Fiscal Year 2022 Bank Supervision Operating Plan
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) strategy planning guidance sets forth the agency's supervision priorities and objectives. The agency's fiscal year (FY) for 2022 begins October 1, 2021, and ends September 30, 2022. The FY 2022 Bank Supervision Strategy Planning Guidance outlines the OCC's supervision priorities and aligns with "The OCC's Strategic Plan, Fiscal Years 2019–2023" and the National Risk Committee's (NRC) priorities. The strategy planning guidance facilitates the development of supervisory strategies for individual national banks, federal savings associations, federal branches, and agencies of foreign banking organizations (collectively, banks), as well as identified service providers. CBS managers and staff will use this plan to guide their supervisory priorities, planning, and resource allocations for FY 2022.

Priority Objectives for CBS Operating Units

The FY 2022 strategy planning guidance and the FY 2022 Bank Supervision Operating Plan establish priority objectives across the CBS operating units. CBS operating units and managers should use this guidance to develop and execute individual operating unit plans and risk-focused bank supervisory strategies. While the objectives are similar for the Large Bank Supervision and Midsize and Community Bank Supervision, CBS managers will differentiate bank size, complexity, and risk profile when developing individual bank supervisory strategies. CBS operating plans include resources and support for risk-focused examinations of technology and significant service providers that provide critical processing and services to banks. The OCC will adjust supervisory strategies, as appropriate, during the fiscal year in response to emerging risks and supervisory priorities. For FY 2022, supervision will focus on the impacts of the pandemic and resulting economic, financial, operational, and compliance implications. In addition to the baseline supervision to assign ratings, examiners will focus on the safety and soundness of strategic and operational planning, including:

- **Guarding against complacency:** Examiners should focus on strategic and operational planning to ensure banks maintain stable financial positions, especially regarding capital, the allowances for credit losses, management of net interest margins, and earnings. Examiners should ensure banks remain vigilant when considering growth and new profit opportunities and will assess management's and the board's understanding of the impact of new activities on the bank's financial performance, strategic planning process, and risk profile.

- **Credit:** Examiners should evaluate banks' actions to manage credit risk given changes in market condition, termination of pandemic-related forbearance, uncertainties in the economy, and the lasting impacts of the COVID-19 pandemic. Supervisory focus should ensure that risk management functions are providing an appropriate credible challenge. Examiners will evaluate underwriting practices on new or renewed loans for easing in structure and terms. Reviews will focus on new products, areas of highest growth, or portfolios that represent concentrations. Supervisory focus should include those portfolios hard hit by the pandemic that may experience amplified impacts from changes in market conditions.
- **Allowance for loan and lease losses (ALLL)/allowance for credit losses (ACL):** For all banks, examiners should focus on ALLL and ACL adequacy considering any stress on credit portfolios. U.S. Securities and Exchange Commission (SEC) filers, except small reporting companies as defined by the SEC, were required to adopt the current expected credit losses (CECL) accounting standard in 2020 but could delay adoption until 2022. All other banks are required to implement CECL by 2023. For banks that have not yet adopted CECL, examiners should evaluate preparedness, including bank implementation plans and use of third parties to assist in the development of the loss estimation methodology, modeling techniques, and management information systems. Additional impacts may include post-hardship performance of borrowers assisted with streamlined deferral and loan modifications. For banks that have adopted CECL, examiners should evaluate the effectiveness of the methodology at estimating lifetime expected credit losses.
- **Cybersecurity:** Operational risk, resilience, incident response, and data recovery and business resumption should be supervisory focal points. Examinations should assess the bank's capabilities to recover from destructive malware attacks. Examinations should emphasize threat vulnerability and detection, authentication and access controls, network management, data management, and managing third-party access. Examiners should perform assessments of internal controls and operational processes that changed during the pandemic.
- **Third parties and related concentrations:** Examiners should determine whether banks are providing proper oversight of their significant third-party relationships, including partnerships. Examiners should identify where those relationships are critical to bank operations and understand whether they represent significant concentrations or impact resiliency. Examiners should also be aware of the cyber-related risks emanating from third parties and evaluate the bank assessments of the third party's cybersecurity risk management and resilience capabilities.
- **Bank Secrecy Act, consumer compliance, and fair lending:**
  - **BSA/AML and Office of Foreign Assets Control:** Strategies should continue to focus on BSA/AML compliance, with emphasis on evaluating the effectiveness of BSA/AML risk management systems relative to the complexity of business models, products and services offered, and customers and geographies served; evaluating technology and modeling solutions to perform or enhance BSA/AML oversight functions; and determining the adequacy of suspicious activity monitoring and reporting systems and processes in providing meaningful information to law enforcement. Examiners should also begin to assess bank change management plans for implementing changes to existing BSA/AML compliance programs that will be required regulatory changes to implement the Anti-Money Laundering Act of 2020.
  - **Consumer compliance:** Examiners should focus on compliance management systems, including third-party risk management and higher risk products and services such as overdraft protection programs, particularly focusing on how the programs are implemented and how terms of the programs are disclosed. Examiners should consider the effect that earnings pressure has had on banks, monitoring the effect that may have had on the

compliance risk management functions, if any, through cutting personnel or waiving audits.
  - **Fair lending:** Examiners should focus on assessing fair lending risk, considering changes to the bank's products, services, and operating environments. These should be based upon the bank's fair lending risk profile and the annual Home Mortgage Disclosure Act data screening process. Fair lending supervision activities should consider the full lifecycle of credit products (e.g., mortgages).
  - **CRA:** OCC Bulletin 2020-99, "Community Reinvestment Act: Key Provisions of the June 2020 CRA Rule and Frequently Asked Questions," provides updated guidance following issuance of the OCC's June 2020 rule. Examiners should be familiar with this set of policies and procedures and plan accordingly for examinations that cover calendar years before and during the time that the 2020 rule is in effect. In addition, the OCC has proposed to rescind the June 2020 rule and replace it with rules largely like the 1995 CRA rules. Examiners should plan on additional training on these rule changes and to incorporate new CRA policy or process guidance issued during FY2022.
- **Interest rate risk:** Examiners should assess the impact of a low-rate environment on banks' business models, strategies, asset and liability risk exposures, net interest margin, funding stability, and modeling capabilities.
- **London Interbank Offered Rate (LIBOR):** Examiners should evaluate each bank's implementation and execution of alternative reference rates given the December 30, 2021, cessation of LIBOR. Banks should fully understand all their exposures and be nearly complete with remediation efforts. Examiners should evaluate operational, reputation, and consumer impact assessments and change management related to an alternative index for pricing loans, deposits, and other products and services.
- **Payments:** Examiners should evaluate payment systems products and services that banks offer or plan to offer, with a focus on new or novel products, services, or channels for wholesale and retail customer relationships. Examiners should consider potential risks including operational, compliance, strategic, credit, and reputation and how these risks are incorporated into institution-wide risk assessments and new product review processes, if applicable.
- **Fintech/Cryptocurrency:** Examiners should identify banks that are implementing significant changes in their operations using new technological innovations and evaluate implementation, including use of cloud computing, artificial intelligence, and digitalization in the risk management processes. Examiners should evaluate the appropriateness of governance processes when banks undertake significant changes.
- **Climate:** The OCC is working to better understand how the financial risks associated with climate change may affect the safety and soundness of institutions including their ability to serve all parts of their communities. During FY2022, the agency will continue information gathering efforts and plan on conducting additional industry outreach. At the largest banks, examiners should focus on establishing a baseline understanding of the effects of physical and transition risks including the development of climate risk management frameworks and governance processes.

Resources should focus on significant risks in FY2022 while considering appropriate coverage of other areas. Strategies should focus on control functions and leverage the institutions' audit, loan review, and risk management processes when the OCC has validated reliability.

To facilitate an agency-wide view of risk on selected topics, the CBS operating units will prioritize and coordinate resources and conduct horizontal risk assessments during the fiscal year. The CBS may direct horizontal assessments during the supervisory cycle.

The OCC will provide periodic updates about supervisory priorities, emerging risks, and horizontal risk assessments in the *Semiannual Risk Perspective* report.