



Comptroller of the Currency
Administrator of National Banks

OCC Strategic Plan

2000 — 2005

Table of Contents

<i>1</i>	A Message from Comptroller Hawke
<i>2</i>	The OCC Today
<i>4</i>	OCC's Mission, Vision, and Guiding Principles
<i>6</i>	Our Strategic Goals and Objectives
<i>8</i>	Core Processes Supporting Our Goals and Objectives
<i>10</i>	Strategies for Achieving Our Goals and Objectives
<i>17</i>	Key Factors Affecting the Achievement of Our Goals

Plan Appendices

<i>19</i>	A. Our Strategic Management Process
<i>21</i>	B. Links Between OCC and Treasury Department Goals
<i>24</i>	C. Coordination on Cross-cutting Issues
<i>27</i>	D. Use of Program Evaluations
<i>30</i>	E. Data Capacity
<i>31</i>	F. Management Challenges and High Risk Areas
<i>32</i>	G. Consultations with Stakeholders

We are continually trying to improve our strategic planning process. Comments or questions can be sent to Paul Gentile, Deputy Chief Financial Officer, 250 E Street SW, Mail Stop 4-4, Washington, DC 20219. E-mail can be sent to paul.gentile@occ.treas.gov

A Message From Comptroller Hawke

This is the OCC's first strategic plan of the new millenium. It is a five-year plan designed to help ensure that the OCC meets the increasingly complex task of maintaining a safe, sound, and competitive national banking system.

Given the significant legal, market, and technological changes taking place in the financial services industry, we must plan for our future and make the tough decisions on how we are going to apply our limited resources. This strategic plan gives us a focal point as well as a common understanding of our longer-term oganizational priorities.

The *OCC Strategic Plan* confirms the mission, vision, and guiding principles of our agency while it simultaneously outlines a set of goals, objectives, and strategies that establish priorities and provide direction. This strategic plan will be reviewed annually by the OCC Executive Committee and updated at least every three years.

The longer-term strategies outlined in the plan will be implemented through annual performance plans integrated into our OCC plan and budget process. By maintaining a close linkage between our long-term strategies, our annual action plans, and our performance recognition process, we will stay focused on what is most important to us.

This *OCC Strategic Plan* gives us a solid foundation for meeting the challenges ahead, but implementation of our strategies depends on the degree of leadership displayed by every member of the OCC team. With an eye towards continuous improvement, we must dare to question whether the things that used to work will continue to serve us well in the future. And most importantly, we need to leverage our diverse talents by continuing to work well as a team as we carry out our essential responsibilities effectively and efficiently.

/s/

John D. Hawke, Jr.
Comptroller of the Currency

The OCC Today

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a semi-autonomous bureau of the United States Treasury Department. It has the proud distinction of being the first economic regulatory agency established by the federal government.

The OCC is responsible for the licensing, regulation, and supervision of this nation's system of federally chartered banks. The operations of the OCC are primarily funded by semiannual assessments levied on national banks and from various licensing fees.

There currently are approximately 2,400 national banks and 59 federal branches or agencies of foreign banks. Although national banks account for only 28 percent of the number of commercial banks nationwide, they hold 57 percent of the total commercial banking assets in the United States. In 1999, national banks generated 60 percent of the banking industry's earnings.

At year-end 1999, the OCC had 3,031 employees in locations throughout the United States. The OCC maintains its headquarters in Washington, D.C. The OCC has six district offices in New York, Atlanta, Chicago, Kansas City, Dallas, and San Francisco. In addition to the district office cities, the OCC also maintains a network of 63 field offices in cities throughout the United States, 25 large bank resident examiner teams, and has an examining office in London, England.

Condition of the National Banking System

As the new millennium begins, the national banking system continues to be well capitalized and healthy. National bank (and all commercial bank) earnings remain high. Sustained U.S. economic growth over the last 9 years has contributed strongly to this performance. However, we are now seeing some slowdown in key sectors of the economy, such as housing and health care, which could portend a dampening of future banking industry returns.

In terms of earnings composition, net interest income is declining due to competition and structural changes in traditional lending and funding markets. This has increased the pressure on banks to find other sources of revenues and to reduce costs. The major contributor to bank earnings growth during the 1990s has been non-interest income.

Loan loss provisioning for the industry continues at relatively low levels, and this has been a significant factor in the strong earnings performance of the past decade. Given current reserve levels and weaknesses we are beginning to see in asset quality, low provisioning will most likely not be sustained in future periods.

The global economy is performing well and remains on track to expand by 4 percent this year, its best performance since the outbreak of the Asian crisis. Europe has strengthened notably, driven in part by robust exports. This pick up has brought the continent's growth rate more closely into line with the U.S., where recently released economic data suggest a deceleration of activity.

In the financial access arena, the unbanked portion of the U.S. population has declined from 15% in 1989 to 10% in 1998. Although these statistics are encouraging, more of our lower income residents need to have reasonable access to traditional banking services. 80% of families without a checking account have annual incomes of less than \$25,000.

The challenges posed by globalization, the accelerated pace of bank technology development, the new opportunities presented by recently enacted financial reform legislation, along with emerging fair access and privacy issues, will require our continued vigilance. By creating this strategic plan, the OCC is positioning itself to meet those longer-term challenges.

OCC's Mission, Vision, and Guiding Principles

Mission

The Office of the Comptroller of the Currency charters, regulates, and supervises national banks to ensure a safe, sound, and competitive banking system that supports the citizens, communities, and economy of the United States.

Our Vision

We help ensure that national banks soundly manage their risks, compete effectively with other providers of financial services, offer products and services that meet the needs of customers, comply with applicable laws, and provide fair access to financial services and fair treatment of their customers.

Guiding Principles

The core values underlying both the Mission Statement and our Vision are the guiding principles of:

- ❖ *Professionalism*
- ❖ *Responsiveness*
- ❖ *Respect*

Professionalism

We take personal responsibility and accept accountability for achieving OCC goals. We will continue to adhere to the highest standards of excellence and personal integrity in all our endeavors.

Responsiveness

We respond rapidly, creatively, and effectively to significant risks in the financial system and to the legitimate needs of our constituencies. We acknowledge

our interdependence by working cooperatively across internal and external boundaries for the best interests of the public. We will continue to promote open and effective communication in a positive and productive way while also maintaining a healthy perspective about life and work.

Respect

We treat each other, and everyone we deal with, fairly and with dignity, respect, and compassion. We value and embrace different backgrounds, ideas, and contributions. We promote equal opportunity, empowerment, and a continuous learning environment.

We reflect, in our work and demeanor, that we are public servants obligated to carry out our responsibilities in a professional, courteous, and fair manner.

Our Strategic Goals and Objectives

Goals and objectives outline major strategic outcomes to be achieved by the OCC. Strategic goals represent the major, highest level, and long-term program, policy, and management outcomes, while objectives are more specific and targeted outcomes or achievements. Objectives support the strategic goals.

Goal 1: A safe and sound national banking system.

Objectives:

1. Risks to the national banking system are anticipated, understood, and addressed.
2. U.S. and international financial supervisory authorities cooperate on common interests.
3. Risks identified by the OCC are conveyed to national banks.
4. Supervision meets the challenges of modern financial firms.

Goal 2: A flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services.

Objectives:

1. Procedures are streamlined consistent with safety and soundness.
2. Each OCC regulation is current, clearly written, and necessary for an effective supervisory process.

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3. The OCC supports national banks' efforts to remain competitive consistent with safety and soundness.

<u>Goal 3:</u>	Fair access to financial services and fair treatment of bank customers.
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Objectives:

1. National banks are involved in community and economic development activities.
2. All Americans have fair access to financial services.
3. Bank customers are treated fairly.

<u>Goal 4:</u>	An expert, highly motivated, and diverse workforce and efficient utilization of other OCC resources.
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Objectives:

1. An expert and motivated workforce is sustained.
2. OCC reflects an efficient and effective organization.
3. Resource management planning and decisions are supported by modern financial management and budgetary processes and systems.
4. The OCC maintains a diverse workforce.

Core Processes Supporting Our Goals and Objectives

The strategic goals and objectives of the OCC are not only achieved through the execution of strategies requiring significant changes in what we do and how we do it. Those strategic goals and objectives are also supported by each one of us as we do our day-to-day work supporting OCC's mission-critical core processes of:

- ❖ Licensing national banks and their activities;
- ❖ Establishing regulations and policies that apply to all national banks;
- ❖ Supervising each national bank,
- ❖ Addressing systemic risks and marketplace trends;
- ❖ Managing OCC resources; and
- ❖ Managing external relations.

The *licensing* core process involves those ongoing activities that result in the chartering or liquidation of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries.

The *rulemaking* core process 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 systemwide 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 core process also includes the establishment of examination policies, handbooks, and interpretations for examiners.

The *individual bank supervision* core process 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 core process includes bank examinations and enforcement activities, resolution of disputes through the Ombudsman process, and the ongoing monitoring of banks.

The *systemic analysis* core process consists of those ongoing activities that identify, analyze, and respond to emerging systemic risks and market trends that could impact the safety and soundness of national banks; the national banking system or groups of national banks; the financial services industry; or the economic and regulatory environment in which banks operate.

The *resource management* core process consists of those ongoing activities related to prudently managing OCC's human, financial, physical, and technology resources in a manner designed to ensure that OCC programs achieve their intended results in an efficient and effective manner. The management of human resources includes the recruitment, retention, recognition, and ongoing development of OCC staff.

The *managing external relations* core process consists of the activities of discrete organizational functions that educate key OCC stakeholders, facilitate their interactions with the OCC or its national bank clientele, or advance specific OCC policy interests to targeted external audiences.

Strategies for Achieving Our Goals and Objectives

The strategic goals and objectives summarize our focus for future action. Strategies are those specific initiatives which, in concert with our core processes, achieve or advance our agency goals and objectives over the next five years.

Goal 1: <i>A safe and sound national banking system.</i>

Objective 1.1: **Risks to the national banking system are anticipated, understood, and addressed.**

Strategies:

- A. Refine and fully implement the Project Canary early warning system.
- B. Assess the effectiveness of problem bank supervision.
- C. Perform a comprehensive review of securitization issues.
- D. Assess the need to revise supervision to incorporate risks raised by Internet banks.
- E. Achieve effective compliance with the examination schedule requirements of the Federal Deposit Insurance Corporation Improvement Act (FDICIA).
- F. Assess the need for new approaches to compliance supervision including appropriate consideration of consumer complaint information and trends.
- G. Incorporate modern risk measurement techniques for credit and operational risks into the bank supervision process.
- H. Develop and implement risk-focused examination procedures for the asset management and consumer compliance specialty areas.

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- I. Integrate consumer compliance and information technology into the safety and soundness examination process.
 - J. Execute changes to the bank supervision core process and focus on areas of special emphasis as outlined in the annual Supervision Operating Plan.
 - K. Implement, and assess the effectiveness of recently developed Bank Secrecy Act/Anti-Money Laundering risk-identification tools (training programs, examination procedures, supervisory initiatives, including selection of high-risk banking activities for more in-depth examination) and adjust programs as appropriate.

Objective 1.2: U.S. and international financial supervisory authorities cooperate on common interests.

Strategies:

- A. Put forward the OCC position on Basel Committee capital issues.
- B. Enhance coordination with other federal and state agencies.
- C. Develop supervisory arrangements with other state, federal, and international regulators in response to the Gramm-Leach-Bliley Act (GLBA).
- D. Participate, through the U.S. Treasury Department, in the G-7 financial architecture agenda.
- E. Develop a unified regulatory approach to bank capital that recognizes the simultaneous role of bank supervision and market discipline.
- F. Lead the Electronic Banking Group of the Basel Committee in its efforts to address global electronic banking issues.

Objective 1.3: Risks identified by the OCC are conveyed to national banks.

Strategies:

- A. Define and roll out National Banknet.
- B. Develop informational booklets and pamphlets for bank boards of directors on topics such as “red flags” and internal controls.
- C. Develop educational programs for bankers and bank directors.

Objective 1.4: Supervision meets the challenges of modern financial firms.

Strategies:

- A. Fully implement the Supervision 2000 program.
- B. Define the future objectives and implement actions related to the “Supervision in the 21st Century” project.
- C. Develop approaches for the supervision of the new or expanded activities of national bank and their subsidiaries.
- D. Devise a supervisory approach for banks that are subsidiaries of financial conglomerates.

<p><u>Goal 2:</u> <i>A flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services.</i></p>
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Objective 2.1: Supervisory procedures are streamlined consistent with safety and soundness.

Strategies:

- A. Continue to improve the corporate applications process to achieve maximum efficiency and responsiveness, consistent with safety and soundness.

Objective 2.2: Each OCC regulation is current, clearly written, and necessary for an effective supervisory process.

Strategies:

- A. Take further steps to implement the Community Bank Initiative, such as rulemaking on selected issues.
- B. Complete the issuance of Gramm-Leach-Bliley Act - related regulations while minimizing regulatory burden and maximizing the efficiency of functional regulation.

Objective 2.3: The OCC supports national banks' efforts to remain competitive consistent with safety and soundness.

Strategies:

- A. Expand OCC outreach programs by enhancing the communications channels to bank counsels.
 - B. Analyze the impact of the Gramm-Leach-Bliley Act (GLBA) on financial services.
 - C. Explore and develop initiatives that both enhance the national bank charter and protect consumer interests.
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Goal 3: *Fair access to financial services and fair treatment of bank customers.*

Objective 3.1: **National banks are involved in community and economic development activities.**

Strategies:

- A. Develop a focus for community bank issues, including identifying and communicating community development information and best practices.

Objective 3.2: **All Americans have fair access to financial services.**

Strategies:

- A. Develop a pilot for the Consortium Bank project.

Objective 3.3: **National bank customers are treated fairly.**

Strategies:

- A. Develop approaches to address unfair and deceptive bank customer practices.
- B. Explore new ways to address the increasing volume of customer complaints received by the OCC Customer Assistance Group.
- C. Implement the privacy standards outlined in the Gramm-Leach-Bliley Act (GLBA).
- D. Identify any trends, issues, and appropriate OCC responses in the area of predatory lending.

<u>Goal 4:</u> <i>An expert, highly motivated, and diverse workforce and efficient utilization of other agency resources.</i>
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Objective 4.1: **An expert and motivated workforce is sustained.**

Strategies:

- A. Implement a new compensation program.
- B. Implement a new performance management process.
- C. Implement a targeted buy-out/early-out process.
- D. Implement a program to recognize and develop leadership and provide for succession planning.
- E. Tailor workforce competencies to the changing risk profile of the financial services industry.
- F. Develop and implement an efficient and effective recruitment process.

Objective 4.2: **OCC reflects an efficient and effective organization.**

Strategies:

- A. Improve the integration of organizational functions and interoffice coordination.
- B. Analyze the need for any organizational structure changes.
- C. Implement a formal management accountability program.
- D. Anticipate and prepare for the equipment, telecommunications, and systems development infrastructure necessary to support the OCC mission and strategic business requirements identified by the OCC Executive Committee.

Objective 4.3: Resource management planning and decisions are supported by modern financial management and budgetary processes and systems.

Strategies:

- A. Modernize our systems to obtain more reliable and timely information in managing human and financial resources.
- B. Implement a Joint Financial Management Improvement Program (JFMIP)-compliant financial management information system.
- C. Complete internal financial control corrective actions.
- D. Re-engineer the budget formulation and execution processes.
- E. Review the management of OCC's real estate leasing activities.
- F. Implement a program analysis function that provides analyses of policy, program, budgetary, and management issues related to OCC programs.

Objective 4.4: The OCC maintains a diverse workforce.

Strategies:

- A. Improve the diversity of the applicant pools for OCC's positions through wide-reaching and innovative recruitment activities.
- B. Develop and implement a Multi-Year Affirmative Employment Project Plan (MYAEEP).
- C. Monitor and analyze developmental opportunities and special projects team composition to ensure that opportunities are distributed equitably.
- D. Identify barriers and generate solutions designed to address retention issues.

Key Factors Affecting the Achievement of Goals

Economic Changes

Shifts in the national and global economies may significantly impact the risk profiles of national banks and corresponding OCC supervisory strategies. Changes in business conditions, interest rates, rates of inflation, exchange rates, and unemployment rates influence the lending and funding strategies of national banks. Longer-term structural changes in the banking business, such as the shift to fee-based income, the increasing reliance on non-core deposit funding sources, and industry consolidation continue to change the dynamics of the banking business.

An economic downturn could slow asset growth, increase loan losses and reduce the profitability of national banks. All of these events could result in a greater amount of time spent on examinations. Rapid changes in the fabric of financial services marketplace could outpace our ability to provide timely training to our staff and would place greater pressure on our systemic risk analysis function.

Since the preponderance of OCC funding comes from semiannual assessments levied on national bank assets, an economic downturn accompanied by a decline in national bank assets could reduce agency revenues at a time when OCC supervisory resource needs are the highest. An internal task team has been commissioned to analyze our long-term revenue options.

Economic changes would affect the achievement of all of OCC's strategic goals.

Changes in the Workforce

Changing national and local economies may cause employment market variances that could impact the OCC's ability to attract and retain the technical expertise required to support supervisory efforts.

Workforce changes would primarily impact Goal 4: An expert, highly motivated, and diverse workforce and efficient utilization of other OCC resources. The other strategic goals would also be impacted.

Legislative Changes

Legislative changes are altering the lines of business permissible for national banks and may require revised supervisory initiatives to address new powers or business models. Legislative changes also affect the OCC's outreach programs with bankers, consumers, and community groups by creating the need for more outreach activities and the distribution of informational and educational materials.

The Gramm-Leach-Bliley Act, which was signed into law in November 1999, has brought a multitude of changes to the banking industry. Most notably, the law now permits unrestricted affiliations between banks, securities firms, and insurance companies.

Legislative changes would affect the achievement of all of OCC's strategic goals.

Emerging Technology

Emerging technology has introduced ways for banks to offer traditional products and services through new delivery channels and to develop innovative products and services. Examples include Internet banking, e-commerce initiatives, and stored-value card systems. Technology changes have influenced the operating strategies of many banks and non-banks as they seek to compete in the increasing fast-paced and globally interdependent business environment.

Technological advancement in the banking industry continues at an increasingly rapid pace. The OCC's rulemaking as well as its consumer compliance and the safety and soundness examination functions continue to evolve and adapt in order to appropriately address the new risks presented by technology.

Emerging technology issues would affect the achievement of all of OCC's strategic goals.

Appendix A:

Our Strategic Management Process

The management process that results in the *OCC Strategic Plan* and confirms or alters the OCC's strategic goals and objectives begins each spring with a facilitated discussion by the Comptroller and the Executive Committee that includes:

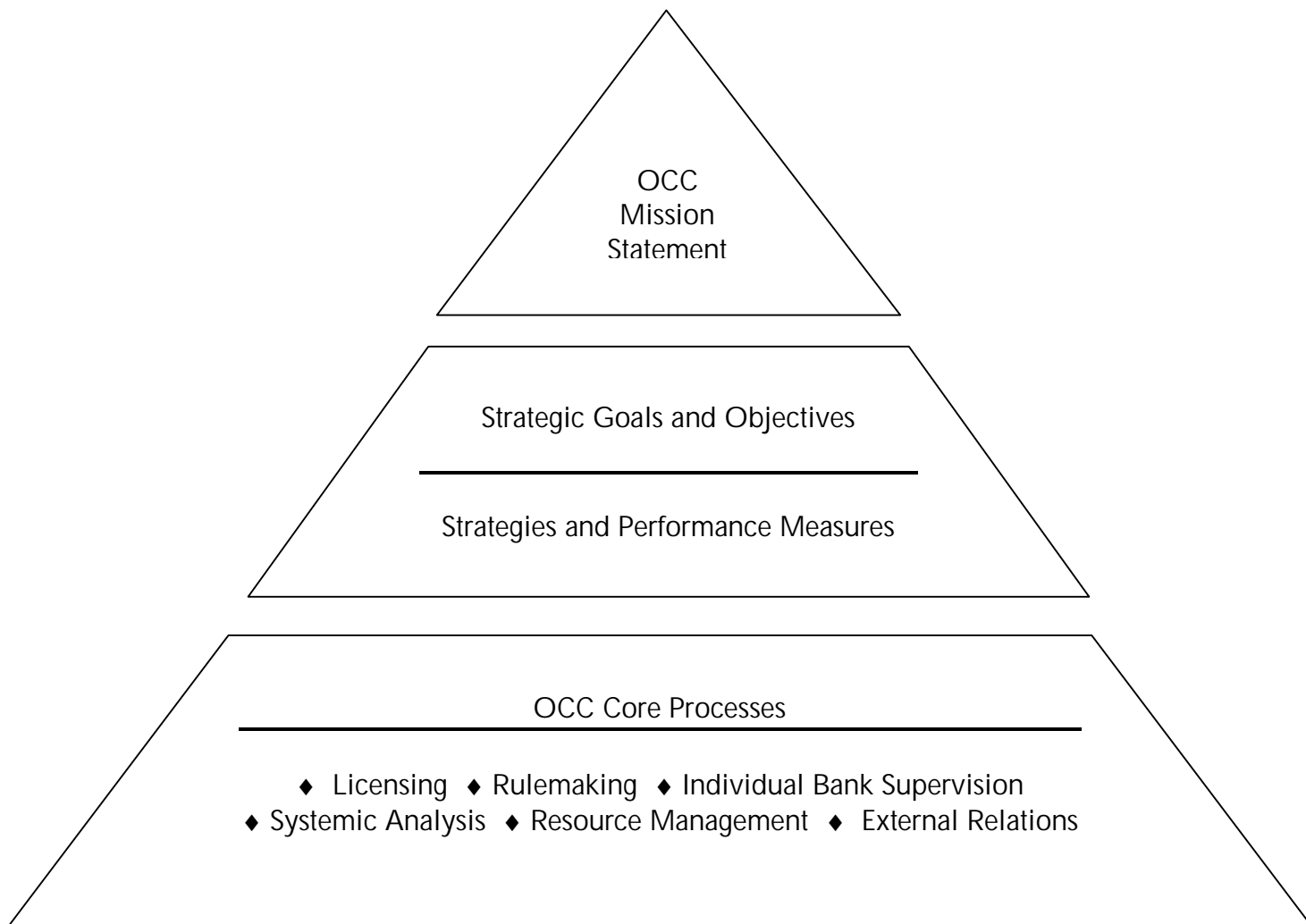
- ❖ An analysis of the condition of the national banking system, structural changes in the marketplace for financial services, legislative developments, an assessment of the competitiveness of national banks in the evolving marketplace for financial services, and an evaluation of significant consumer financial services issues.
- ❖ An evaluation of the existing risk profile and emerging risks in the national banking system, the large bank portfolio, and the mid-size/community bank portfolio.
- ❖ An assessment of internal strengths and weaknesses. An integral component is a review of resource management issues such as human resources, financial resources, the technology base, and fixed assets; and
- ❖ The integration of feedback from significant agency stakeholder groups.

Coordinated by the Deputy Chief Financial Officer, the strategic goals, objectives, and strategies go through a series of senior management discussions until they are distilled into final form. Those strategic goals, objectives, and strategies become the basis for the *OCC Strategic Plan* and guide subsequent resource management activities. The OCC Performance Pyramid (following page) illustrates our organizational performance model.

The *OCC Strategic Plan* is then translated into annual operating plans and performance contracts. These plans and contracts will also have performance measures that will be monitored on at least a quarterly basis.

The OCC Performance Pyramid

Aligning Organizational Performance



Appendix B:

Links Between OCC and Treasury Department Goals

In its Fiscal Year 2000 - 2005 Strategic Plan, the U.S. Treasury Department identifies its four essential missions:

- I. **Economic Mission:** Promote Prosperous and Stable American and World Economies.
- II. **Financial Mission:** Manage the Government's Finances.
- III. **Law Enforcement Mission:** Protect Our Financial Systems and Our Nation's Leaders, and Foster a Safe and Drug Free America; and
- IV. **Management Mission:** Continue to Build a Strong Institution.

Within the scope of U.S. Treasury's **Economic Mission**, the OCC strategic goals of:

- ❖ a safe and sound national banking system;
- ❖ a flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services; and
- ❖ fair access to financial services and fair treatment of bank customers.

All support the U.S. Treasury goals and objectives of:

- ❖ Goal: Promote Domestic Economic Growth
 - Improve and modernize the U.S. financial system.
 - Help bring residents of distressed communities into the economic mainstream by promoting fair and efficient delivery of credit and other financial services.
- ❖ Goal: Maintain U.S. Leadership on Global Economic Issues
 - Monitor the global economy and promote

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- economic growth through cooperation on economic policy.
- Strengthen the stability and efficiency of global capital markets and promote a sound framework for international investment.

Within the scope of U.S. Treasury's **Law Enforcement Mission**, the OCC strategic goal of *a safe and sound national banking system* supports the following U.S. Treasury goal and its objectives:

- ❖ Goal: Combat Money Laundering and other Financial Crimes.
 - Dismantle domestic and international money laundering networks.
 - Reduce counterfeiting and other criminal threats to our financial system.

Finally, within the scope of the U.S. Treasury's **Management Mission**, the OCC's strategic goal of *an expert, highly motivated, and diverse workforce and efficient utilization of other agency resources* supports the following U.S. Treasury goals and objectives:

- ❖ Goal: Support the Achievement of Business Results.
 - Improve the capacity to recruit, develop, and retain high caliber employees.
 - Foster an environment of equal opportunity.
 - Ensure strong financial management of Treasury accounts.
 - Make wise capital investments and effectively manage Treasury assets.
 - Procure quality goods and services at a fair and reasonable price and in a timely manner.
 - Ensure continuity of Treasury operations.
- ❖ Goal: Improve Customer Satisfaction
- ❖ Goal: Improve Employee Satisfaction

*Annual Performance Goals and Their
Relationship to Strategic Goals and Objectives*

The longer-term strategies outlined in the *OCC Strategic Plan* will be implemented through annual performance plans integrated into our OCC plan and budget process. We will develop and use annual performance goals that will be directly linked to OCC strategic objectives. By maintaining a close linkage between our strategic objectives, our annual performance plans, and our performance recognition process, we can stay focused on attaining OCC's strategic goals while also contributing to the accomplishment of the strategic goals of the U.S. Treasury Department.

Appendix C:

Coordination on Cross-cutting Issues

The OCC works closely with the other four federal financial regulatory agencies (Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, and Office of Thrift Supervision) to address issues and programs that transcend the jurisdiction of each agency.

Federal Financial Institutions Examination Council (FFIEC)

The FFIEC, composed of members of each of the five federal financial regulatory agencies, formed as an interagency coordinating committee during the mid-1970s, was formalized by Congress in 1978. The FFIEC has served as a forum for promoting common standards for bank supervision and for reconciling many interagency differences. The tradition of coordination has become so ingrained that the agencies now routinely confer on all matters of common interest and concern, both within and beyond the purview of the FFIEC.

The FFIEC is empowered to prescribe uniform principles, standards, and report forms for the federal examination of depository institutions and to make recommendations to promote uniformity in the supervision of insured depository institutions. The FFIEC also provides uniform examiner training and has taken the lead in developing standardized software needed for major data collection programs that support supervisory requirements.

The OCC works with each of the FFIEC's six task forces to carry out interagency objectives and activities. These task forces are Consumer Compliance, Examiner Education, Information Sharing, Reports, Supervision, and Surveillance Systems. In addition, the OCC works through the FFIEC to develop standard training courses to provide uniform examiner training.

GPRA Interagency Working Group

In support of the Government Performance and Results Act (GPRA), an interagency working group was formed in October 1997 to work on issues related the general goals and objectives that cross federal financial regulatory agencies and their programs and activities, as well as on other general GPRA requirements.

The GPRA interagency working group, composed of the federal financial regulatory agencies, identifies and coordinates interagency cross cutting initiatives. Initiatives taken by these groups that contribute to the OCC's achievement of its performance goals include:

- ❖ Compliance with GPRA in sharing "best practices;" and
- ❖ Addressing common budget and planning issues.

Basel Committee and the Joint Forum

The Basel Committee on Banking Supervision provides a forum for international cooperation on matters relating to bank supervision. The committee promotes harmonization through the issuance of "sound practices" papers and the development of supervisory standards to which its members voluntary adhere. The Joint Forum is an international panel of banking, securities, and insurance regulators responsible for the supervision of financial conglomerates. Major issues pursued by these international bodies include enhanced information sharing, reform of capital regulations, and improved transparency and credit risk management practices.

Interagency Country Exposure Risk Committee (ICERC)

The ICERC members, the Federal Deposit Insurance Corporation, the Federal Reserve, and the OCC, are responsible for providing an objective opinion concerning the degree of transfer risk that is inherent in the cross-border and cross-currency lending by U.S. banks. OCC's participation in ICERC helps ensure that global economic and market events are assessed and their potential impact is uniformly integrated into the supervisory process.

Shared National Credits Program

The Shared National Credits Program is an interagency effort to perform a uniform credit review of bank loans that exceed \$20 million and are shared by three or more banks. The reviews are performed annually with results distributed to all examining personnel as well as to the agent and participant banks.

Appendix D:

Use of Program Evaluations

A mix of internal and external program evaluations are used to evaluate whether OCC programs are achieving their intended results in a cost-effective manner.

Internal Program Evaluations

Internally, the formal program evaluation efforts are the:

- ❖ Office of the OCC Ombudsman,
- ❖ Bank Supervision Quality Assurance Program,
- ❖ Program Analysis Group,
- ❖ Management Accountability Project, and
- ❖ Licensing Customer Satisfaction Feedback Program.

The Office of the OCC Ombudsman. The OCC Ombudsman provides program-level intelligence to the strategic management process through its administration of the OCC appeals process, the national bank customer assistance program, and ongoing formal surveys of national bank chief executive officers regarding the quality of OCC supervision.

Bank Supervision Quality Assurance Program. The objective of the quality assurance program is to ensure that the overall objectives of the bank supervision process, as outlined in the Comptroller's Handbook for National Bank Examiners, are being achieved. Feedback from this program has been used to provide input to the annual BSOP operating plan and provides additional context to the strategic planning process.

Program Analysis Group. The Program Analysis Group (PAG) is responsible for analyzing the major components of the OCC's organization and programs. The overall objective of the unit is to recommend ways to ensure

more efficient use of OCC resources. Unit members meet regularly to coordinate their work across program and organizational lines and lead our analysis of operations, issues, and costs. The Comptroller meets with the group at least once a month.

Management Accountability Project. The Management Accountability Project (MAP) is a major initiative to improve the internal control environment at all levels of the OCC. This effort will assist us in correcting the weaknesses in planning, controlling, and accounting for program operations and resources that have been identified in recent independent audits and internal evaluations. A key element will be to provide managers with the tools and guidance to achieve the goal of managing our own internal financial affairs with the same discipline and integrity that we would expect from the banks we regulate. In turn, this will help us improve management accountability at all levels of the organization.

Licensing Customer Satisfaction Feedback Program. Each recipient of an OCC corporate decision is surveyed in order to obtain important customer service information regarding timeliness of application processing, convenience, staff professionalism, courtesy, and the quality of written OCC guidance.

External Program Evaluations

In addition to the OCC's ongoing internal program evaluation efforts, we receive program-level feedback from three primary external sources:

- ❖ Office of the Treasury Inspector General (IG),
- ❖ General Accounting Office (GAO), and
- ❖ OCC's external auditors.

Office of the Treasury Inspector General (IG). The Treasury IG conducts targeted reviews of various aspects of OCC operations every year. The program review

results from the Treasury IG provide useful input into the OCC strategic management process.

General Accounting Office (GAO). The GAO also conducts targeted reviews of OCC operations on a periodic basis. In addition to OCC-specific results, the GAO frequently provides us with benchmark comparisons with the activities of other federal financial institutions regulators.

OCC's external auditors. Every year, the OCC commissions the services of a major accounting firm to conduct a financial statement opinion audit and to provide senior management with conclusions regarding the effectiveness of OCC's program of financial controls. Recent audits have indicated that OCC needed to improve the quality of its financial management processes. These conclusions have contributed to recent financial management reform measures.

Future Program Evaluations

PROGRAM EVALUATION SCHEDULE	
Office of the OCC Ombudsman	Program evaluation activities are continuous.
Bank Supervision Quality Assurance Program	Regular reviews are conducted throughout the year.
Program Analysis Group	Program in development. Schedule to be determined.
Management Accountability Project	Program in development. Schedule to be determined.
Licensing Customer Satisfaction Feedback Program	Program evaluation activities are continuous.

Appendix E:

Data Capacity

OCC maintains sophisticated electronic data processing systems that can produce the bulk of the performance measures used to ascertain our status relative to our strategic goals. An illustrative, but not exhaustive, list of data sources include Examiner View, the Supervisory Monitoring System (SMS), the National Bank Surveillance Video Display System (NBSVDS), the Corporate Application Information System (CAIS), Corporate View, and the Time and Travel Reporting System (TTRS). The remainder of the performance measurement dataset will be obtained manually or through survey vehicles.

OCC has internal data integrity processes and edit-check controls in place to help ensure a high degree of reliability of the information being extracted from our automated systems.

Appendix F:

Management Challenges and High Risk Areas

The Comptroller has identified three strategic management challenges to OCC staff:

- ❖ We need to continue our focus on efficient management of OCC's financial resources. One of the Executive Committee's goals is closer alignment between OCC's objectives and OCC's resource allocations.
- ❖ We are also beginning to see an increasing level of risk in a growing number of our banks. While this has not resulted in dramatically increased levels of problem banks, it is evidence of an industry that is susceptible to stress if economic conditions should deteriorate. When combined with increased competition from both inside and outside the traditional banking community, and the ever-greater demands placed on bank management, it means our jobs will be increasingly challenging.
- ❖ We also have the challenge and opportunities presented by major new legislation (the Gramm-Leach-Bliley Act) affecting national banks and virtually all sectors of the financial industry. We will need to adapt to these changes and take advantage of the opportunities the new law makes available to further strengthen the national banking system.

The OCC has no designated High Risk Areas as defined by the U.S. Treasury Department.

Appendix G:

Consultations with Stakeholders

The OCC receives feedback on its strategic direction from a constant flow of information coming from the public, banking industry interests, consumer groups, Congress, other federal, state, and international financial services regulators.

The OCC also has an active outreach program which supplies senior agency management with information on events and trends in the financial services industry as well as feedback on the effectiveness and efficiency of OCC programs. For example, the Comptroller holds meetings in locations throughout the U.S. in order to discuss issues of mutual interest with national bankers, consumer groups, community leaders, and other agency stakeholders.

The Comptroller and other senior executives are also frequent speakers at meetings and conferences sponsored by the banking industry and consumer groups. These speaking engagements offer the opportunity to gather ideas and concerns that can be used to shape agency priorities.

Although the current strategic plan document has not been formally commented on by all interested agency stakeholders, we have met with the staff of the House and Senate banking committees to discuss a draft of the *OCC Strategic Plan*. Overall, we believe that the *OCC Strategic Plan* appropriately considers the mainstream points of view held by our significant stakeholder groups.

We do, however, plan to institute a broader notice and comment process with subsequent strategic plan updates.

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