noncomplex banks.

"In addition, the risk assessment system will flag bank activities that increase a noncomplex bank's risk exposure in a particular area of activity," he added. "In those cases, the risk assessment system will help us to do a better job of identifying the degree of risk and the extent of additional examination procedures we need to perform."

The Comptroller said that the new community bank risk assessment system would also allow OCC examiners to identify low-risk activities in complex community banks and to use noncomplex examination procedures to review those activities. These streamlined procedures had not previously been used in these banks.

The Bank Supervision Process booklet lays out OCC's general supervision policy for all national banks, regardless of size or complexity, and is designed to be a general reference source for OCC supervision policy

Among other things, the new booklet:

- Defines large banks and community banks, including complex and noncomplex community banks;
- Outlines requirements for frequency and scope of examinations, including general safety and soundness examinations and more specialized examinations such as those for consumer compliance, fiduciary activities, and bank information systems (BIS);
- Describes the OCC's Supervision by Risk program for all banks, including the nine categories of risk used by the OCC, the agency's system for risk evaluation, and how the OCC uses conclusions from the risk assessment systems for large and community banks to guide examination activities; and
- Briefly discusses the OCC's appeals process.

Copies of the two new booklets have been mailed to all national banks and OCC examiners. Additional copies of the booklets are available separately at a cost of \$15 per booklet through orders sent to the Comptroller of the Currency, P.O. Box 70004, Chicago, IL 60673-0004.

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The OCC charters, regulates and examines approximately 2,800 national banks and 70 federal branches and agencies of foreign banks in the U.S., accounting for more than half the nation's banking assets. Its mission is to ensure the safety and soundness of the national banking system.