**Fiscal Year 2025 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) annually sets forth the agency's supervision priorities and objectives. The agency's fiscal year (FY) 2025 begins October 1, 2024, and ends September 30, 2025. The FY 2025 Bank Supervision Operating Plan outlines the OCC's supervision priorities and aligns with the *Office of the Comptroller of the Currency Strategic Plan, Fiscal Years 2023–2027* and the agency's National Risk Committee priorities. The operating plan facilitates the implementation of supervisory strategies for individual national banks, federal savings associations, and federal branches and agencies of foreign banking organizations (collectively, banks), as well as third-party service providers examined by the OCC. CBS managers and staff will use this plan to guide their supervisory priorities, planning, and resource allocations for FY 2025.

In carrying out its mission, the OCC employs an ongoing risk-based supervision approach focused on evaluating risk, identifying material and emerging concerns, and requiring banks to take timely corrective action before deficiencies compromise their safety and soundness. The OCC's risk-based supervision approach requires examiners to determine how existing or emerging issues for a bank, its related organizations, or the banking industry as a whole affect the nature and extent of risks in that bank.

## Priority Objectives for CBS Operating Units

The FY 2025 Bank Supervision Operating Plan establishes priority objectives across CBS operating units. CBS managers and staff use this plan to develop and implement 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 operating units, CBS managers will differentiate bank size, complexity, and risk profile when developing individual bank supervisory strategies. CBS operating plans also include resources and support for risk-focused examinations of critical processing and other banking services provided to banks by third parties.

The OCC will adjust supervisory strategies during the fiscal year in response to emerging risks and supervisory priorities. For FY 2025, examiners will focus on the impacts of volatile economic conditions including recession possibilities, uncertainty with the future path of interest rates, and deposit stability. Examiners will also consider geopolitical events that may have adverse financial, operational, and compliance implications. Supervisory activities can integrate multiple risk disciplines and include cross-disciplinary teams when feasible to help provide a more complete assessment of risks. Strategies should focus on risk governance and control functions and leverage banks' audit, credit risk review, and risk management processes when the OCC has validated their reliability, including scope, timeliness, and competence.

In addition to baseline activities, OCC will apply risk-based supervision principles with focus on the following areas **when applicable**:

**Financial**

- **Credit:** Examiners evaluate the effectiveness of management's actions to identify, measure, monitor, and control credit risk given significant changes in market conditions, interest rates, and geopolitical events. Examiners focus on consistency with a bank's risk appetite and the adequacy of credit risk review and concentration risk management practices. Continued focus is appropriate for borrowers in stressed commercial real estate office markets and those with multifamily stresses from higher operating expenses, oversupply pressures, and rent regulations. Examiners evaluate banks' stress testing of economic scenarios and the potential effects on borrowers most vulnerable to inflation and higher operating and borrowing costs. Examiners evaluate loan renewal and maturity exposures with a focus on borrowers with reduced financial capacity and those less likely to qualify for renewal or refinance under current market terms. Additionally, areas of focus include the accuracy of risk ratings, assessments of credit utilization, and changes in payment behavior. Examiners also determine whether bank management and risk management functions provide credible challenges to loan and portfolio level stress testing, concentration limits, risk ratings, collateral valuation, and loss mitigation strategies.

- **Allowance for credit losses:** Examiners determine whether the allowance for credit losses (ACL) balance is appropriate and considers both the current economic environment and reasonable, supportable forecasts for future economic changes. This determination may include a review of methodology, assumptions, and qualitative adjustments. Examiners may also determine whether the ACL is well supported and subject to effective governance activities, including sound model risk management, commensurate with the size, complexity, and risk profile of the bank.

- **Asset and liability management:** Examiners determine whether banks are effectively managing interest rate and liquidity risks in alignment with the established risk appetite, including contingency planning and stress testing of key model assumptions and liquidity sources. Assessments of contingency planning should consider whether banks have operationally ready and tested access to sufficient contingent funding sources. Examiners also determine whether board and management teams understand and manage projected risk to asset values, deposit stability, liquidity, capital, and earnings under a full range of plausible interest rate scenarios, including both increasing and decreasing rate environments. Funding and deposit stability considerations may include interest rate levels and volatility, funding composition and concentrations (including uninsured and brokered deposits), deposit repricing assumptions, and the potential for rapid changes. Examiners focus on back-testing practices to assess whether models performed accurately relative to previous large swings in interest rates.

- **Capital:** Examiners should continue to monitor capital optimization activities, including any new plans by banks to engage in credit risk transfer transactions. To qualify for capital relief, such transactions must satisfy all the requirements described in the capital rule. Examiners should determine whether banks have effective risk management systems to identify, measure, monitor, and control risks posed by these transactions, including proper governance. Examiners should also determine whether banks have effective risk management systems to maintain adequate capital for these risks.

- **Climate-related financial risks:** For national banks and federal savings associations with over $100 billion in total consolidated assets and any branch or agency of a foreign banking organization that individually has total assets of over $100 billion, examiners should conduct target examinations to assess banks' ability to identify, measure, monitor, and control climate-related financial risks in a safe and sound manner. For those banks, examiners will also integrate climate-related financial risk supervision into ongoing supervision.

**Operational**

- **Cybersecurity:** Reflecting the evolution and volatility in cyberattacks, examiners continue to focus on the adequacy of banks' preventative controls, incident response, data recovery, and operational resilience. Examinations should emphasize incident response, backup, and operational resilience capabilities to withstand or recover from cyberattacks, especially for critical operations. Examiners should also consider cyber intelligence gathering, sharing, and analysis; threat and vulnerability detection; and strong authentication and access controls, including use of multi-factor authentication, to include third-party access management, network management, and data management. Examinations also focus on assessing the effectiveness of information technology asset life cycle management, including end-of-life, end-of-support, and patch management processes. These activities are foundational to a bank's ability to reduce cyber risk from software vulnerabilities. Examiners include assessments of new or changed internal controls and operational processes, including those designed to comply with regulatory incident reporting requirements.

- **Third-party risks:** Examiners determine when third-party and other subcontracted relationships, particularly those with financial technology companies (fintechs) that provide consumers and businesses access to banking products and services, represent significant operational, compliance, strategic, financial, reputation, or other risks. Examiners assess the effectiveness of banks' risk management throughout all stages of the third-party risk management life cycle, particularly the rigor of risk management practices for third-party relationships that support a bank's critical activities. Examiners should consider structuring reviews to provide an enterprise-wide view of third-party risk management.

- **Payments:** Examiners assess how banks are managing risks related to payment systems and payment-related products and services offered or planned, including risks posed by checks, peer-to-peer and wire transfers, and those provided through bank-fintech arrangements. Focal areas include fraud risk management, real-time and instant payment services, third-party risk management, and new or novel products, services, or delivery channels for both wholesale and retail customers. Examiners should consider how potential risks (e.g., operational, compliance, financial, strategic, and reputation risks) are incorporated into bank-wide risk assessments.

- **Enterprise change management:** Examiners identify banks that are implementing significant changes in their leadership, operations, risk management, and business activities, including the engagement of third parties providing critical activities. Examiners assess the suitability of governance processes, internal control considerations for the design or redesign and implementation of effective controls, and the acquisition or retention of qualified staff and maintenance of effective organizational structures when banks undertake significant changes. Examples include mergers and acquisitions; system conversions, including migrations to cloud services; implementation of changes in regulatory requirements; new cost control measures; new products and services, including use of cloud computing, artificial intelligence and distributed ledger technology; notable changes in strategic plans; and significant changes in product and service delivery (e.g., arrangements between banks and fintech companies that provide consumers and businesses access to banking products and services).

- **Operations:** Examiners evaluate how banks are managing risks related to change, including the speed and volatility of change, in operating environments. These changes may result from innovations, including increased complexity of new products, services, and delivery mechanisms (e.g., use of third parties); talent management trends; legacy system issues and lack of investment in new technology and infrastructure; and new regulatory requirements. When reviewing new, modified, or expanded products and activities, examiners should assess the adequacy of banks' governance and risk management, with emphasis on due diligence, ongoing monitoring processes, and issues management and escalation. Governance and risk management practices should be commensurate with the nature and criticality of new activities.

**Compliance**

- **Bank Secrecy Act (BSA)/Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT)[1] and Office of Foreign Assets Control (OFAC):** Examiners evaluate banks' BSA/AML compliance programs to assess whether operations and systems are reasonably designed and implemented to mitigate and manage money laundering, terrorist financing, and other illicit financial activity risks from business activities, including products and services offered and customers and geographies served. Examiners also evaluate systems and processes for compliance with U.S. sanctions administered and enforced by OFAC. Additional areas of focus include evaluating banks' fraud identification, investigations, and suspicious activity report filing processes. One final area of focus is the evaluation of change management processes for rulemakings implementing the AML Act of 2020, including the Corporate Transparency Act., as those rulemakings are finalized.

- **Consumer compliance:** Examiners focus on compliance risk management systems for relevant regulatory changes, new or innovative products, changes to any products or services, and delivery channels offered to consumers. Supervisory focus includes consideration of (1) products or services offered through third-party relationships, including those with fintechs; and (2) banks' risk management processes to determine compliance with consumer protection laws and statutory requirements, including those prohibiting unfair, deceptive, or abusive acts or practices, meant to address potential instances of fraud tied to consumer accounts. Examiners also evaluate whether banks can identify and manage in a timely manner compliance risks presented by person-to-person and real-time payment product offerings, including dispute and error resolution. Examiners should consider banks' systems and controls to ensure that relevant aspects of products or services, including those offered through third-party relationships, are communicated to consumers in a clear, consistent manner with accurate, complete information. Additionally, examiners evaluate how banks assess and manage compliance risk posed by third-party relationships, relative to the specific roles and responsibilities of the bank and the

[1] BSA/AML/CFT will be referred to as AML/CFT in planned updates to the program rule.

third party, including change management functions and controls to effectively implement changes.

- **Community Reinvestment Act (CRA):** Examiners will conduct CRA evaluations due in FY 2025 based on the bank's applicable evaluation period and existing examination procedures (determined by bank size and business model) as no additional rule changes are effective during this year. Strategies will reflect examination guidance issued in FY 2022 to address implementation challenges posed by successive rule changes in June 2020 and December 2021. Examiners evaluate banks' compliance with assessment area regulatory requirements, including whether a bank has arbitrarily excluded low- or moderate-income census tracts or the assessment area reflects illegal discrimination. In the case of inappropriately defined assessment areas, examiners will discuss with bank management the corresponding increase in redlining risk that may arise.

- **Fair lending:** Examiners focus on assessing fair lending risk and whether banks are ensuring adequate risk management and equal access to products and services. Risk assessments consider all factors affecting a bank's fair lending risk, including changes to strategy, personnel, products, services, credit underwriting, CRA assessment areas or market areas, and operating environments since the previous risk assessment. Examiners will use data-driven, risk profile- based approaches to identify focal points for fair lending examinations. Fair lending supervision activities encompass the full life cycle of credit products, including the potential for mortgage lending discrimination resulting from appraisal bias or discriminatory property valuations. When necessary, examiners will coordinate with the Chief Counsel's Office to take enforcement actions related to fair lending laws and regulations, cite violations consistently, and make referrals to the U.S. Department of Justice and the U.S. Department of Housing and Urban Development.

To facilitate an agency-wide view of risk on the areas of focus, 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 risk, and horizontal risk assessments in the *Semiannual Risk Perspective* report.