



# Audit Report



OIG-21-018

## FINANCIAL MANAGEMENT

**Audit of the Office of the Comptroller of the Currency's  
Financial Statements for Fiscal Years 2020 and 2019**

December 18, 2020

Office of Inspector General  
Department of the Treasury

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OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

December 18, 2020

**MEMORANDUM FOR BRIAN P. BROOKS  
ACTING COMPTROLLER OF THE CURRENCY**

**FROM:** James Hodge /s/  
Director, Financial Audit

**SUBJECT:** Audit of the Office of the Comptroller of the Currency's  
Financial Statements for Fiscal Years 2020 and 2019

We hereby transmit the attached subject report. Under a contract monitored by our office, Williams Adley & Company-DC, LLP (Williams Adley), a certified independent public accounting firm, audited the financial statements of the Office of the Comptroller of the Currency (OCC) as of September 30, 2020 and 2019, and for the years then ended, provided a report on internal control over financial reporting, and on compliance with laws, regulations, and contracts tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of OCC, Williams Adley found

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, and contracts tested.

In connection with the contract, we reviewed Williams Adley's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on OCC's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations.

Page 2

Williams Adley is responsible for the attached auditors' reports dated November 20, 2020, and the conclusions expressed in the report. However, our review disclosed no instances where Williams Adley did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 927-0009, or Shiela Michel, Manager, Financial Audit, at (202) 927-5407.

Attachment

2020

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**ANNUAL  
REPORT**

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[www.occ.gov](http://www.occ.gov)

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# 2020

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# ANNUAL REPORT

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## ABOUT THIS REPORT

The fiscal year (FY) *2020 Annual Report* provides Congress with an overview of the condition of the federal banking system,<sup>1</sup> discusses the OCC's strategic priorities and initiatives, and shares the agency's financial management and condition.

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<sup>1</sup> Unless otherwise noted, all references to 2020 in this report refer to the fiscal year ending September 30, 2020.

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# ABOUT THE OCC

The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks and federal savings associations (FSA) and licenses, regulates, and supervises federal branches and agencies of foreign banking organizations.<sup>2</sup> The agency also supervises services provided by certain third parties.<sup>3</sup> It administers the organization and structure of the federal banking system by implementing and enforcing federal banking law and maintains a supervisory and regulatory framework that encourages banks to innovate and adapt to meet the evolving financial needs of consumers, businesses, and communities nationwide. It uses a risk-based supervision process focused on evaluating banks' risk management, identifying material and emerging concerns, and requiring banks to take corrective action when warranted.

President Abraham Lincoln signed the National Currency Act on February 25, 1863, creating the OCC and the federal banking system. In June 1864, the law was revised, and in 1874 it was renamed the National Bank

Act. The law remains the authority under which the OCC and national banks operate.

The Home Owners' Loan Act of 1933 provides the basis for the operation and regulation of FSAs. With the passage of the International Banking Act of 1978, foreign banking organizations could opt to conduct banking operations in the United States through a federal branch or agency.

Headquartered in Washington, D.C., the OCC has offices in 53 cities nationwide, with 92 operating locations<sup>4</sup> and four district offices.

The President, with the advice and consent of the U.S. Senate, appoints the Comptroller of the Currency to head the agency for a five-year term. The Comptroller serves as a director of the Federal Deposit Insurance Corporation (FDIC) and a member of the Financial Stability Oversight Council and the Federal Financial Institutions Examination Council (FFIEC).



## MISSION

To ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.



## VISION

The OCC is the preeminent prudential supervisor that adds value through proactive and risk-based supervision; is sought after as a source of knowledge and expertise; and promotes a vibrant and diverse banking system that benefits consumers, communities, businesses, and the U.S. economy.



## CORE VALUES

- » Integrity
- » Expertise
- » Collaboration
- » Independence

2 This report refers to all entities under OCC supervision collectively as "banks" unless it is necessary to distinguish among them.

3 The OCC examines certain third-party entities for the services they provide to banks and based on authorities provided by the Bank Service Company Act, 12 USC 1867(c), and the Home Owners' Loan Act, 12 USC 1464(d)(7)(D). The examinations are often coordinated with other federal banking agencies.

4 Data are as of September 30, 2020.

# OCC AT A **GLANCE**

**3,472**  
OCC EMPLOYEES

**65%**  
OF EMPLOYEES ARE  
BANK EXAMINERS



Federally chartered banks receive consistent, bank-level supervision across examination cycles by examiners who leverage agency experts with knowledge of specific banking issues, laws, economics, accounting, innovation, information technology, and data security.

OCC examiners, located in banks and OCC offices across the United States, conduct on-site examinations in scheduled cycles and maintain a continuous presence in the nation's largest banks. Bankers regularly interact with OCC examiners and other district staff who are familiar with the needs of local markets and communities.

Examiners analyze banks' ability to identify, measure, monitor, and control risk, such as with banks' loan and investment portfolios, capital adequacy, earnings, liquidity, and sensitivity to market conditions. Examiners assess corporate governance and banks' compliance with laws and regulations. Examiners also review internal controls, internal and external audits, and information technology systems, including with respect to cybersecurity.

## PERCENTAGE OF EXAMINERS ASSIGNED TO

**11%**  
OTHER  
LINES OF BUSINESS

**29%**  
LARGE BANK  
SUPERVISION



**60%**  
MIDSIZE AND  
COMMUNITY  
BANK SUPERVISION



# 95.6%

PERCENT OF REVENUE FROM ASSESSMENTS



# \$1.069 BILLION

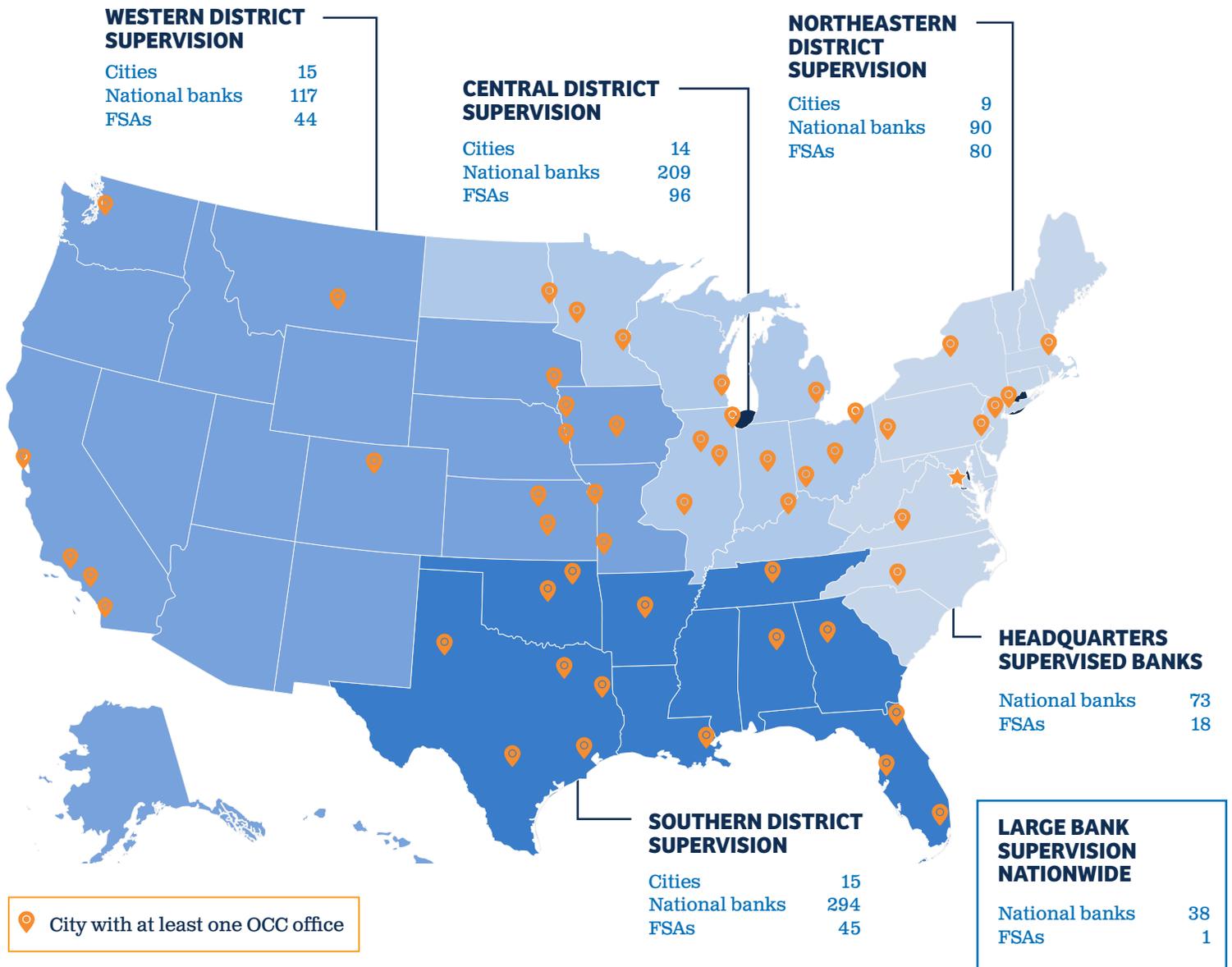
BUDGET AUTHORITY



# 53

CITIES WITH OFFICES

## GEOGRAPHIC FOOTPRINT



Data are as of September 30, 2020.

# COMPTROLLER'S **VIEWPOINT**



## **BRIAN P. BROOKS**

Acting Comptroller of the Currency

In 2020, the OCC promoted economic opportunity and championed regulatory improvements. The OCC supported the orderly function of the federal banking system with timely guidance and rulemakings during the COVID-19 pandemic.

We helped the federal banking system succeed as a conduit for delivering relief to consumers and businesses affected by the response to the global pandemic. In these efforts, we increased communication, reduced assessment fees, and issued nearly 50 rules and guidance documents, which provide banks with greater flexibility and regulatory clarity to use their strong capital and liquidity to support consumers, businesses, and the broader economy.

President Lincoln understood the need for a national strategy for our collective good when he created a system of national banks in 1863 to support interstate commerce and solidify a national currency backed by the country's full faith and credit. As an agency with a 157-year history,

we understand the pandemic's seemingly long shadow is temporary, as is the immediate attention it demands.

Response to the pandemic has taken significant focus and effort. I appreciate the extraordinary work of OCC staff members who have shown great flexibility and agility adapting to different ways of working. As part of the nation's critical infrastructure, banks never stopped operating during the pandemic, and neither did we. As conditions evolve, we will adapt, provide employees with the workplace flexibilities they need to do their jobs while supporting their families, and maintain our agency's essential capabilities. I am confident that the federal banking system will continue to be a source of strength for the nation.

# 2020 ACCOMPLISHMENTS

In 2020, our accomplishments included

- » modernizing the Community Reinvestment Act (CRA) regulatory framework.
- » enabling banks to better serve their customers while maintaining the safety and soundness of the federal banking system during the pandemic.
- » increasing consumers' short-term, small-dollar lending options.
- » improving and streamlining the Volcker rule.
- » enhancing legal certainty through the "Madden fix" and the true lender rule.<sup>5</sup>
- » enhancing the scope and relevance of the national charter by helping the federal banking system keep up with changes in the way consumers and businesses manage their finances.
- » supporting responsible innovation by clarifying banks' authority to provide custody services for cryptocurrency and to hold deposits as reserve backing stablecoins.
- » ensuring that banks serve their entire communities through fair access to credit, capital, and financial services.
- » providing OCC employees with engaging, rewarding, diverse, and challenging career opportunities.

## MODERNIZING THE CRA REGULATORY FRAMEWORK

In May, the OCC finalized improved CRA rules to encourage banks to lend and invest more in areas of need, including low- and moderate-income neighborhoods, and to make assessing bank CRA performance more transparent and objective.<sup>6</sup>

Changes we made to the CRA framework for banks benefit consumers, businesses, and communities by

- » clarifying what activities qualify for CRA consideration.
- » requiring banks to serve the communities where banks draw significant amounts of their deposits, regardless of whether they have a physical location in the community.
- » evaluating bank CRA performance more objectively through quantitative measures that assess the volume and value of activity.
- » making reporting more transparent and timelier.
- » providing greater support for CRA-eligible businesses and farms (i.e., businesses and farms with gross annual revenues of \$1.6 million or less), people with disabilities, family-owned farms, and Indian Country.

The final rule was the culmination of a multiyear process and more than a decade of dialogue about improving how the CRA works. We carefully considered more than 7,500 comments from stakeholders on the CRA notice of proposed rulemaking<sup>7</sup> and incorporated many of those suggestions to improve the final rule.



*Acting Comptroller of the Currency **Brian Brooks** joined Senator **Tim Scott** and Secretary of Housing and Urban Development **Ben Carson** on July 17 to raise awareness of investment and lending related to opportunity zones and to highlight the benefits of the OCC's CRA rule.*

5 In *Madden v. Midland Funding, LLC*, the U.S. Court of Appeals for the Second Circuit held that a purchaser of a loan originated by a national bank could not charge interest at the rate agreed to by the borrower and the originating bank if that rate would not have been permissible under state usury law had the purchaser originated the loan itself (786 F.3d 246 (2d Cir. 2015)).

6 See OCC News Release 2020-63, "OCC Finalizes Rule to Strengthen and Modernize Community Reinvestment Act Regulations." The final rule was published in the *Federal Register* on June 5, 2020, at 85 Fed. Reg. 34734.

7 85 Fed. Reg. 1204 (January 9, 2020).

## ENABLING BANKS WHILE MAINTAINING SAFETY, SOUNDNESS, AND FAIRNESS DURING THE PANDEMIC

As the preeminent regulator of one of the 16 critical infrastructure sectors considered vital to the United States, the OCC took a two-track approach throughout the COVID-19 pandemic: protect the health and safety of our employees while engaging in extensive regulatory efforts to enable banks to serve their customers in a safe, sound, and fair manner.

In March, OCC employees began to work remotely, helping to prevent the spread of the coronavirus. During this time, we increased use of virtual capabilities across all aspects of our operations and remained well-connected, safe, and informed without compromising our mission capabilities.

Taking care of our employees ensured they could focus on our critical mission and contribute to national economic security while meeting basic family-care needs exacerbated by the pandemic.

This report details how rapidly we responded to situations presented by the pandemic and implemented sound regulatory efforts for banks. For instance, the Coronavirus Aid, Relief, and Economic Security (CARES) Act allowed for temporary adjustments to accounting rules and bank capital requirements<sup>8</sup> so that banks could better serve the immediate needs of their customers. The OCC collaborated closely with the other federal financial agencies and promptly issued rulemakings and guidance to implement these and other CARES Act provisions, allowing banks to carry out the objectives of the law in a way that supports fair access and fair treatment of their customers.

As regulators, our goal during the pandemic has been to provide flexibility to banks so they may serve their customers while maintaining essential safeguards. The OCC will continue to work with our agency colleagues and the institutions we oversee to meet our nation's banking needs.



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*On May 29, as the initial spike in the pandemic surged, **Brian Brooks** transitioned from serving as the OCC's Chief Operating Officer to Acting Comptroller of the Currency upon the departure of Comptroller of the Currency **Joseph Otting**.*

## INCREASING CONSUMERS' SHORT-TERM, SMALL-DOLLAR LENDING OPTIONS

Millions of consumers rely on short-term, small-dollar credit each year. Banks offer a safe, affordable choice and can help customers find a path to more mainstream financial services without trapping them in cycles of debt. Throughout the year, the OCC had discussions with several banks considering new small-dollar products. The federal banking agencies explored principle-based options to address regulatory uncertainty and to encourage banks to deliver safe, fair, and affordable short-term credit products that support the long-term financial health of their customers.

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8 See OCC News Release 2020-43, "Statement of the Comptroller of the Currency on the Enactment of the Nation's Stimulus Package."

In March, the OCC partnered with other federal financial regulatory agencies to encourage responsible small-dollar lending.<sup>9</sup> In May, the OCC joined other federal financial regulatory agencies in issuing interagency lending principles for offering responsible small-dollar loans to customers for consumer and small business purposes.<sup>10</sup> These loans can help customers meet their needs for credit because of temporary cash-flow imbalances, unexpected expenses, or income disruptions during periods of economic stress or disaster recoveries like those related to the pandemic.

## IMPROVING AND STREAMLINING THE VOLCKER RULE

The Volcker rule<sup>11</sup> generally prohibits banks from engaging in proprietary trading or investing in, sponsoring, or having certain relationships with hedge funds or private equity funds (referred to as covered funds in the implementing regulations). In November 2019, we finalized revisions to the proprietary trading and compliance program provisions of the regulations implementing the Volcker rule.<sup>12</sup> Under the revised rule, companies that do not have significant trading activities face simplified and streamlined compliance requirements, while companies with significant trading activity have more stringent compliance requirements. The revisions continue to prohibit proprietary trading while providing greater clarity and certainty regarding the activities permitted under the law.

In addition, in July we finalized revisions that improve and streamline the covered funds provisions of the regulations implementing the Volcker rule.<sup>13</sup> The final rule streamlines the covered funds portions of the regulations, addresses the extraterritorial treatment of certain foreign funds, and permits banking entities to offer financial services and engage in other activities that do not raise concerns that the Volcker rule was intended to address.

## ENHANCING LEGAL CERTAINTY THROUGH THE “MADDEN FIX” AND TRUE LENDER RULES

Loan transfers help support the orderly function of markets and credit by providing liquidity and alternative funding sources. They also allow banks to manage concentrations, improve financial performance ratios, and more efficiently meet customer needs.

On May 29, I signed the OCC’s final rule clarifying that when a national bank or savings association transfers a loan, interest permissible before the transfer continues to be permissible after the transfer. The rule supports the orderly function of markets and promotes the availability of credit by answering the legal uncertainty created by the *Madden* decision.<sup>14</sup>



Then-Comptroller **Joseph Otting** (right) testified during a virtual congressional hearing about the condition of banks and regulators’ early response to the pandemic. He was supported by Senior Deputy Comptroller and Chief Counsel **Jonathan Gould** (left), Senior Deputy Comptroller for Bank Supervision Policy **Grovetta Gardineer** (center), and Director for Congressional Relations **Carrie Moore** (foreground).

9 See OCC News Release 2020-40, “Federal Agencies Encourage Banks, Savings Associations, and Credit Unions to Offer Responsible Small-Dollar Loans to Consumers and Small Businesses Affected by COVID-19.”

10 See OCC News Release 2020-65, “Federal Agencies Share Principles for Offering Responsible Small-Dollar Loans.”

11 The Volcker rule refers to section 619 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (12 USC 1851).

12 See OCC Bulletin 2019-56, “Volcker Rule: Final Rule.”

13 See OCC News Release 2020-82, “Financial Regulators Modify Volcker Rule,” and OCC Bulletin 2020-71, “Volcker Rule Covered Funds: Final Rule.”

14 See OCC News Release 2020-72, “Acting Comptroller of the Currency Statement Regarding the ‘Madden’ Rule.”

In July, we proposed a companion rule to clarify when a bank makes a loan and is the “true lender.”<sup>15</sup> That rule was finalized on October 27, 2020, and addresses the concerns regarding “rent-a-charter” arrangements by clarifying that when a bank makes a loan, it is responsible for ensuring that the loan is made in a safe and sound manner and in accordance with applicable laws and regulations, including consumer protection laws.<sup>16</sup>

The regulatory certainty provided by the two rules supports banks’ lending relationships with third parties and facilitates access to affordable credit.

## ENHANCING THE SCOPE AND RELEVANCE OF THE NATIONAL CHARTER

To enhance the value of the national charter, the OCC has promoted responsible innovation in the federal banking system for several years. Innovation continues to change how banking products and services are delivered and consumed.

The OCC’s initiatives include identifying ways to promote and support banks’ responsible innovation, such as through the partnering of banks with financial technology (fintech) and other nonbank companies in a safe and sound manner. Doing so can result in reduced costs, increased earnings, and well-served customers.

In July, we approved a de novo charter for Varo Bank—the first-ever national bank charter issued to a fintech company. This full-service charter marks an evolution in banking and a new generation of banks, born from innovation and built on technology to serve and empower consumers and businesses. Fintech companies come in all shapes and sizes, and the national bank charter is flexible enough to accommodate multiple fintech business models that may focus on certain aspects of banking.

Payments is one of those core banking functions that 10 years ago was conducted almost entirely by banks. Today, much of that banking activity has migrated outside the banking system. That migration risks reducing federal regulators’ ability to spot systemic risk and ensure the safety and soundness of the system as a whole. For those reasons, it is important that we provide a path for those companies to conduct their payment activities within the banking system, if they choose.

## CLARIFYING BANKS’ AUTHORITY WITH CRYPTOCURRENCY

Complementing the evolution in the financial services landscape brought about by fintech companies, cryptocurrencies and distributed ledger technology are fueling tremendous change. Banks are already engaging in cryptocurrencies in ways that involve hundreds of billions of dollars and tens of millions of customers. As the primary prudential regulator for the federal banking system, we must provide the guidance and framework that recognize the reality of these assets and technologies so that the banks we oversee can provide those services in a safe, sound, and fair manner.

This year we addressed two aspects of the crypto evolution: custody and reserve deposits for stablecoins. Banks have long provided custody services for physical objects and electronic assets. In July, we clarified that banks’ authority includes providing cryptocurrency custody services for customers.<sup>17</sup> In September, we clarified that banks may hold deposits as reserves backing a certain type of cryptocurrency known as stablecoins.<sup>18</sup> Combined, these two letters answer certain threshold questions we have received regarding banks’ authority to engage in activities related to cryptocurrency.

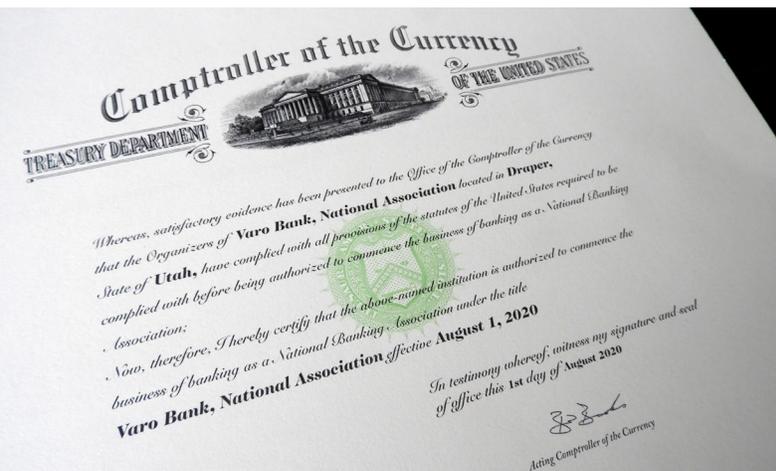


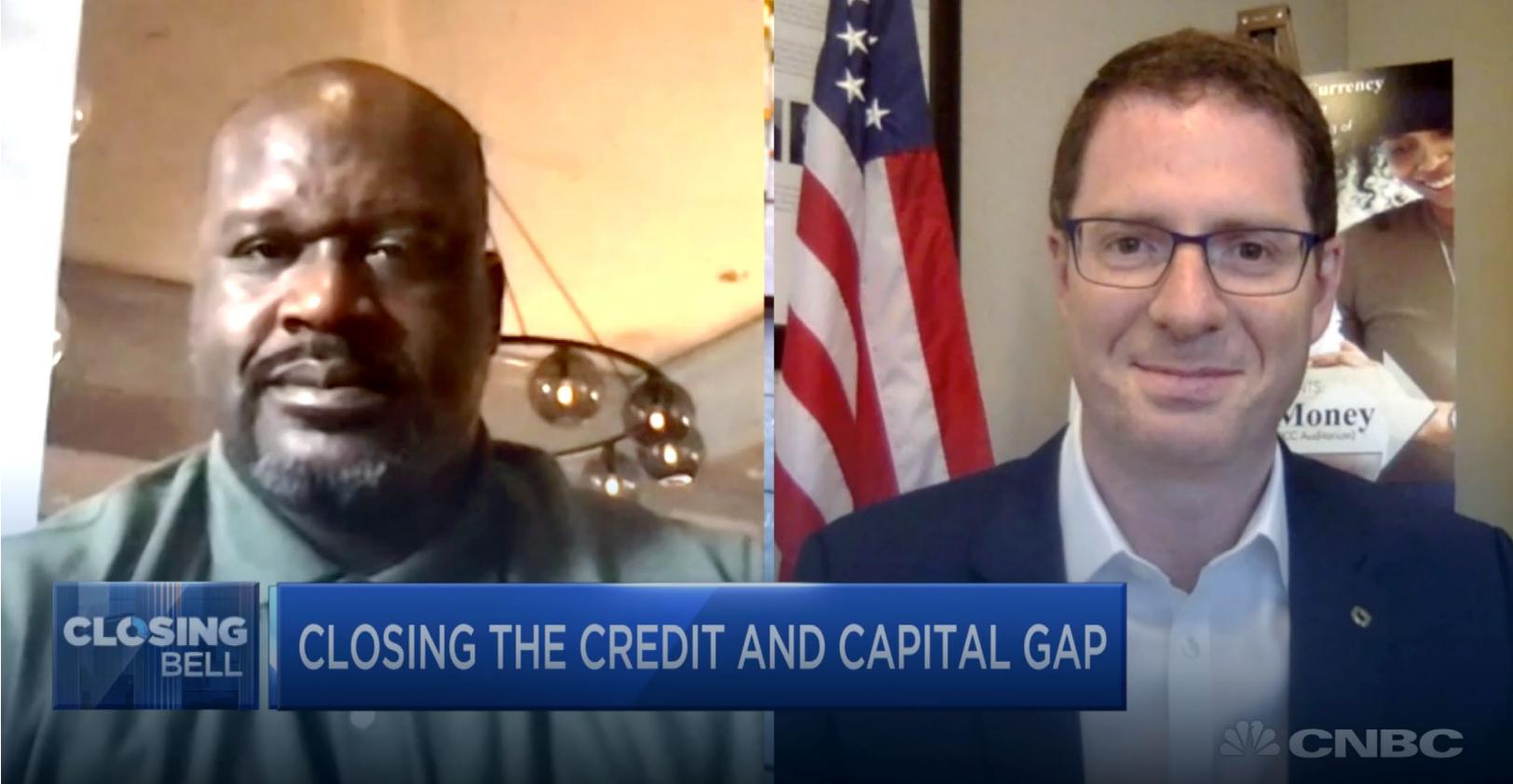
Image of a national bank charter issued to a fintech company, Varo Bank, in August 2020.

15 See OCC News Release 2020-97, “Office of the Comptroller of the Currency Issues Proposed True Lender Rule.”

16 See OCC News Release 2020-139, “Office of the Comptroller of the Currency Issues True Lender Rule.”

17 See OCC Interpretive Letter 1170, “Authority of a National Bank to Provide Cryptocurrency Custody Services for Customers.”

18 See OCC Interpretive Letter 1172, “OCC Chief Counsel’s Interpretation on National Bank and Federal Savings Association Authority to Hold Stablecoin Reserves.” The interpretive letter addresses situations when there is a hosted wallet and when the stablecoin is backed by fiat currency on at least a 1:1 basis.



Nearly 50 million Americans are credit invisible, meaning their credit history is so limited that they do not have a credit score. About 15 percent of blacks and Hispanics have no credit score compared with 9 percent of whites. On CNBC's "Closing Bell" on September 9, Acting Comptroller Brooks and NBA Hall of Famer Shaquille O'Neal discussed financial access and work to put mainstream financial services within reach of the credit invisible through efforts like the OCC's Project REACH.

## EXPANDING ACCESS TO FINANCIAL SERVICES, CREDIT, AND CAPITAL

In July, we announced the launch of Project REACH to promote financial inclusion through greater access to credit and capital.

REACH stands for Roundtable for Economic Access and Change and brings together leaders from banking, business, technology, and national civil rights organizations to reduce barriers that prevent full, equal, and fair participation in the nation's economy.

This collaborative effort intends to remove many structural barriers to financial inclusion, result in broader participation in the economy, and help millions of people, previously left out of the financial system, in a manner that enables them to pursue their American dreams.



**REMOVING BARRIERS TO FINANCIAL INCLUSION**

**PROJECT REACH**

Roundtable for Economic Access and Change



**Brian Brooks**  
U.S. ACTING COMPTROLLER OF THE CURRENCY

**BROOKS: BANKS WILL BE PART OF THE SOLUTION TO U.S. PROTESTS**

*Acting Comptroller Brooks talked with David Westin on Bloomberg’s “Balance of Power” on June 2 about how banks can be part of the solution to addressing economic inequalities.*

Project REACH currently comprises three national initiatives:

**Inclusion for credit invisibles:** Nearly 50 million Americans—disproportionately including poor and minority Americans—lack a credit score and cannot obtain mortgages, credit cards, or other lending products. Yet many people in this segment of society pay rent, utilities, and other recurring financial obligations. Project REACH intends to work with technology partners to synthesize a credit score from alternative data that meets safety, soundness, and fairness regulatory expectations. This will help tear down a major barrier to economic access for millions.

**Revitalization of minority depository institutions (MDI):** The number of MDIs has declined over the years. The remaining MDIs are critical sources of credit and financial services in their communities. Project REACH is developing a pledge that banks could make to support the vitality of minority institutions through partnerships, increasing access to capital, and providing training, exchange programs, and mentorship to MDI executives and board members.

**Affordable housing:** A recent analysis of home mortgage data found access to mortgage credit is significantly more challenging for minority borrowers, often because of cash required for down payment and closing costs. Project REACH intends to work with financial institutions and major civil rights and community-based organizations to encourage development of products that reduce the burden of down payments without adding asset risk. Such solutions can help thousands more obtain the American dream of owning a home.

Local Project REACH initiatives focus on developing regional solutions to reduce barriers to economic access for minority and underserved communities.

## CONTRIBUTING TO YOUTH FINANCIAL EDUCATION AND DEVELOPMENT

At OCC Headquarters in Washington, D.C., we hosted the second year of our High School Scholars Internship Program through the Mayor Marion S. Barry Summer Youth Employment Program. The internship program provides an opportunity for participants to explore careers in financial regulation, gain an understanding of the financial services industry, and engage in enrichment activities to support whatever careers they choose.

The OCC led an expanded program in 2020, collaborating with the National Credit Union Administration and Consumer Financial Protection Bureau, to provide paid internships to 115 students, including 30 students returning from the inaugural program.

While many federal agencies and private businesses canceled summer internship programs because of the pandemic, the OCC converted its program to a virtual experience to provide interns with positive, enriching experiences at a time when students needed such a program.



*The interns participated virtually in a variety of enrichment sessions and professional development activities, including public speaking, entrepreneurship, and leadership development.*

# 2020

## HIGH SCHOOL SCHOLARS INTERNSHIP PROGRAM GOES VIRTUAL

Interns in this year's program learned about the financial industry and developed professional skills. Some interns shared their thoughts about their experience.

**STEVEN MORALES:** I am a Francis L. Cardozo Education Campus graduate and will be attending Delaware State University in fall 2020. With the virtual internship, I learned to adapt to any situation and to always be resilient. During my time at OCC Headquarters during my first year of the program, I learned more about myself and the leadership qualities that I have within myself. I also learned a lot about professionalism in a work environment and what it means to be a part of a team that supports you. Both summers that I have spent at the OCC have truly been life changing and enhanced my point of view on professionalism and many other skills. I am truly grateful for the opportunity that I have been given once again this year to work for the OCC, even in a virtual environment.

**NIJAH DIAW:** I am an Eastern Senior High School graduate. In the fall, I will be continuing my education at the illustrious Prairie View A&M University as a psychology major and an African American studies minor. Being able to be a part of this prestigious internship program has changed so many things for me, specifically my career route. In four years, I plan to be a juvenile corrections counselor with the hope to help youth with one more chance at the game of life. This year is different, but I am beyond grateful that the OCC decided to give us students a chance when COVID-19 has taken away so much. Since my time as an intern, I have grown to know areas that I love, such as human resources and enterprise risk management. Overall, the program is an amazing opportunity and a huge learning experience. If I had to pick one takeaway to tell someone, I would firmly say it is OK not to know where you're going as long as you're retaining and learning along the way.

**TANIA HERNANDEZ:** I am currently a rising senior at Columbia Heights Bell Multicultural High School. This year, I had the opportunity to be part of the OCC High School Scholars Internship Program in which I am participating as a new intern. Some of the things that I have learned so far include the OCC's mission, which is to regulate and supervise all national banks and provide their customers fair and efficient financial services. The

"Dress for Success" session was one of the first things that I learned during my first week at the internship. The way you present yourself to the world is the key to your success, especially if you really want to get the job. Equally importantly, I learned about financial literacy in my daily life and how important it is to manage your money wisely. Diversity is what makes individuals who they are, including their thoughts, talents, and backgrounds. Inclusion involves building a respectful environment in which everyone's talents are being valued.



*I learned that the OCC is a place where everyone is welcomed, no matter where they are from or their background or color.*

I am deeply grateful for being part of this experience. We are fortunate to live in the digital age, where young adults like me are motivated and inspired to invest in themselves and search for knowledge to create change and be better; we are the present of today and the future leaders of tomorrow.

**BRITANY JUAREZ:** I am a rising senior at Cardozo Education Campus and a new intern working for the OCC. I have learned a great extent as a participant of the program, and my skills have expanded throughout the program. A few of the topics that intrigued me the most were the phishing emails, economics, customer service projects, entrepreneurship, and the Chief Counsel's Office. These topics were interesting because we were very hands-on. A few skills that I have learned are teamwork and leadership. I improved in my writing and public speaking skills throughout this program. My virtual experience has been great. At first, it was hard to adapt to our new working-at-home setting, but once time passed, I was able to understand and evolve my knowledge throughout our sessions for the six weeks.

**KIAIRA WHEELER:** I attend Theodore Roosevelt High School and was a new intern working at the OCC. During my six-week experience, I learned financial literacy and to be very wise with my money, because it is important to save every penny in your pocket to get ready for the real world. Working at the OCC gave me the opportunity to know that it is a good start to create a financial plan and savings and checking account. Also, it is important to have a good credit score, because you will pay lower finance charges on credit card balances and loans. I am a rising senior in high school, and the OCC provided me with a lot of advice and resources when it comes to creating a bank account and résumé. When I graduate high school, I will search for a job knowing that it is important to be prepared. This six-week internship has helped me to get ready for the real world and to not be afraid to try new things. It is important to gain experience and explore different career fields.



## PROVIDING ENGAGING, REWARDING, DIVERSE, AND CHALLENGING CAREERS

Our employees are essential to our mission; therefore, fostering employee engagement is crucial to succeed. We promote engagement by

- » maintaining work-life balance and flexibility for employees by expanding telework, which we accomplished in December 2019.
- » implementing a performance management program that responds to employee feedback, recognizes high performance, increases recognition, supports employee growth and development, and aligns employee contributions to the agency’s goals and mission. We implemented the new performance management program for the 2021 performance year.
- » keeping our employees informed through increased engagement, including virtual town halls.
- » following up on feedback from previous years’ surveys and continuing employee engagement discussions throughout the organization.

## FOSTERING AN INCLUSIVE WORKPLACE

Successful diversity and inclusion begin with the tone at the top. I have vigorously championed this commitment by leading senior-level discussions about how to improve diversity during recruitment, hiring, retention, and promotion decisions. To aid such efforts, this year we

19 These groups are the Coalition of African-American Regulatory Employees, Generational Crossroads, the Hispanic Organization for Leadership and Advancement, the Network of Asian Pacific Americans, PRIDE, The Women’s Network, the Veterans Employee Network, and the Differently Abled Workforce Network.

*On September 28, Acting Comptroller Brooks hosted 12 OCC colleagues for the inaugural “Coffee With the Comptroller” event. The group had light conversation on topics including theater, arts, children, and coronavirus coping mechanisms.*

increased training for leaders to include soft skills such as emotional intelligence, cultural awareness, inclusive listening, and combating unconscious bias.

Through our Office of Minority and Women Inclusion, we sponsor eight employee network groups, each sponsored by a member of the agency’s executive committee.<sup>19</sup> These groups provide a voice in communicating workplace concerns and input to management. They are an asset to attracting and retaining employees from diverse backgrounds and to creating an inclusive workplace for all employees.

## CONCLUSION

I am proud of the work we have done to overcome the unique challenges of 2020 and to continue to ensure that banks operate in a safe, sound, and fair manner. I am optimistic about the agency’s future and that of the federal banking system.

**Brian P. Brooks**

Acting Comptroller of the Currency

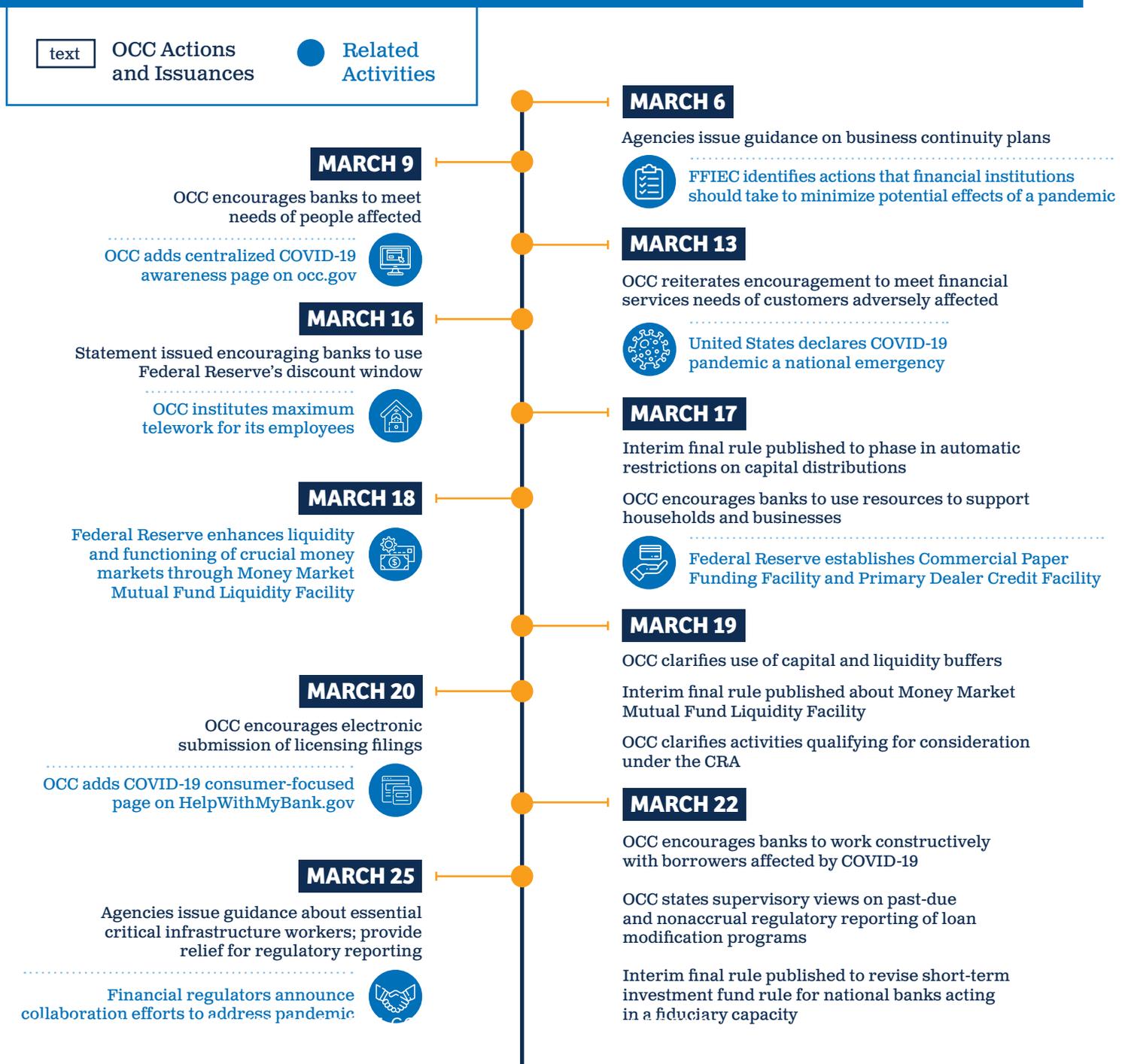
# SUPPORTING AND SUPERVISING THE FINANCIAL INDUSTRY DURING A PANDEMIC

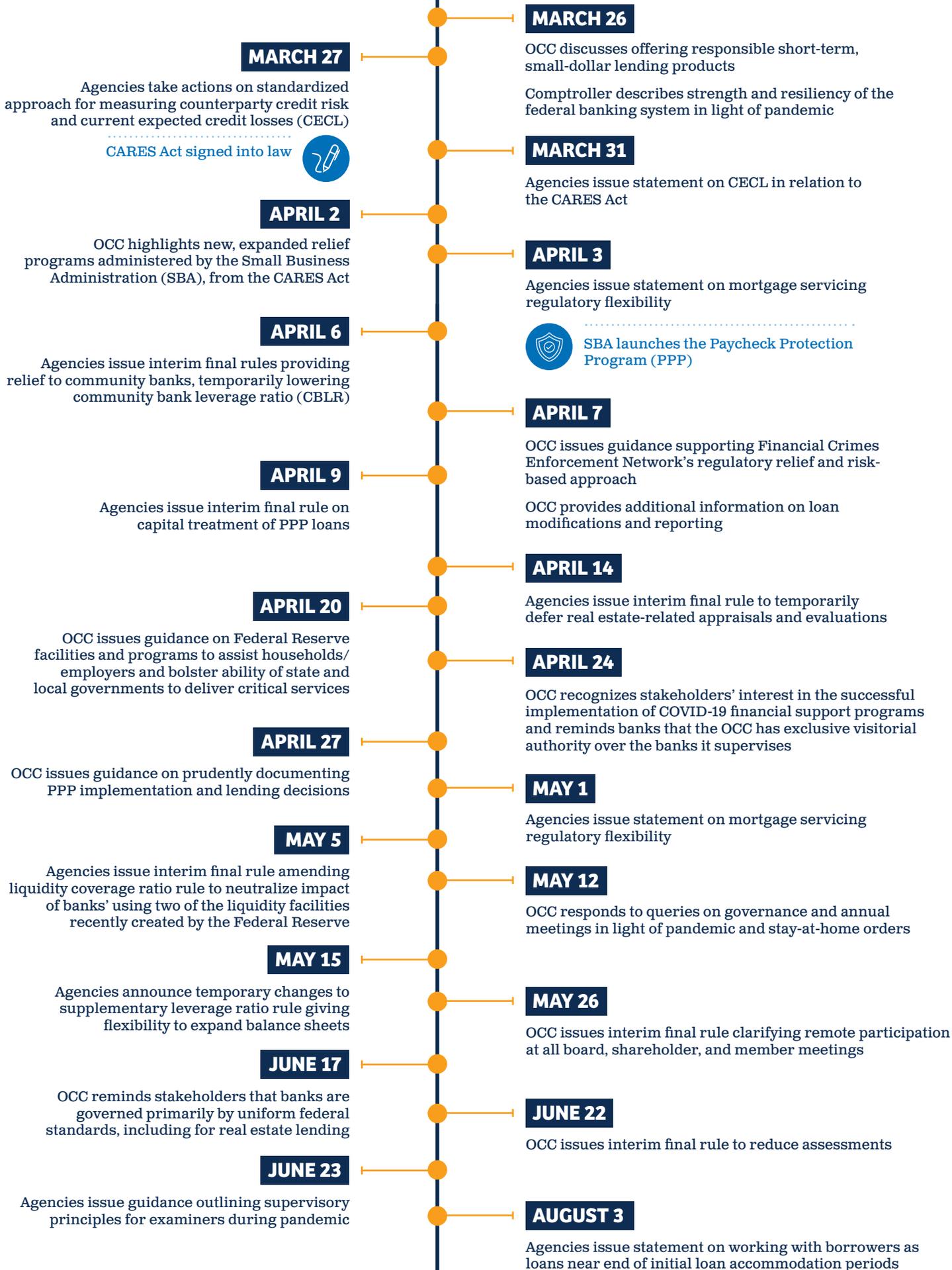
As the preeminent regulator of a critical infrastructure sector with assets, systems, and networks that are vital to the United States, the OCC supports the financial industry with clear regulatory expectations and provides flexibility to banks so that they may serve their customers while maintaining safeguards. The OCC has worked cooperatively with state and federal banking agencies and other organizations to assist regulated

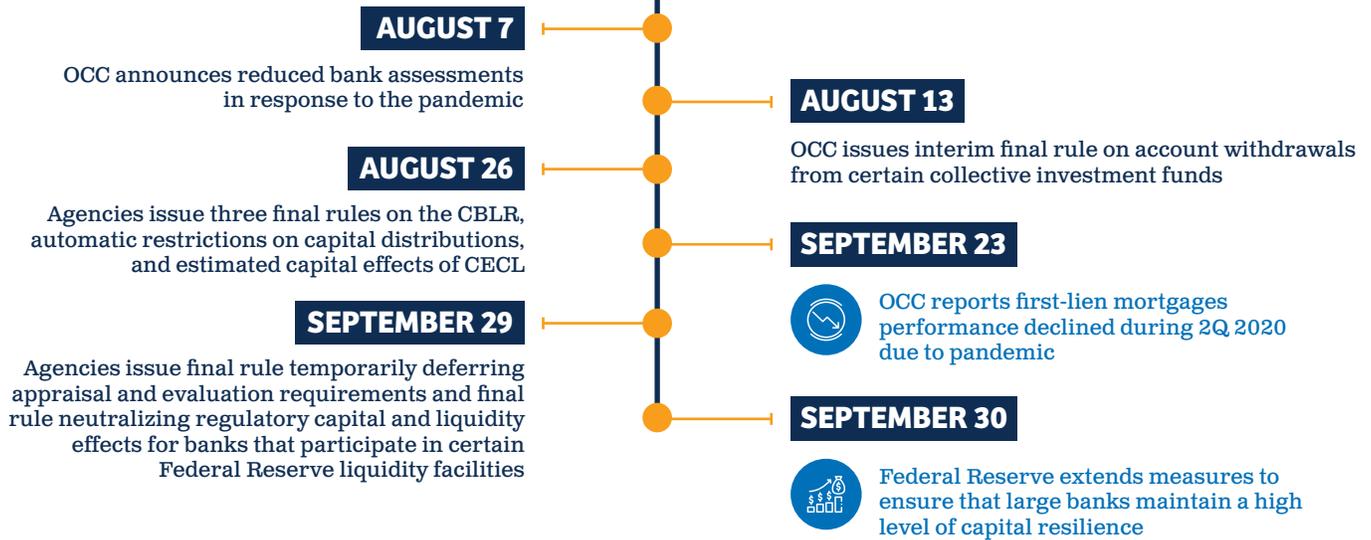
institutions and their customers in managing the impact of the COVID-19 pandemic.

Figure 1 shows OCC supervisory and regulatory actions, many of which were taken in collaboration with other regulators. All actions in this figure relate to the COVID-19 pandemic.

**FIGURE 1: TIMELINE OF REGULATORY AND SUPERVISORY RESPONSES TO THE PANDEMIC**







## HOW COMMUNITY BANKS HELPED CUSTOMERS COPE WITH THE PANDEMIC

As the COVID-19 pandemic spread this year, the OCC worked to enable banks to best serve their affected customers, while maintaining safety and soundness. OCC examiners encouraged banks to work with customers, and many community banks helped small businesses process PPP loans. Through August 8, 2020, 3,553 lenders with less than \$1 billion in assets handled more than a million PPP loans totaling \$84 billion.<sup>20</sup> Some banks provided their own grants. Here are a few stories about community national banks helping their neighbors.

### SOUTHERN DISTRICT

The chief executive officer of a community bank in the Dallas–Fort Worth area reported, “I never had to ask any administrative assistant to work late. They did it on their own. I never had to ask our analysts to work over the weekends. They did it on their own. I would never ask an employee to work on a Sunday, but several did. I never had to ask our financial assistants to be kinder or field more phone calls. They did it on their own. The [number] of phone calls the last two weeks was absolutely voluminous.” As a thank you for exceptional customer service, the board of directors approved midyear bonuses for the entire staff.

A small Tennessee bank operated on Saturdays for the first time in its history to accommodate loan payment deferment requests, PPP loan applications, and check cashing. The bank also provided free bottles of hand sanitizer to customers.

### CENTRAL DISTRICT

A southeastern Michigan bank funded 150 “business reopening kits” to be distributed by community groups. Small businesses drained of cash received face masks, gloves, disinfectant spray, hand sanitizer, safety signs, and floor tape for social-distance markings.

A Wisconsin bank provided micro-grants of less than \$5,000 to stressed customers faster than PPP loans. The micro-grants arrived at hundreds of small businesses in one or two days.

An eastern Wisconsin bank helped fund a public-private grant program for businesses affected by the pandemic. The partnership, including two banks, two cities, and a public utility, gave grants of \$1,000 and \$5,000 to businesses with up to 10 employees.

20 See “Paycheck Protection Report” approvals through August 8, 2020, on [www.sba.gov](http://www.sba.gov).

## NORTHEASTERN DISTRICT

An FSA helped a small business in New York obtain a loan through the PPP. After the customer's longtime bank was unable to help, the savings and loan worked over the weekend and the federal loan was approved.

The FSA's president estimated his bank would eventually process 90 to 100 PPP loans for businesses employing 750 to 800 workers, with loans ranging from below \$10,000 to \$800,000. Said one grateful loan recipient, "I can't even tell you the relief that I had that someone cared."

## WESTERN DISTRICT

A community bank in southern New Mexico handled PPP loans for stressed small businesses at amounts too low to be considered by many other banks. The bank diligently got documentation up front and verified that businesses devoted at least 75 percent of their loans to employee compensation. The bank was confident that every program loan, including one for just \$1,100, would be forgiven.

A community bank in southeastern Colorado estimated that its PPP loans helped retain 3,200 local jobs. The bank donated restaurant gift cards to individuals affected by job loss and to essential workers.

A Southern California bank worked with mortgage financing clients by offering payment forbearance for up to 90 days. The loan deferral period was extendable based on circumstances. The bank charged no fee for adjusting loan terms and did not report to credit bureaus during this period of forbearance.

# CONDITION OF THE FEDERAL BANKING SYSTEM

The condition of the federal banking system remains strong despite the pandemic. The pandemic and efforts to contain its spread in the United States caused a historic economic downturn in early 2020. Banks maintained their sound financial condition for the first six months of the pandemic. Many benefited from the fee income from government programs aimed at offsetting the financial harm on businesses and consumers. Economic activity rebounded in the third quarter, but there is significant ongoing risk. Banks, however, remain in strong condition with sound capital and liquidity levels. Bank profitability is stressed because of low interest rates and increasing provisions for problem loans.

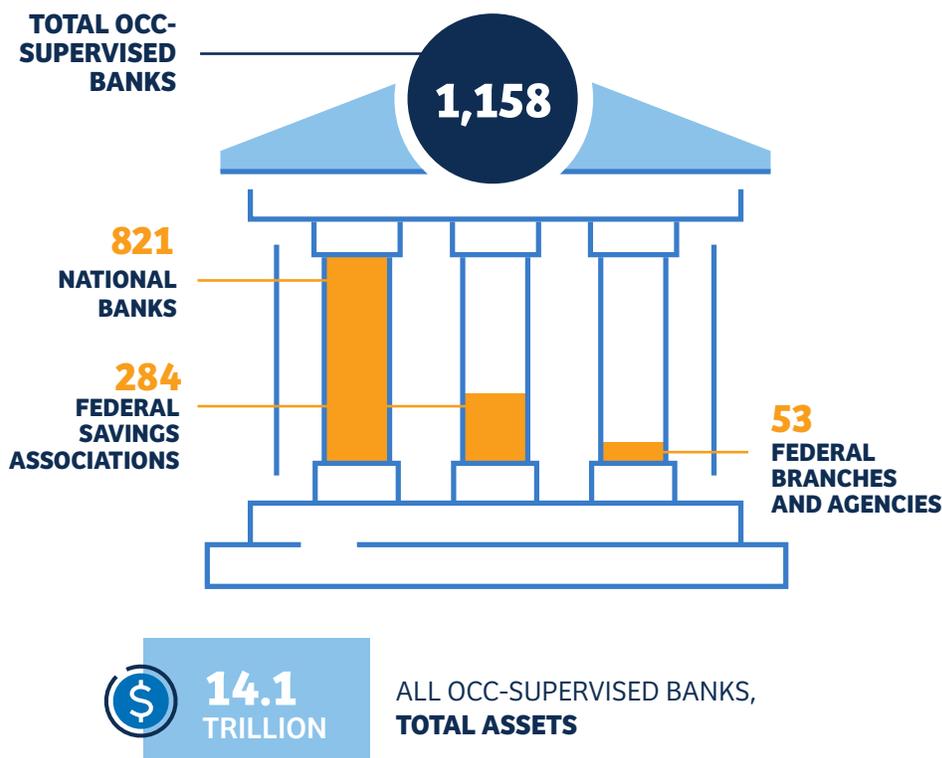
This section highlights these factors contributing to the federal banking system's condition:

- ▶ Composition
- ▶ Capital and liquidity
- ▶ Financial performance
- ▶ Loan performance
- ▶ Risk perspective

## COMPOSITION

The federal banking system comprises 1,158 banks operating in the United States. These banks range from small community banks<sup>21</sup> to the largest, most globally active U.S. banks. Of these banks, 862 have less than \$1 billion in assets, while 62 have more than \$10 billion. In total, the banks within the federal banking system hold \$14.1 trillion of all assets of U.S. commercial banks (68 percent of the total assets held by all U.S. commercial banks). The federal banking system holds more than 75 percent of credit card balances in the country. Through these products and services, most American families have one or more relationships with an OCC-supervised bank.

FIGURE 2: FEDERAL BANKING SYSTEM AT A GLANCE



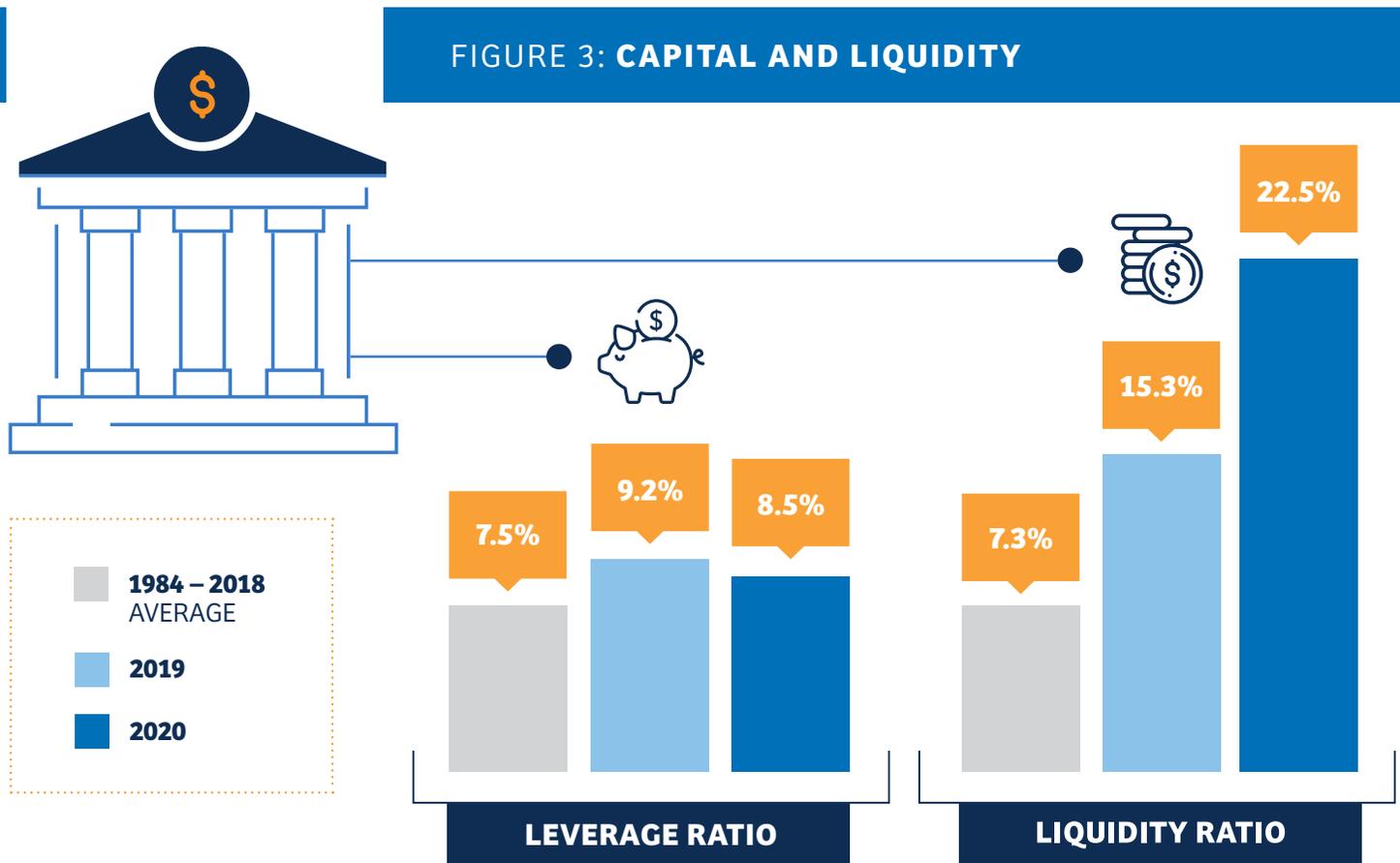
Source: OCC. Assets and supervised institution totals as of September 30, 2020.

<sup>21</sup> For the purposes of this report, community banks are national banks and FSAs with less than \$1 billion in total assets and exclude trust and credit card institutions.

# CAPITAL AND LIQUIDITY

Banks entered 2020 with capital and liquidity near historical highs. Amid the COVID-19 crisis and related economic stress, the federal banking system maintained strong levels of capital and liquidity as of June and used that strength to support its customers and the national economy. The tier 1 leverage ratio had increased over the past decade because of higher capital levels and enhanced supervisory expectations, reaching 9.2 percent as of year-end 2019. Although the leverage ratio declined in the first half of 2020, banks remained well capitalized at 8.5 percent of average total assets.

Bank liquidity levels<sup>22</sup> were sound before the pandemic because of policy developments and an emphasis on stronger risk management since the end of the last financial crisis. The federal banking system's liquidity ratio as of year-end 2019 had reached two times its historical average at 15.3 percent. Cash reserves, created by the Federal Reserve, injected additional liquidity, increasing cash balances by almost \$900 billion and raising the share of liquid assets to 22.5 percent as of June, as shown in figure 3.



Source: OCC.

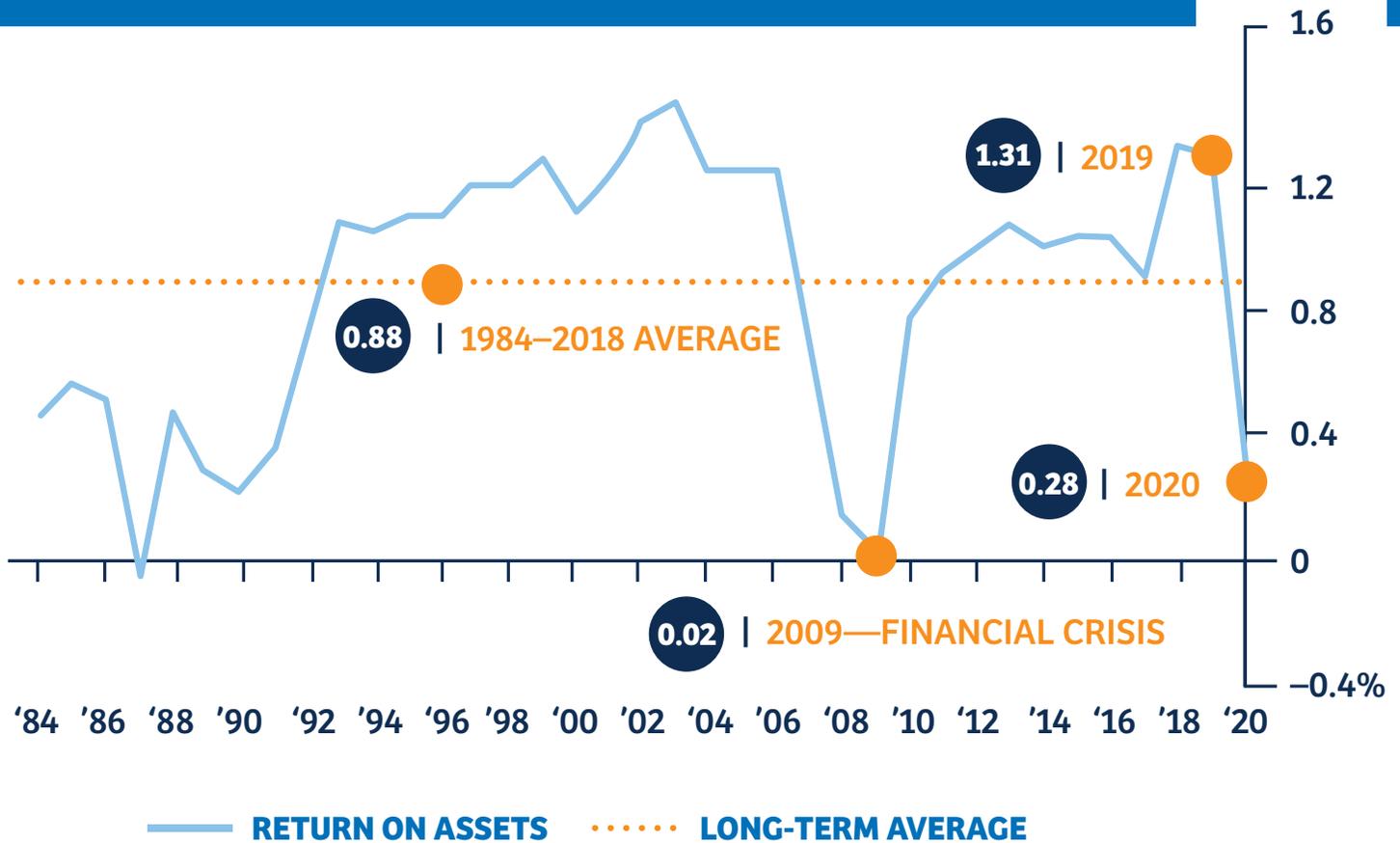
<sup>22</sup> Liquid assets are defined as cash, net Federal Reserve funds, and U.S. Treasury securities.

# FINANCIAL PERFORMANCE

Profitability declined significantly through June, reaching 0.28 percent of average assets compared with 0.02 percent at the trough of the financial crisis (see figure 4). The largest banks drive the federal banking system's profitability, which saw a 77.7 percent decline in net income through the second quarter. The sharp decline was driven by a dramatic increase in provisions, in addition to continued pressure on net interest margins from extremely low interest rates. Provisioning was much

more pronounced for the largest banks, which in 2020 also had to recognize the impact from the implementation of the CECL accounting method. Net income also declined for banks with less than \$5 billion in total assets. Small banks had stronger growth in revenue driven by increased gains from loan sales and strong loan growth, but this was more than offset by sharp provisioning because of ongoing economic uncertainty.

FIGURE 4: BANK PROFITABILITY



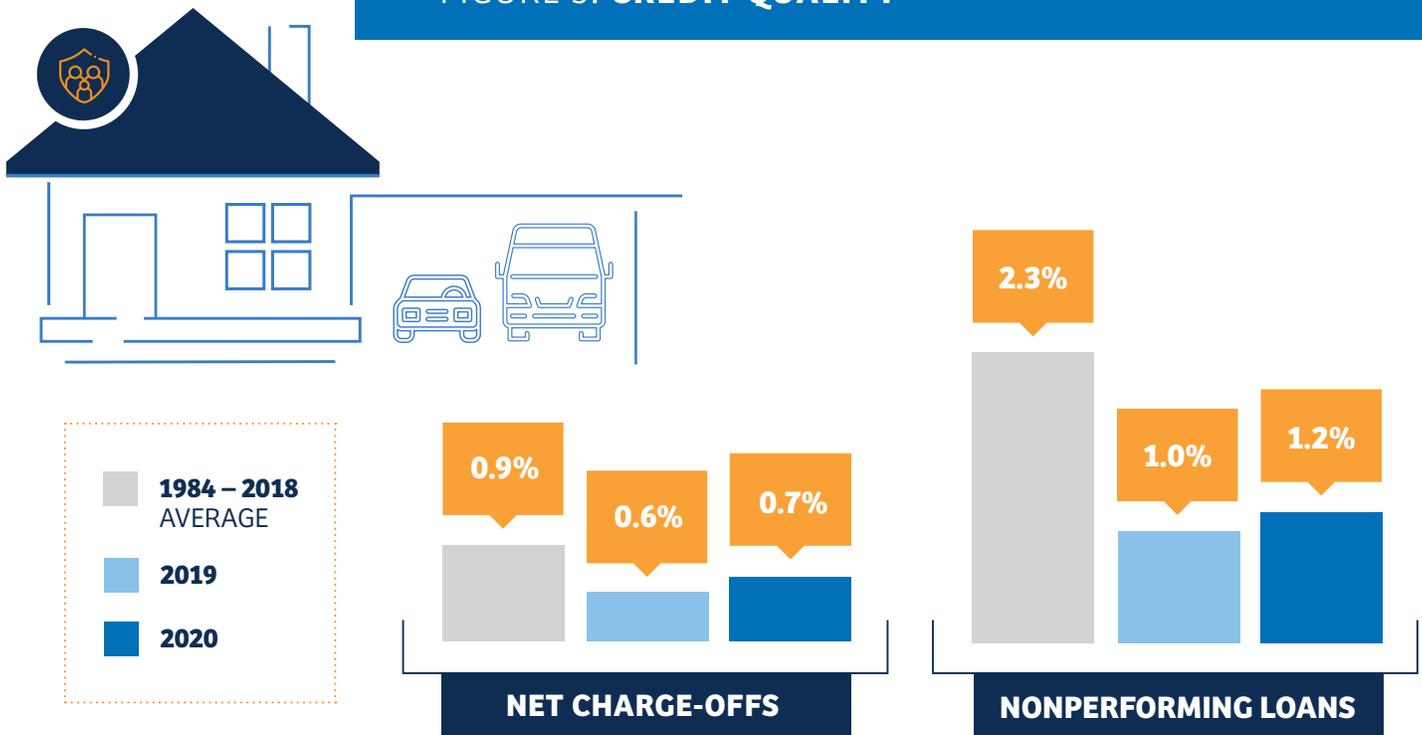
Source: OCC.

# LOAN PERFORMANCE

Credit quality ratios remained mostly stable through the second quarter of 2020, still significantly better than the long-term averages, as shown in figure 5. Ongoing forbearance and fiscal policy measures enacted under the CARES Act were in effect through the June reporting period and likely muted credit quality deterioration. The rate of nonperforming loans, however, increased 21 basis points through the second quarter.<sup>23</sup> Note that loans 90 or more days past due as of June 2020 were likely under stress before the onset of the economic effects caused by the COVID-19 pandemic.

Net charge-offs as a share of total loans reached a low of 0.51 percent in 2015 but have ticked up slightly over the last five years to 0.66 percent in June 2020.<sup>24</sup> The increase in the overall charge-off rate in the first half of 2020 was driven primarily by an increase in commercial and industrial loan losses. See figure 5 for OCC-supervised banks' aggregate credit quality.

FIGURE 5: CREDIT QUALITY



Source: OCC.

<sup>23</sup> Nonperforming loans are the share of total loans that are 90 or more days past due or on nonaccrual status.

<sup>24</sup> Net charge-offs are the share of total loan balances charged off as a loss, net of recoveries.

# RISK PERSPECTIVE

Banking is a business of managing risk, and a bank’s risk identification, assessment, monitoring, and management affect the condition of the federal banking system as well as the bank’s individual performance. The OCC’s supervision focuses on evaluating banks’ ability to identify, measure, monitor, and control risks. The OCC monitors the condition of the federal banking system, identifies and assesses key supervision risks, and acts to respond to those risks. The OCC communicates its assessment of risks in the federal banking system in its *Semiannual Risk Perspective*.

These are some of the key risks facing the federal banking system and the effects of the COVID-19 pandemic on the federal banking industry this year:

- » Credit risk is increasing as the economic downturn affects customer ability to service debts, and it is evolving as government assistance programs expire and unemployment levels remain elevated but declining. Assistance programs, however, have suppressed past-due levels.
- » Strategic risk is an emerging issue due to the historically low rate environment and its effect on bank profitability because of Federal Reserve actions to support financial markets and restart the economy. Leaving rates at historical lows for a longer time will negatively affect profitability. Banks will struggle to maintain acceptable earnings.
- » Operational risk is elevated as financial institutions respond to evolving altered work environments and a complex operating environment. Cybersecurity threats are a key driver of the heightened operational risk environment.
- » Compliance risk is elevated due to a combination of altered work environments and the requirement to quickly operationalize new federal, state, and proprietary programs designed to support businesses and consumers. Banks’ expedited implementation of CARES Act assistance programs elevated compliance risk. These programs featured increased compliance responsibilities and high transaction volumes while banks were trying to assess the impact of a weakened economy.



# SUPERVISION

The OCC governs its bank supervision program through two key committees: the Committee on Bank Supervision (CBS) and the National Risk Committee (NRC). The CBS ensures coordination of supervisory activities, policies, and programs and consistency with the OCC's strategic plan and objectives. The NRC identifies and assesses existing and emerging risks to the industry and coordinates the agency's supervision and policy issues in addressing those risks.

This section covers

- » the OCC's supervision priorities for FY 2020.
- » MDIs.
- » published rules, guidance, and other materials.
- » licensing activities.
- » enforcement actions.

## SUPERVISION PRIORITIES

The OCC published its supervisory priorities in its *Fiscal Year 2020 Bank Supervision Operating Plan* to provide the foundation for policy initiatives and supervisory strategies for individual banks. The 2020 plan focused on

- » cybersecurity and operational resiliency.
- » Bank Secrecy Act/anti-money laundering (BSA/AML) compliance management.
- » commercial and retail credit underwriting practices.
- » commercial and retail credit oversight and control functions.
- » the impact of changing interest rate outlooks on bank activities and risk exposures.
- » CECL preparedness.
- » preparation for the potential phase-out of the London Interbank Offered Rate (Libor) as a reference rate after 2021.
- » technological innovation and implementation.

In addition to activities at individual banks, the OCC conducts horizontal supervisory initiatives for key risks to facilitate coordination and assessment of issues across the banking industry. Following up on the operating plan, the OCC provided updates about risks to the federal banking system and supervisory priorities through its *Semiannual Risk Perspective*.

## MINORITY DEPOSITORY INSTITUTIONS

The OCC administers an MDI program to provide technical assistance and other support to OCC-supervised MDIs, promoting and preserving these banks consistent with requirements set forth in law. The OCC's *2019 Annual Report: Preservation and Promotion of Minority-Owned National Banks and Federal Savings Associations*, published in August 2020, addresses the condition of these institutions and the OCC's actions in support of this program.



**Joyce Cofield**, Executive Director for the Office of Minority and Women Inclusion, testified before the U.S. House of Representatives Financial Services Committee's Subcommittee on Diversity and Inclusion on September 8 regarding the OCC's efforts to promote diversity within the agency, its contract suppliers, and the banks it supervises. Also present during the testimony was **Carrie Moore**, the OCC's Director for Congressional Relations.

## PUBLISHED RULES AND GUIDANCE

The OCC published numerous proposed, interim, and final rules in FY 2020, many of them in conjunction with other federal financial regulatory agencies. Several rules related to the COVID-19 pandemic are described in the section "Supporting and Supervising Critical Financial Infrastructure During a Pandemic." Most of the rules, however, focused on implementing, modernizing, and simplifying regulations such as those related to the CRA and the Volcker rule. See table 1.

In addition to regulations, the OCC published supervisory guidance in statements, bulletins, and updates on topics such as changes to accounting practices, community investment opportunities, and

compliance issues. The OCC also issued several periodic reports providing information and analysis on trends in various financial markets and sectors for a wider audience, including members of Congress. See table 2.

**TABLE 1: RULES PUBLISHED DURING FY 2020**

<b>TOPIC</b>	<b>ACTION</b>	<b>REFERENCE</b>
<b>BANK MANAGEMENT AND OPERATIONS</b>	Joint rule to increase the major assets prohibition thresholds for management interlocks	OCC Bulletin 2019-46
	Rule proposing to amend OCC regulations relating to corporate activities and transactions codified at 12 CFR 5	OCC Bulletin 2020-12
	Rule clarifying that banks may allow telephonic and electronic participation at all board, shareholder, and, as applicable, member meetings	OCC Bulletin 2020-55
	Proposed rule to update regulations in 12 CFR 7 to update or eliminate outdated requirements, integrate certain regulations for banks, and make other technical changes	OCC Bulletin 2020-58
	Proposed rule to update regulations at 12 CFR 7 and 12 CFR 155 concerning bank activities and operations and digital activities	OCC Bulletin 2020-59
	Rule addressing recommendations regarding employment contracts and fiduciary rules from the 2017 Economic Growth and Regulatory Paperwork Reduction Act report to reduce burden and increase flexibility for banks; rule clarifying and updating 12 CFR 192 governing mutual to stock conversions	OCC Bulletin 2020-60
	Rule to reduce assessments for banks in response to the national emergency declared in connection with the COVID-19 pandemic	OCC Bulletin 2020-63
<b>CAPITAL AND LIQUIDITY</b>	Rule raising the asset threshold for required company-run stress tests from \$10 billion to \$250 billion and reducing the number of required tests	OCC Bulletin 2019-47
	Joint rule revising applicability thresholds for large U.S. banking organizations, U.S. holding companies of foreign banking organizations, and certain subsidiaries	OCC Bulletin 2019-52
	Joint rule to simplify the regulatory capital rule for banks that are not subject to the advanced approaches capital rule	OCC Bulletin 2019-54
	Joint rule providing a simplified measure of capital adequacy for qualifying community banks: the CBLR framework	OCC Bulletin 2019-55
	Joint rule revising the capital rule's definition of high-volatility commercial real estate	OCC Bulletin 2019-64
	Joint interim final rules making temporary changes to the CBLR framework pursuant to section 4012 of the CARES Act	OCC Bulletin 2020-33
	Joint interim final rule on capital treatment for loans originated under the PPP	OCC Bulletin 2020-36
	Joint interim final rule amending the liquidity coverage ratio rule to neutralize the impact of banks' using two Federal Reserve liquidity facilities	OCC Bulletin 2020-48
	Joint rule allowing banks subject to the supplementary leverage ratio to temporarily exclude Treasury securities and deposits at Federal Reserve Banks from total leverage exposure	OCC Bulletin 2020-52
	Joint rule excluding from the supplementary leverage ratio certain central bank deposits of custodial banking organizations and custody banks	OCC Bulletin 2020-53
	Joint rule that allows certain banks to delay the estimated impact on regulatory capital of adopting the CECL accounting methodology	OCC Bulletin 2020-85
	Joint rule that neutralizes the regulatory capital and liquidity effects for banks that participate in certain Federal Reserve liquidity facilities	OCC News Release 2020-129

TOPIC	ACTION	REFERENCE
<b>CAPITAL MARKETS</b>	Joint rules amending the regulations implementing section 13 of the Bank Holding Company Act (Volcker rule), including covered funds provisions	OCC Bulletins 2019-56 and 2020-71
	Joint rule updating how certain banks are required to measure counterparty credit risk for derivative contracts by implementing the standardized approach for calculating credit risk methodology	OCC Bulletin 2020-7
	Joint interim final rule on banks' use of the Federal Reserve's Money Market Mutual Fund Liquidity Facility	OCC Bulletin 2020-18
	Rule allowing the OCC to authorize temporary extensions of maturity limits on short-term investment funds	OCC Bulletin 2020-22
	Joint rule on the minimum margin and capital requirements for swap dealers and participants (Swap Margin Rule)	OCC Bulletin 2020-66
	Joint rule providing covered swap entities an additional year to implement initial margin requirements for certain smaller counterparties	OCC Bulletin 2020-67
	Rule published creating an exception to the withdrawal period requirement for certain collective investment funds	OCC Bulletin 2020-74
	Joint rule making technical corrections to certain provisions of the capital rule related to the standardized approach for counterparty credit risk (SA-CCR), which is used for calculating the exposure amount of derivative contracts	OCC Bulletin 2020-82
<b>CREDIT AND COMPLIANCE</b>	Joint rules to increase the appraisal threshold for residential real estate transactions from \$250,000 to \$400,000 and to allow banks to defer appraisals and evaluations for certain real estate transactions until after closing	OCC Bulletins 2019-45 and 2020-83
	Rule to update and clarify the OCC's regulations on other real estate owned activities	OCC Bulletin 2019-60
	Rule amending the CRA regulations to adjust the small bank definition asset-size thresholds	OCC Bulletin 2019-66
	Joint proposed rule to modernize regulations implementing the CRA	OCC Bulletin 2020-3
	Request for public input on joint proposed rule to modernize the CRA	OCC Bulletin 2020-4
	Rule to modernize the CRA by clarifying which activities qualify for CRA credit and updating methods of evaluating and reporting banks' CRA performance	OCC News Release 2020-63
	Rule clarifying that when a bank transfers a loan, interest permissible before the transfer continues to be permissible after the transfer (" <i>Madden fix</i> " rule)	OCC Bulletin 2020-57
	Proposed rule to determine when a bank makes a loan and is the "true lender"	OCC Bulletin 2020-70

**TABLE 2: GUIDANCE AND PUBLICATIONS ISSUED DURING FY 2020**

<b>TOPIC</b>	<b>PUBLICATION</b>	<b>REFERENCE</b>
<b>BANK INFORMATION TECHNOLOGY</b>	Revised “Business Continuity Management” section of the <i>FFIEC Information Technology Examination Handbook</i>	OCC Bulletin 2019-57
	Joint statement on heightened cybersecurity risk and sound cybersecurity risk management principles	OCC Bulletin 2020-5
	Frequently asked questions and answers regarding third-party risk management	OCC Bulletin 2020-10
	FFIEC guidance on how banks’ business continuity plans should address the potential impact of a pandemic on bank services	OCC Bulletin 2020-13
	Statement encouraging banks to take steps to meet the financial services needs of customers affected by COVID-19	OCC Bulletin 2020-15
	Information for essential critical infrastructure workers in the financial services sector during the COVID-19 pandemic response	OCC Bulletin 2020-23
	Joint statement on the use of cloud computing in the financial services sector	OCC Bulletin 2020-46
<b>BSA/AML</b>	Joint statements clarifying <ul style="list-style-type: none"> <li>the legal status of commercial growth and production of hemp and relevant requirements for banks under the BSA and its implementing regulations</li> <li>the agencies’ application of BSA/AML enforcement provisions</li> <li>BSA/AML due diligence requirements for customers whom banks may consider to be politically exposed persons</li> </ul>	OCC Bulletin 2019-61 OCC Bulletin 2020-75 OCC Bulletin 2020-77
	Statement supporting the Financial Crimes Enforcement Network notice on regulatory relief and risk-based approach for financial institution compliance in response to COVID-19	OCC Bulletin 2020-34
	Notice on revised sections of the <i>FFIEC BSA/AML Examination Manual</i>	OCC Bulletin 2020-39
	Quarterly reports on bank trading and derivative activities to increase awareness of size and character of trading and derivative exposures within the federal banking system	OCC News Releases 2019-149, 2020-45, 2020-85, and 2020-121
<b>CAPITAL MARKETS</b>	Quarterly <i>Mortgage Metrics Reports</i> to promote broader understanding of mortgage portfolio performance and modification activity in the federal banking system and support supervision of regulated institutions	OCC News Releases 2019-150, 2020-35, 2020-78, and 2020-126
	Joint annual report on the Shared National Credit Program to review the performance of large loan commitments shared between regulated institutions	OCC News Release 2020-15
	Joint notice allowing early implementation of the “Standardized Approach for Calculating the Exposure Amount of Derivative Contracts” (SA-CCR rule)	OCC Bulletin 2020-28
	Joint response to public question on a capital implication under the market risk capital rule in light of market conditions during the COVID-19 pandemic	OCC Bulletin 2020-47
	Joint statement on managing the risks of expected cessation of Libor after the end of 2021	OCC Bulletin 2020-68

TOPIC	PUBLICATION	REFERENCE
<b>CREDIT AND COMPLIANCE</b>	Informative resources about <ul style="list-style-type: none"> <li>• financial literacy events, initiatives, and educational resources</li> <li>• investing using the Historic Tax Credit program</li> <li>• ways to invest in opportunity zones</li> <li>• the Rural Housing Service Single Family Housing Guaranteed Loan Program</li> </ul>	See occ.gov for various publications on these topics
	Joint statement on use of alternative data in credit underwriting	OCC Bulletin 2019-62
	Joint statement on extensions of credit by banks to portfolio companies in relation to Regulation O, 12 CFR 215	OCC Bulletin 2019-65
	Announcement of revised FFIEC Home Mortgage Disclosure Act reporting guide	OCC Bulletin 2020-6
	Joint statement with a Q&A on banks' use of capital and liquidity buffers in responding to COVID-19-related issues	OCC Bulletin 2020-17
	Joint statement regarding CRA consideration for activities that address the financial services needs of customers in areas affected by COVID-19	OCC Bulletin 2020-19
	Joint statement encouraging banks to offer small-dollar loans to customers affected by the COVID-19 pandemic	OCC Bulletin 2020-25
	Joint statement on a consistent supervisory approach to calculating credit concentrations	OCC Bulletin 2020-29
	Joint statement on the interaction of the CECL methodology with section 4014 of the CARES Act	OCC Bulletin 2020-30
	Information on new and expanded SBA relief programs for small business borrowers affected by the COVID-19 pandemic	OCC Bulletin 2020-31
	Joint statement on supervision and enforcement of certain provisions in the CARES Act regarding mortgage servicing	OCC Bulletin 2020-32
	Joint statement to provide information to banks that are working with borrowers affected by the COVID-19 pandemic	OCC Bulletin 2020-35
	Notice on the OCC's adoption of FFIEC tools for computing annual percentage rate and annual percentage yield	OCC Bulletin 2020-40
	Information on Federal Reserve credit facilities and programs to support individuals, companies, and state and local governments during the COVID-19 pandemic	OCC Bulletin 2020-41
	Notice encouraging banks to identify loans they make under the PPP to small businesses that have \$1 million or less in annual revenues and are in low- to moderate-income areas	OCC Bulletin 2020-45
	Joint policy statement on the measurement of allowances for credit losses under the CECL methodology	OCC Bulletin 2020-49
	Joint guidance on banks' credit risk review systems	OCC Bulletin 2020-50
	Joint guidance on principles for offering small-dollar loans to consumers and small businesses	OCC Bulletin 2020-54
	Host state loan-to-deposit ratios that the agencies will use to determine compliance with section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994	OCC Bulletin 2020-61
	Revised interagency questions and answers on flood insurance	OCC Bulletin 2020-69
Joint FFIEC statement on risk management principles and accounting practices regarding loan modifications for customers affected by the COVID-19 pandemic	OCC Bulletin 2020-72	
Sound risk management principles regarding loan purchase activities	OCC Bulletin 2020-81	

TOPIC	PUBLICATION	REFERENCE
<b>EXAMINATIONS AND REPORTING</b>	New and updated <i>Comptroller's Handbook</i> booklets: <ul style="list-style-type: none"> <li>• "Deposit-Related Credit"</li> <li>• "Interest Rate Risk"</li> <li>• "Other Real Estate Owned"</li> <li>• "Protecting Tenants at Foreclosure Act"</li> <li>• "Sampling Methodologies"</li> <li>• "Unfair or Deceptive Acts or Practices and Unfair, Deceptive, or Abusive Acts or Practices"</li> </ul>	OCC Bulletin 2020-14 OCC Bulletin 2020-26 OCC Bulletin 2020-79 OCC Bulletin 2020-9 OCC Bulletin 2020-56 OCC Bulletin 2020-65
	Webinar on changes to the FFIEC 051 call report	OCC Bulletin 2019-63
	Supplemental FFIEC call report instructions	OCC Bulletins 2020-16 and 2020-37
	Notice announcing a 30-day grace period to the deadline for banks to submit their March 31, 2020, call reports	OCC Bulletin 2020-24
	Joint guidance on the supervisory principles for assessing banks' safety and soundness considering the effects of the COVID-19 pandemic	OCC Bulletin 2020-64
	Update to the <i>Bank Accounting Advisory Series</i> , which reflects accounting standards issued by the Financial Accounting Standards Board (FASB) on such topics as troubled debt restructuring and credit losses	OCC Bulletin 2020-76
<b>LAWS AND LICENSING</b>	Updates or revisions to <i>Comptroller's Licensing Manual</i> booklets: <ul style="list-style-type: none"> <li>• "Branches and Relocations"</li> <li>• "Charters"</li> <li>• "Federal Branches and Agencies"</li> <li>• "General Policies and Procedures"</li> </ul>	OCC Bulletins 2019-50 and 2020-80
	Notice to adjust the maximum amount of each civil money penalty (CMP) within the OCC's jurisdiction pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990	OCC Bulletin 2020-2
	Statement recommending that banks submit licensing filings electronically during the COVID-19 pandemic	OCC Bulletin 2020-20
	Notice reminding banks of the OCC's exclusive visitorial authority over the banks it supervises, in light of COVID-19 financial support programs	OCC Bulletin 2020-43
	Notice of potential changes to requirements for annual meetings during the COVID-19 pandemic	OCC Bulletin 2020-51
	Notice reminding stakeholders that banks are governed primarily by uniform federal standards and discussing federal preemption, in light of COVID-19 relief programs	OCC Bulletin 2020-62
	Letter clarifying banks' authority to provide cryptocurrency custody services for customers	OCC News Release 2020-98
Letter clarifying banks' authority to hold deposits as reserves backing certain stablecoins, a type of cryptocurrency designed to maintain a stable value as compared with other types of cryptocurrencies	OCC News Release 2020-125	

## LICENSING ACTIVITIES

The OCC's licensing activities ensure that banks establish and maintain corporate structures in accordance with the principles of safe and sound banking as predicated by law and regulation. The OCC's Licensing Division works with the agency's legal

and supervisory departments to render independent decisions supported by a record of facts and financial, supervisory, and legal analyses. See tables 3 to 6 for a comparison of licensing activities year over year.

**TABLE 3: CORPORATE APPLICATION ACTIVITY**

	2019	2020	2020 DECISIONS			
	APPLICATIONS RECEIVED		APPROVED	CONDITIONALLY APPROVED	DENIED	TOTAL
Branches	560	490	500	0	0	500
Capital/sub-debt	56	32	39	2	0	41
Change in bank control	16	13	6	4	0	10
Charters	4	12	1	3	0	4
Charter conversions*	17	5	4	1	0	5
Federal branches	3	2	2	1	0	3
Fiduciary powers	3	2	1	0	0	1
Licensing other		26	22	0	0	22
Mergers	51	36	37	4	0	41
Relocations	161	155	155	0	0	155
Reorganizations	30	26	27	1	0	28
Subsidiaries	15	15	18	1	0	19
Substantial change in assets	7	5	1	2	0	3
Mutual to stock conversions	1	0	0	0	0	0
<b>TOTAL</b>	<b>924</b>	<b>819</b>	<b>813</b>	<b>19</b>	<b>0</b>	<b>832</b>

\*Conversions to an OCC-regulated bank.

**TABLE 4: CHANGE IN BANK CONTROL ACT (NOTICES PROCESSED WITH DISPOSITION)**

YEAR	RECEIVED	ACTED ON	NOT DISAPPROVED	DISAPPROVED	WITHDRAWN
2020	13	10	10	0	4
2019	16	10	10	0	0
2018	6	6	6	0	0
2017	9	7	7	0	0
2016	9	9	9	0	0

**TABLE 5: LICENSING ACTIONS AND TIMELINESS, NATIONAL BANKS AND FEDERAL SAVINGS ASSOCIATIONS**

	TARGET TIME IN DAYS	2019			2020		
		NUMBER OF DECISIONS	WITHIN TARGET		NUMBER OF DECISIONS	WITHIN TARGET	
			NUMBER	PERCENT		NUMBER	PERCENT
Branches	45/60	550	549	99.82	500	499	99.80
Capital/sub-debt	15/45	53	50	94.34	41	40	97.56
Change in bank control	NA/120	10	10	100	10	10	100
Charters	45/120	2	1	50	4	2	50
Charter conversions	60/120	14	14	100	5	4	80
Federal branches	NA/120	1	1	100	3	3	100
Fiduciary powers	30/60	3	2	66.67	1	1	100
Licensing other	NA/60				22	22	100
Mergers	45/60	44	43	97.73	41	37	90.24
Relocations	30/60	146	145	99.32	155	153	98.71
Reorganizations	45/60	33	32	96.97	28	28	100
Subsidiaries	30/60	24	24	100	19	16	84.21
Substantial change in assets	NA/60	7	4	57.14	3	3	100
Mutual to stock conversions	NA/60	1	1	100	0	0	0
<b>TOTAL</b>		<b>888</b>	<b>876</b>	<b>89.38</b>	<b>832</b>	<b>818</b>	<b>98.32</b>

**Note:** Most of the decisions (96 percent in 2019 and 98 percent in 2020) were made in the district offices and large bank licensing departments under delegated authority. Decisions include approvals, conditional approvals, and denials. NA means not applicable.

**Note:** Certain filings qualify for “expedited review” and are subject to the shorter time frames listed. The longer time frames are for standard review of more complex applications. The target time frame may be extended if the OCC needs additional information to reach a decision or process a group of related filings as one transaction, or to permit additional time for public comment.

**TABLE 6: APPLICATIONS PRESENTING CRA ISSUES DECIDED**

BANK, CITY, STATE	APPROVAL DATE	DOCUMENT NUMBER
Columbia Bank, Fair Lawn, N.J.	October 3, 2019	CRA decision No. 199
People’s United Bank, National Association, Bridgeport, Conn.	October 11, 2019	CRA decision No. 200
Evans Bank, National Association, Angola, N.Y.	March 18, 2020	CRA decision No. 201
Community Bank, National Association, Canton, N.Y.	May 11, 2020	CRA decision No. 202

## ENFORCEMENT ACTIONS

The OCC investigates, litigates, and takes enforcement actions to correct unsafe or unsound banking practices and failures in compliance, including compliance with certain consumer protection laws. When warranted, the OCC refers potential criminal acts involving bank-affiliated parties to the U.S. Department of Justice and coordinates with other federal agencies on enforcement efforts involving banks.

The number of formal enforcement actions taken against banks has generally declined since 2010, reflecting overall improvement in banks’ risk management practices and economic conditions. This trend continued this year. Table 7 summarizes the OCC’s formal enforcement actions published in 2020.

**TABLE 7: OCC ENFORCEMENT ACTIONS**

TYPE OF ENFORCEMENT ACTION	NUMBER	AMOUNT <sup>a</sup>
12 USC 1829 notifications	48	
Bank CMP	6	\$128,196,925
Cease-and-desist order (bank) <sup>b</sup>	6	
Formal agreement (bank)	8	
Notices of charges filed	12	
Personal cease-and-desist order	9	
Personal CMP	18	\$22,909,000
Removal/prohibition	19	
<b>TOTAL</b>	<b>126</b>	<b>\$151,105,925</b>

<sup>a</sup> Includes only assessed penalties through September 30, 2020, and does not include remediation to customers that the OCC may have required of the bank.

<sup>b</sup> Includes instances where multiple charters in a company are subject to the same enforcement action.

# LEADERSHIP



## BRIAN P. BROOKS

Acting Comptroller of the Currency

Brian P. Brooks became Acting Comptroller of the Currency on May 29, 2020, upon the resignation of the 31st Comptroller of the Currency, Joseph M. Otting. As Acting Comptroller, Mr. Brooks is the administrator of the federal banking system and chief officer of the OCC. The Comptroller also serves as a director of the FDIC and a member of the Financial Stability Oversight Council and the FFIEC.

Mr. Brooks joined the OCC in April 2020 as Senior Deputy Comptroller and Chief Operating Officer. In this role, he oversaw OCC bank supervision, bank supervision policy, economics, supervisory system and analytical support, systemic risk

identification support and specialty supervision, and innovation.

Before joining the OCC, Mr. Brooks served as Chief Legal Officer of Coinbase, where he had headed the legal, compliance, audit, investigations, and government relations functions since September 2018.

From 2014 to 2018, Mr. Brooks was Executive Vice President, General Counsel, and Corporate Secretary of Fannie Mae. Before joining Fannie Mae, he was a Vice Chairman of OneWest Bank from 2011 to 2014. He previously was managing partner of the Washington, D.C., office of the global law firm O'Melveny & Myers, where he also served as chair of

the firm's financial services practice group. Before joining the OCC, Mr. Brooks served on the boards of directors of Avant Inc., and Fannie Mae, and was an advisor to several technology start-ups.

Mr. Brooks has a bachelor of arts degree in government from Harvard University and a law degree from the University of Chicago.



**CHARLES W. CALOMIRIS**  
Economics

As Senior Deputy Comptroller for Economics, Charles W. Calomiris oversees the OCC’s Economics Department, which provides economic, risk, and policy analysis to enhance the agency’s mission of bank supervision, as well as its policy development. He leads staff who directly support bank supervision, conduct analysis and research of bank-related issues, and provide regular reports to OCC executives and personnel. He is a member of the OCC’s Executive Committee and the CBS.

He joined the OCC in July 2020 from Columbia University, where he was the Henry Kaufman Professor of Financial Institutions at Columbia Business School, Director of the Business School’s Program for Financial Studies Initiative on Finance and Growth in Emerging Markets, and a professor at Columbia’s School of International and Public Affairs. He was a Distinguished Visiting Fellow at the Hoover Institution, a Fellow at the Manhattan Institute, a member of the Shadow Open Market Committee and the Financial Economists Roundtable, and a Research Associate of the National Bureau of Economic Research. He has served on numerous federal financial advisory committees.

Dr. Calomiris has a bachelor of arts degree in economics from Yale University and a doctorate in economics from Stanford University.

The previous Senior Deputy Comptroller for Economics, Michael Sullivan, retired in June 2020.



**GROVETTA N. GARDINEER**  
Bank Supervision Policy

As the Senior Deputy Comptroller for Bank Supervision Policy, Grovetta N. Gardineer directs the formulation of policies and procedures for bank supervision and examination, chairs the agency’s CBS, and is a member of the OCC’s Executive Committee. She oversees the units for policy related to credit risk, market risk, operational risk, and compliance risk, as well as units responsible for international banking and capital policy, accounting policy, and community affairs. She assumed this role in March 2019.

Previously at the OCC, Ms. Gardineer served as the Senior Deputy Comptroller for Compliance and Community Affairs and Deputy Comptroller for Compliance Risk. Before joining the OCC in 2010, Ms. Gardineer was the Managing Director for Corporate and International Activities and the Managing Director for Supervision Policy at the Office of Thrift Supervision (OTS).

Ms. Gardineer has a bachelor of arts degree in politics from Wake Forest University and a law degree from North Carolina Central University.



**JONATHAN V. GOULD**  
Chief Counsel

As the Senior Deputy Comptroller and Chief Counsel, Jonathan V. Gould oversees all the agency’s legal and licensing activities, including legal advisory services to banks and examiners, enforcement, litigation, agency administrative matters, legislative initiatives, the chartering of new banks, and changes in structure and activities of existing banks. He serves on the OCC’s Executive Committee and provides advice and counsel to the Comptroller of the Currency and senior OCC executives. He assumed this role in December 2018.

Mr. Gould previously served as Chief Counsel of the U.S. Senate Committee on Banking, Housing, and Urban Affairs and in the private sector at BlackRock and Promontory Financial Group, including serving as Promontory’s Deputy General Counsel. He began his career at the Alston & Bird law firm advising financial services companies on banking and corporate law.

Mr. Gould holds a bachelor of arts degree in history from Princeton University and a law degree from Washington and Lee University.



**LARRY L. HATTIX**  
Enterprise Governance  
and Ombudsman

As the Senior Deputy Comptroller for Enterprise Governance and the agency’s Ombudsman, Larry L. Hattix oversees the agency’s enterprise governance function, the bank and savings association appeals program, and the Customer Assistance Group. He is a member of the OCC’s Executive Committee and represents the agency as a member of the International Network of Financial Services Ombudsman Schemes, which promotes effective dispute resolution, improves international coordination and cooperation, and shares best practices globally.

Mr. Hattix was the OCC Ombudsman from 2008 to 2013 and previously served as Assistant Deputy Comptroller of the Cincinnati field office. He joined the OCC in 1988 as an Assistant National Bank Examiner and obtained his commission as a National Bank Examiner in 1994, with a specialty in consumer and CRA compliance.

Mr. Hattix has a bachelor of science degree in business administration and finance from Carroll University.



**MARYANN H. KENNEDY**  
Large Bank Supervision

As the Senior Deputy Comptroller for Large Bank Supervision, Maryann H. Kennedy directs nearly 700 employees who supervise the country’s largest banks and is a member of the OCC’s Executive Committee and the CBS. She assumed these duties in April 2019.

Ms. Kennedy previously served as the Deputy Comptroller for Large Bank Supervision, Assistant Deputy Comptroller for the Wilkes-Barre and Washington, D.C., field offices, and Examiner-in-Charge at JPMorgan Chase and TD Bank. She joined the OCC in 1991 in the Philadelphia field office after eight years in the banking industry.

She earned her commission as a National Bank Examiner in 1997. Ms. Kennedy has a bachelor of science degree in accounting from Ohio State University.

Ms. Kennedy announced her retirement in 2021. Greg Coleman will become the next Senior Deputy Comptroller for Large Bank Supervision.



**SYDNEY MENEFFEE**  
Midsize and Community  
Bank Supervision

As the Acting Senior Deputy Comptroller for Midsize and Community Bank Supervision (MCBS), Sydney Menefee is responsible for supervising nearly 1,100 banks, as well as nearly 1,400 OCC employees. She is a member of the OCC’s Executive Committee and the CBS. She assumed this role in June 2020.

Ms. Menefee joined the OCC in 2009 as a Professional Accounting Fellow and served in various roles in the Office of the Chief Accountant and MCBS before becoming Deputy Comptroller and Chief Accountant in August 2018. She was commissioned as a National Bank Examiner in March 2016. Before joining the OCC, Ms. Menefee worked in public accounting and for a banking organization.

Ms. Menefee graduated from the University of Texas at Austin with a bachelor’s in business administration degree and a master’s degree in professional accounting. She is a certified public accountant, licensed in Texas.

The Senior Deputy Comptroller for MCBS, Toney Bland, retired in December 2019. The OCC announced Ms. Menefee as the permanent Senior Deputy Comptroller for MCBS in December 2020.



**KATHY K. MURPHY**  
Office of Management and  
Chief Financial Officer

Kathy K. Murphy is the Senior Deputy Comptroller for Management and Chief Financial Officer. She is responsible for the OCC's departments of financial management; human capital (including continuing education); leadership, executive, and organizational development; administrative operations; and information technology. She is a member of the OCC's Executive Committee. She assumed these duties in October 2014.

From 2009 to 2014, as Deputy Comptroller and Chief Accountant, Ms. Murphy was the OCC's lead authority on bank accounting and financial reporting, providing counsel to examiners, the banking industry, and the accounting profession. She represented the OCC on the FFIEC's Reports Task Force and the Accounting Expert Group of the Basel Committee on Banking Supervision.

Ms. Murphy joined the OCC in 2002 after working at two large national accounting firms. She graduated from the University of Maryland with bachelor of science degrees in accountancy and finance. She is a certified public accountant and a member of the American Institute of Certified Public Accountants.



**BLAKE PAULSON**  
Senior Deputy Comptroller and  
Chief Operating Officer

As Senior Deputy Comptroller and Chief Operating Officer, Blake Paulson oversees OCC bank supervision and OCC management operations, as well as staff responsible for Systemic Risk Identification Support and Specialty Supervision, and staff responsible for Supervision System and Analytical Support. He is a member of the OCC's Executive Committee and was designated the Chief National Bank Examiner in April 2020. Mr. Paulson became the Chief Operating Officer in June 2020.

Before this role, Mr. Paulson was responsible for supervising nearly 1,100 banks, as well as nearly 1,400 OCC employees, as Senior Deputy Comptroller for MCBS. Mr. Paulson previously served as the Deputy Comptroller of the agency's Central District where he was responsible for the oversight of community banks, FSAs, independent data service providers, and trust companies across the upper Midwest.

Before becoming Deputy Comptroller, Mr. Paulson served as Associate Deputy Comptroller in the Central District, where he oversaw nine field offices, and was an Assistant Deputy Comptroller for Midsize Bank Supervision responsible for a portfolio of national banks with total assets between \$10 billion and \$30 billion. Mr. Paulson joined the OCC in 1986 in the Sioux Falls, S.D., field office.

Mr. Paulson has a bachelor of science degree in business administration from the University of South Dakota.

The previous Chief Operating Officer, Morris Morgan, retired in April 2020.



**WILLIAM A. ROWE**  
Chief Risk Officer

William A. Rowe is the OCC's Chief Risk Officer. He leads the agency's Office of Enterprise Risk Management and the Enterprise Risk Committee and serves on the Executive Committee. Under his direction, the Office of Enterprise Risk Management drives an agency-wide view of risks and evaluates adherence to the agency's risk appetite statement. He assumed this position in July 2017. Mr. Rowe also serves as the Comptroller's Deputy to the FDIC. In that role, he supports the Comptroller as a member of the FDIC's board of directors and provides feedback and advice on major policies, rulemakings, and other items coming before the board.

Before this role, Mr. Rowe served as Deputy to the Chief of Staff, Executive Assistant to the Senior Deputy Comptroller for MCBS, and Executive Assistant to the Senior Deputy Comptroller for Bank Supervision Operations. He joined the OCC in 1992 after more than 12 years in the banking industry.

He was commissioned as a National Bank Examiner in 1995 after becoming a certified public accountant in 1994 and was cross-credentialed to examine FSAs in 2015. He has a bachelor of arts degree in economics from Towson University and a master of business administration degree in finance from Loyola University Maryland.



## JOYCE COFIELD

### Office of Minority and Women Inclusion

As Executive Director for the Office of Minority and Women Inclusion, Joyce Cofield provides executive direction, sets policy, and oversees agency matters relating to diversity in management, employment, and business activities. She reports to the Comptroller of the Currency. Ms. Cofield assumed her current duties in December 2010.

Since joining the OCC in 2001, Ms. Cofield has served in a variety of leadership roles in human capital, recruitment, and diversity management. Before joining the agency, she held several executive positions in private industry.

She has a bachelor of science degree in biology from Virginia Union University and a master's degree in industrial microbiology from Boston University.



The OCC Executive Committee at the Main Treasury Building from left to right: **William A. Rowe**, Chief Risk Officer; **Charles W. Calomiris**, Senior Deputy Comptroller for Economics; **Kathy K. Murphy**, Senior Deputy Comptroller for Management and Chief Financial Officer; **Brian P. Brooks**, Acting Comptroller of the Currency; **Sydney Menefee**, Acting Senior Deputy Comptroller for Midsize and Community Bank Supervision; **Grovetta N. Gardineer**, Senior Deputy Comptroller for Bank Supervision Policy; **Blake Paulson**, Senior Deputy Comptroller and Chief Operating Officer; **Jonathan V. Gould**, Senior Deputy Comptroller and Chief Counsel; **Larry L. Hattix**, Senior Deputy Comptroller for Enterprise Governance and Ombudsman. Not pictured: **Maryann H. Kennedy**, Senior Deputy Comptroller for Large Bank Supervision.

# FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS



**KATHY K. MURPHY**

## LETTER FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the OCC's financial statements as an integral part of the *2020 Annual Report*. This year, as in years prior, our independent auditors have issued an unmodified opinion, demonstrating the OCC's ability to maintain its strong internal control environment, which is the foundation of accurate financial reporting and the safeguarding of agency assets.

We ended FY 2020 in a solid financial position. While this year we saw increases in some costs, we experienced decreases in others. The costs rose for telecommunications to adjust to more employees teleworking and for cleaning services to ensure we are providing employees a safe and supportive work environment during the pandemic. A reduction in assessment fees charged to the institutions we supervise resulted in lower revenue, which was partially offset by a decrease in travel expenses.

We remain committed to streamlining how we accomplish our mission through effective management of the agency's resources. We redesigned our Performance Management and Recognition program, which, beginning in FY 2021, will be used to better align effort, measure performance, and recognize employee contributions to our mission. The new program emphasizes ongoing performance conversations that will help drive employee engagement and improve performance—something that will ensure that our agency remains successful for many years to come.

***Kathy K. Murphy***

*Senior Deputy Comptroller for Management and  
Chief Financial Officer*

## FINANCIAL SUMMARY

The OCC received an unmodified opinion on its FY 2020 and FY 2019 financial statements. The OCC presents the principal financial statements to report the financial position and results of the agency's operations, pursuant to the requirements of 31 USC 3515(b). The OCC has prepared these statements from its books and records in accordance with U.S. generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB). In addition, the OCC prepares financial reports to monitor and control budgetary resources using the same books and records.

The OCC's financial statements consist of the Balance Sheets, the Statements of Net Cost, the Statements of

Changes in Net Position, the Statements of Budgetary Resources, and the Statements of Custodial Activity. The OCC presents the financial statements and notes on a comparative basis, providing financial information for FY 2020 and FY 2019.

The Statements of Budgetary Resources provide information about how budgetary resources were made available to the OCC for the year. These statements present the status of these resources and the net outlay of budgetary resources at the end of the year.

Table 8 illustrates the OCC's key components of financial condition, and the subsequent narrative sections address the OCC's financial activities in FY 2020 and FY 2019.

**TABLE 8: KEY COMPONENTS OF FINANCIAL CONDITION, AS OF SEPTEMBER 30, 2020**  
(IN THOUSANDS)

	FY 2020	FY 2019	INCREASE/(DECREASE)	
			\$	%
<b>Costs<sup>a</sup></b>				
Total financing sources	\$ 30,723	\$ 41,302	\$ (10,579)	(25.6%)
Less: net cost	(7,181)	(101,070)	(93,889)	(92.9%)
Net change of cumulative results of operations	<u>\$ 37,904</u>	<u>\$ 142,372</u>	<u>\$ (104,468)</u>	<u>(73.4%)</u>
<b>Net position<sup>b</sup></b>				
<b>Assets</b>				
Fund Balance With Treasury	\$ 7,408	\$ 6,487	\$ 921	14.2%
Investments	1,999,931	1,967,387	32,544	1.7%
General property, plant, and equipment, net	63,041	65,631	(2,590)	(4.0%)
Accounts receivable and other	5,276	5,544	(268)	(4.8%)
Total assets	<u>\$ 2,075,656</u>	<u>\$ 2,045,049</u>	<u>\$ 30,607</u>	<u>1.5%</u>
<b>Liabilities</b>				
Accounts payable and other accrued liabilities	\$ 32,221	\$ 34,275	\$ (2,054)	(6.0%)
Accrued payroll and benefits	107,510	96,395	11,115	11.5%
Deferred revenue	252,542	279,962	(27,420)	(9.8%)
Other actuarial liabilities	108,720	97,658	11,062	11.3%
Total liabilities	<u>\$ 500,993</u>	<u>\$ 508,290</u>	<u>\$ (7,297)</u>	<u>(1.4%)</u>
Net position	<u>1,574,663</u>	<u>1,536,759</u>	<u>37,904</u>	<u>2.5%</u>
Total liabilities and net position	<u>\$ 2,075,656</u>	<u>\$ 2,045,049</u>	<u>\$ 30,607</u>	<u>1.5%</u>

Source: OCC financial system data.

<sup>a</sup> Statements of Net Cost and Statements of Changes in Net Position.

<sup>b</sup> Balance Sheets.

## COST OF OPERATIONS

The OCC’s net cost of operations is reported in the Statements of Net Cost and the Statements of Changes in Net Position. The OCC uses an activity-based time reporting system to allocate costs among the agency’s programs. Costs are further divided into those resulting from transactions between the OCC and other federal entities (intragovernmental) and those between the OCC and nonfederal entities (with the public). The Statements of Net Cost present the full cost of operating the OCC’s three major programs—supervise, regulate, and charter banks.

Total program costs for FY 2020 of \$1,079.5 million reflected a decrease of \$1.9 million, or 0.2 percent, from \$1,081.4 million reported in FY 2019.

During the pandemic, the costs rose for telecommunications to adjust to more employees teleworking and for cleaning services to ensure employees have a safe and supportive work environment. These cost increases were more than offset by the significant decrease in travel expenses as a result of the pandemic.

## REVENUES

The OCC’s operations are funded primarily by assessments, fees paid by banks, interest received on investments in nonmarketable U.S. Treasury securities, and other income.

Total FY 2020 revenue of \$1,094.6 million reflects a \$100.9 million, or 8.4 percent, decrease from FY 2019 revenue of \$1,195.5 million. Total assets used in the September 30, 2020, semiannual assessment were \$12.9 trillion, an increase of 0.8 percent, from \$12.8 trillion a year earlier. The OCC’s reduction of the rates in the assessment fee schedules by 10 percent for the 2020 calendar year resulted in a decrease in revenues over the previous year, reflected cost savings in the OCC’s operations, and aligned the OCC’s revenues with the agency’s streamlined cost structure.

Interest revenue totaled \$27.3 million in FY 2020, a decrease of \$5.2 million, or 16.0 percent, from the \$32.5 million reported in FY 2019. The year-to-year change of \$5.2 million is primarily due to a decrease in overnight interest income of \$5.4 million, which was the result of a steep decrease in overnight interest rates. This decrease was partially offset by an increase in short- and long-term interest income of \$0.2 million. Other income includes revenue received from rental income and reimbursable activities with separate entities. Table 9 shows the OCC’s funding sources for FY 2020 and FY 2019.

**TABLE 9: FUNDING SOURCES** (in Millions)

	FY 2020	FY 2019	CHANGE (\$)	CHANGE (%)
Assessments	\$ 1,046.7	\$ 1,143.7	\$ (97.0)	(8.5%)
Interest revenue	27.3	32.5	(5.2)	(16.0%)
Other income	20.6	19.3	1.3	6.7%
<b>TOTAL REVENUE</b>	<b>\$ 1,094.6</b>	<b>\$ 1,195.5</b>	<b>\$ (100.9)</b>	<b>(8.4%)</b>

## ASSETS

The OCC's assets include both "entity" and "non-entity" assets. The OCC uses entity assets, which belong to the agency, to fund operations. Non-entity assets are assets that the OCC holds on behalf of another federal agency. The OCC's non-entity assets presented as accounts receivable are CMPs due the federal government through court-enforced legal actions. As of September 30, 2020, total assets were \$2,075.7 million, an increase of \$30.7 million, or 1.5 percent, from the total assets of \$2,045.0 million reported on September 30, 2019.

## INVESTMENTS

The OCC primarily invests available funds in nonmarketable U.S. Treasury securities issued through the U.S. Department of the Treasury's Bureau of the Fiscal Service consistent with the provisions of 12 USC 481 and 12 USC 192. The OCC manages risk by diversifying its portfolio holdings through laddering security maturities over a period not to exceed five years. Laddering in this manner facilitates the ability to reinvest in short- and long-term U.S. Treasury securities while maintaining sufficient cash for daily operating expenses. The OCC has the positive intent and ability to hold all U.S. Treasury securities to maturity and does not maintain any available for sale or trading securities.

On September 30, 2020, the amortized book value of intragovernmental investments and related accrued interest was \$1,994.9 million, compared with \$1,967.4 million the previous year. The difference of \$27.5 million, or 1.4 percent, reflects an increase in invested funds as a result of operating surpluses. The market value of the OCC's intragovernmental investment portfolio in FY 2020 was \$40.7 million higher than book value, compared with FY 2019, when the market value was \$11.4 million higher than book value. This change is primarily attributable to the substantial decline in interest rates in FY 2020—when interest rates decrease, the market value of the agency's longer-term securities increases.

The OCC's intragovernmental investment portfolio is composed of overnight and longer-term securities. The portion of the portfolio comprising longer-term investments as of September 30, 2020, and September 30, 2019, was \$1,328.0 million, or 67.0 percent, and \$1,212.0 million, or 62.0 percent, respectively. The weighted average maturity of the portfolio, including overnights, increased year over year to 1.61 years as of September 30, 2020, compared with 1.30 years as of September 30, 2019. This rise in the weighted average maturity reflects an increase in the OCC's longer-term investment holdings.

The OCC's intragovernmental portfolio earned an annual yield of 1.6 percent in FY 2020, compared with 2.14 percent in FY 2019. The year-to-year decrease in the annual yield results from overnight rates falling from 2.31 percent to 0.85 percent and long-term rates declining from 2.08 percent to 1.86 percent. The OCC calculates annual portfolio yield by dividing the total interest earned during the year by the average ending monthly book value of investments.

## LIABILITIES

The OCC's liabilities represent the resources due to others or held for future recognition and are composed largely of deferred revenue, accrued annual leave, accrued payroll and benefits, and other actuarial liabilities. Deferred revenue represents the unearned portion of semiannual assessments.

As of September 30, 2020, total liabilities were \$501.0 million, a net decrease of \$7.3 million, or 1.4 percent, from total liabilities of \$508.3 million on September 30, 2019. This change is largely due to a decrease in deferred revenue in FY 2020 because of the reduction in the rates in the assessment fee schedules as well as a decrease in other liabilities. These decreases were partially offset by an increase in actuarial liabilities and accrued annual leave.

## NET POSITION

The OCC's net position of \$1,574.7 million as of September 30, 2020, an increase of \$37.9 million, or 2.5 percent, over the \$1,536.8 million reported for FY 2019, represents the cumulative net excess of the OCC's revenues over the cost of operations. The net position is presented on both the Balance Sheets and the Statements of Changes in Net Position.

The OCC allocates a significant portion of the net position to its financial reserves. Financial reserves are integral to the effective stewardship of the OCC's resources, and the OCC has a disciplined process for reviewing its reserve balances and allocating funds appropriately to support its ability to accomplish the agency's mission. The OCC's financial reserves are available to reduce the impact on the OCC's operations in the event of a significant fluctuation in revenues or expenses. The OCC also sets aside funds for ongoing operations.

As of September 30, 2020, the OCC's financial reserves were \$1,493.5 million. This represents an increase of 3.4 percent from the end of FY 2019, when that amount was \$1,444.4 million. These reserves are essential to a prudent and reasonable financial management strategy.

# FINANCIAL STATEMENTS

## OFFICE OF THE COMPTROLLER OF THE CURRENCY BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND 2019 (IN THOUSANDS)

	FY 2020	FY 2019
<b>Assets</b>		
<b>Intragovernmental:</b>		
Fund Balance With Treasury (Note 2)	\$ 7,408	\$ 6,487
Intragovernmental investments, net (Note 3)	1,994,931	1,967,387
Accounts receivable (Note 4)	3,443	3,517
Other assets	201	640
<b>Total intragovernmental</b>	<b>\$ 2,005,983</b>	<b>\$ 1,978,031</b>
Accounts receivable, net (Note 4)	1,546	1,317
With the public investments, net (Note 3)	5,000	0
General property, plant, and equipment, net (Note 5)	63,041	65,631
Other assets	86	70
<b>Total assets</b>	<b>\$ 2,075,656</b>	<b>\$ 2,045,049</b>
<b>Liabilities</b>		
<b>Intragovernmental:</b>		
Accounts payable and other accrued liabilities	\$ 11,333	\$ 9,042
<b>Total intragovernmental</b>	<b>11,333</b>	<b>9,042</b>
Accounts payable	2,638	1,969
Accrued payroll and benefits	48,182	46,654
Accrued annual leave	59,328	49,741
Capital lease liabilities	1,899	2,498
Other accrued liabilities	16,351	20,766
Deferred revenue (Note 1)	252,542	279,962
Other actuarial liabilities (Note 7)	108,720	97,658
<b>Total liabilities</b>	<b>\$ 500,993</b>	<b>\$ 508,290</b>
<b>Net position (Note 8)</b>	<b>1,574,663</b>	<b>1,536,759</b>
<b>Total liabilities and net position</b>	<b>\$ 2,075,656</b>	<b>\$ 2,045,049</b>

*The accompanying notes are an integral part of these financial statements.*

**OFFICE OF THE COMPTROLLER OF THE CURRENCY**  
**STATEMENTS OF NET COST**  
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (IN THOUSANDS)

	FY 2020		FY 2019	
<b>Program costs:</b>				
<b>Supervise</b>				
Intragovernmental	\$	163,239	\$	153,290
With the public		794,355		811,439
<b>Subtotal—supervise</b>	<b>\$</b>	<b>957,594</b>	<b>\$</b>	<b>964,729</b>
<b>Regulate</b>				
Intragovernmental	\$	16,934	\$	15,005
With the public		84,757		80,855
<b>Subtotal—regulate</b>	<b>\$</b>	<b>101,691</b>	<b>\$</b>	<b>95,860</b>
<b>Charter</b>				
Intragovernmental	\$	3,482	\$	3,401
With the public		16,688		17,361
<b>Subtotal—charter</b>	<b>\$</b>	<b>20,170</b>	<b>\$</b>	<b>20,762</b>
<b>Total program costs</b>	<b>\$</b>	<b>1,079,455</b>	<b>\$</b>	<b>1,081,351</b>
Less earned revenues not attributed to programs		(1,094,551)		(1,195,538)
<b>Net program costs before gain/loss from changes in assumptions</b>	<b>\$</b>	<b>(15,096)</b>	<b>\$</b>	<b>(114,187)</b>
Actuarial (gain)/loss (Note 7)		7,915		13,117
<b>Net cost (excess of revenues over cost) of operations (Note 9)</b>	<b>\$</b>	<b>(7,181)</b>	<b>\$</b>	<b>(101,070)</b>

*The accompanying notes are an integral part of these financial statements.*

**OFFICE OF THE COMPTROLLER OF THE CURRENCY**  
**STATEMENTS OF CHANGES IN NET POSITION**  
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (IN THOUSANDS)

	FY 2020	FY 2019
<b>Beginning balances</b>	\$ 1,536,759	\$ 1,394,387
<b>Other financing sources:</b>		
Imputed financing (Note 10)	30,723	41,302
<b>Net cost of operations</b>	7,181	101,070
<b>Net change</b>	37,904	142,372
<b>Ending balances</b>	<b>\$ 1,574,663</b>	<b>\$ 1,536,759</b>

*The accompanying notes are an integral part of these financial statements.*

**OFFICE OF THE COMPTROLLER OF THE CURRENCY**  
**STATEMENTS OF BUDGETARY RESOURCES**  
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (IN THOUSANDS)

	FY 2020	FY 2019
<b>Budgetary resources:</b>		
Unobligated balance from prior year budget authority, net	\$ 1,669,476	\$ 1,541,609
Spending authority from offsetting collections	1,055,561	1,170,797
<b>Total budgetary resources</b>	<b>\$ 2,725,037</b>	<b>\$ 2,712,406</b>
<b>Status of budgetary resources:</b>		
New obligations and upward adjustments (total)	\$ 1,068,690	\$ 1,052,729
Unobligated balance, end of year:		
Exempt from apportionment, unexpired accounts	1,656,347	1,659,677
Unexpired unobligated balance, end of year	1,656,347	1,659,677
Expired unobligated balance, end of year	0	0
Unobligated balance, end of year (total)	1,656,347	1,659,677
<b>Total status of budgetary resources</b>	<b>\$ 2,725,037</b>	<b>\$ 2,712,406</b>
<b>Outlays, net:</b>		
Outlay, net (total) (discretionary and mandatory)	(16,483)	(130,560)
<b>Agency outlay, net</b>	<b>\$ (16,483)</b>	<b>\$ (130,560)</b>

*The accompanying notes are an integral part of these financial statements.*

**OFFICE OF THE COMPTROLLER OF THE CURRENCY**  
**STATEMENTS OF CUSTODIAL ACTIVITY**  
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (IN THOUSANDS)

	FY 2020	FY 2019
<b>Revenue activity:</b>		
<b>Sources of cash collections</b>		
Fines and penalties (Note 14)	\$ 132,138	\$ 125,593
Accrual adjustment	227	(281)
<b>Total custodial revenue</b>	<b>132,365</b>	<b>125,312</b>
<b>Disposition of custodial revenue:</b>		
Transferred to Treasury	132,138	125,593
(Increase)/decrease in amounts yet to be transferred	227	(281)
<b>Total disposition for custodial revenue</b>	<b>132,365</b>	<b>125,312</b>
<b>Net custodial activity</b>	<b>\$ 0</b>	<b>\$ 0</b>

*The accompanying notes are an integral part of these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

The OCC was created as a bureau within the Treasury Department by an act of Congress in 1863. The mission of the OCC was to establish and regulate a system of federally chartered national banks. The National Currency Act of 1863, rewritten and reenacted as the National Bank Act of 1864, authorized the OCC to supervise national banks and regulate their lending and investment activities. With the passage of Dodd–Frank on July 21, 2010, the OCC assumed the responsibility for the supervision of FSAs and rulemaking authority for all savings associations.

To achieve its goals and objectives, the OCC organizes its activities under three major programs: supervise, regulate, and charter banks. These three programs support the agency’s overall mission by ensuring that banks operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

The OCC examined its operations and has prepared these statements and notes in compliance with the Federal Accounting Standards Advisory Board’s (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 47, “Reporting Entity.” The OCC determined that it does not have a relationship with any entity that would require reporting as a related party as of September 30, 2020.

### BASIS OF ACCOUNTING AND PRESENTATION

The OCC’s financial statements are prepared from the agency’s accounting records in conformity with GAAP as set forth by the FASAB. The OCC’s financial statements are presented in accordance with the reporting guidance established by the OMB in Circular No. A-136, “Financial Reporting Requirements.” Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

In addition, the OCC applies financial accounting and reporting standards pursuant to SFFAS No. 34, “The Hierarchy of Generally Accepted Accounting Principles.”

The financial statements reflect both the accrual and the budgetary bases of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to cash receipt or payment. The budgetary method recognizes the obligation of funds according to legal requirements, which in many cases records obligations before the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

*Use of estimates:* In accordance with GAAP, the preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Such estimates and assumptions could change as more information becomes known, which could affect the amounts reported and disclosed herein.

*Entity and non-entity assets:* Entity assets are those that the OCC has the authority to use in its operations and include the assessments that the OCC collects semiannually from the banks it supervises in order to fund its operations. The OCC also collects CMPs as part of its operations. It records these as non-entity assets, since the OCC is responsible for transferring these funds to the General Fund of the Treasury. These non-entity assets are not fiduciary, as fiduciary funds are those that the federal government holds on behalf of nonfederal individuals or entities that have an ownership interest.

*Intragovernmental and governmental:* Throughout these financial statements, assets, liabilities, earned revenues, and costs have been classified according to the entity responsible for these transactions. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals of expenditures to other federal entities.

*Funds from dedicated collections:* These funds are financed by specifically identified revenue that is provided to the government by nonfederal sources and reported by the OCC in accordance with SFFAS No. 43, “Funds From Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds.” These funds are required by statute to be used for designated activities or purposes and must be accounted for separately from the federal government’s Treasury General Fund. Typically, an agency reports these funds separately, but because all OCC funds are considered funds from dedicated collections, all net position amounts are recorded and classified as such.

## **REVENUES AND OTHER FINANCING SOURCES**

The OCC derives its revenue primarily from assessments and fees paid by banks, from income on investments in nonmarketable U.S. Treasury securities, and from rental income and reimbursable activities with other entities. The OCC does not receive congressional appropriations to fund its operations. Therefore, the OCC has no unexpended appropriations.

The OCC’s semiannual bank assessments are collected in the middle of each six-month assessment cycle. At the time of collection, the OCC records deferred revenue on its balance sheet as a liability for the assessments that the agency has not yet earned. The OCC recognizes deferred revenue as revenue as the supervisory services are delivered over the following three months.

Federal statute stipulates that the OCC’s funds are neither government funds nor appropriated monies (12 USC 481). They are maintained in a U.S. government trust fund and remain available to cover the cost of the OCC’s operations in accordance with policies established by the Comptroller of the Currency.

## **FUND BALANCE WITH TREASURY**

The Treasury Department processes the OCC’s cash receipts and disbursements. The OCC’s Statements of Budgetary Resources reflect the status of the agency’s Fund Balance With Treasury (FBWT). (For more information, see Note 2.)

## **INVESTMENTS, NET**

Consistent with the provisions of 12 USC 481 and 12 USC 192, the OCC invests (1) available funds held by the U.S. Treasury in nonmarketable U.S. Treasury securities that are not offered to the marketplace and cannot be bought and sold on exchange markets (intragovernmental investments); and (2) beginning in FY 2020, available funds held outside the Treasury in marketable U.S. Treasury securities, which are offered to the marketplace and can be bought and sold on securities exchange markets (with the public investments).

The OCC has statutory authority to make investments. The OCC reports its net investments, both intragovernmental and with the public, on an amortized cost basis and related accrued interest. Premiums and discounts are amortized over the term of the investment using the effective interest method.

*Intragovernmental investments, net:* The OCC invests available funds held by the U.S. Treasury in U.S. Government Account Series (GAS) Treasury securities, which include bills, notes, and one-day certificates. GAS Treasury securities are available to federal agencies that have specific authority to invest in these special, nonmarketable U.S. Treasury securities. The OCC has the positive intent and ability to hold all U.S. Treasury securities to maturity in accordance with FASB Accounting Standards Codification (ASC) Topic 320, “Investments—Debt and Equity Securities.” (For more information, see Note 3.)

*With the public investments, net:* The OCC also invests available funds held outside the Treasury in a money market mutual fund that operates as a “government money market fund” as defined in Rule 2a-7 under the Investment

Company Act of 1940, as amended. It is the OCC's policy to invest in held-to-maturity securities. The fair value of these investments is based on the fair value measurement hierarchy classification, Level 1, in accordance with ASC Topic 820, "Fair Value Measurement." Level 1 reflects the unadjusted quoted prices in active markets for identical assets that the OCC is able to access at the measurement date. (For more information, see Note 3.)

## ACCOUNTS RECEIVABLE

In accordance with SFFAS No. 1, "Accounting for Selected Assets and Liabilities," the OCC updates the allowance for loss on accounts receivable periodically to reflect the most current estimate of accounts that probably will be uncollectible. The OCC considers multiple factors when calculating the allowance, including how long the debt has been outstanding and what kind of debt it is. Once the allowance is calculated, the OCC uses it to reduce accounts receivable from the public. The OCC does not recognize any allowance for loss on intragovernmental accounts receivable. (For more information, see Note 4.)

## GENERAL PROPERTY, PLANT, AND EQUIPMENT

General property, plant, and equipment (PP&E) and internal-use software are accounted for in accordance with SFFAS No. 6, "Accounting for Property, Plant, and Equipment," and SFFAS No. 10, "Accounting for Internal Use Software." General PP&E purchases and additions are stated at cost.

General PP&E purchased at a cost greater than or equal to the established capitalization thresholds are capitalized at cost and depreciated or amortized, as applicable. Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of major leasehold improvements, which are amortized on a straight-line basis over the lesser of the terms of the related leases or the estimated useful lives. Land, minor leasehold improvements, and internal-use software in development are not depreciated or amortized. Major alterations and renovations, including leasehold and land improvements, are capitalized, while maintenance and repair costs are expensed as incurred. All other general PP&E are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives.

Allowable internal-use software costs are capitalized and amortized once the software is placed in service. The OCC expenses purchases and software development costs that do not meet the capitalization criteria, when received or incurred.

The OCC tests for impairment in accordance with SFFAS No. 44, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use," and removes general PP&E from its asset accounts in the period of disposal, retirement, or removal from service. Any difference between the book value of general PP&E and amounts realized is recognized as a gain or loss in the same period that the asset is removed. (For more information, see Note 5.)

## LIABILITIES

The OCC records liabilities for amounts that are likely to be paid because of events that have occurred as of the relevant balance sheet dates. The OCC's liabilities consist of routine operating accounts payable, accrued payroll and benefits, deferred revenue, and other liabilities. The OCC's liabilities represent the amounts owed or accrued under contractual or other arrangements governing the transactions, including operating expenses incurred but not paid. The OCC accounts for liabilities in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government."

*Accounts payable:* Accounts payable represent short-term liabilities to vendors and other entities. Interest penalties are paid when payments are late as prescribed by the Prompt Payment Act (31 USC 39). Discounts are taken when cost-effective and when the invoices are paid within the discount period.

*Accrued annual leave:* The OCC accrues and funds annual leave as it is earned and reduces the accrual as leave is taken or paid. Each year, the balance in the accrued annual leave account is adjusted to reflect actual leave balances with current pay rates. Sick leave and other types of leave are expensed as incurred.

*Deferred revenue:* The OCC's activities are primarily financed by assessments on assets held by banks. These assessments are due March 31 and September 30 of each year, based on each institution's asset balance in accordance with the methodology in the OCC Notice of Fees. Assessments are recognized as earned revenue on a straight-line basis. The unearned portions of collected assessments are classified as deferred revenue.

*Contingent liabilities:* The OCC recognizes and discloses contingencies for pending or threatened litigation and unasserted claims in accordance with SFFAS No. 12, “Recognition of Contingent Liabilities Arising From Litigation.” As such, the OCC accrues an estimated loss if it is probable and the OCC is able to reasonably estimate the amount. If the likelihood of an unfavorable outcome is more than remote, the OCC discloses the contingent liability. (For more information, see Note 12.)

## EMPLOYMENT BENEFITS

*Retirement plans:* All OCC employees participate in one of three retirement systems—the Civil Service Retirement System (CSRS or CSRS Offset), the Federal Employees Retirement System (FERS), or the Pentegra DB Plan (i.e., the Financial Institutions Retirement Fund). The CSRS and FERS are administered by the U.S. Office of Personnel Management (OPM). Pursuant to the enactment of Public Law 99-335, which established FERS, most OCC employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired before January 1, 1984, are covered by the CSRS, except for those who, during the election period, joined FERS. The Pentegra DB Plan is administered by the Board of Directors of the Pentegra DB Plan.

The OCC does not report CSRS or FERS assets or accumulated plan benefits that may be applicable to its employees in its financial statements; these amounts are reported by the OPM. Although the OCC reports no liability for future payments to employees under these programs, the federal government is liable for future payments to employees through the various agencies administering these programs. The OCC recognizes future benefit costs as imputed costs based on OPM cost factors.

In accordance with the provisions of Dodd–Frank (as amended by the Economic Growth Act), the OCC assumed the role of benefit administrator for the Pentegra DB Plan in FY 2011. The Pentegra DB Plan covers those employees transferred from the former OTS who elected the plan before October 8, 1989, when it was closed to new entrants.

The Pentegra DB Plan is a tax-exempt, multiple-employer, DB pension plan. For funding purposes, when the plan is in surplus (assets are greater than plan liabilities) the OCC’s annual costs equal plan expenses, which include administrative expenses and Pension Benefit Guaranty Corporation premiums. When the plan is not in surplus, the OCC’s expenses also include the present value of the benefits expected to be earned in the plan year (the target normal cost), and a portion of the unfunded liability. The plan is currently in surplus. The OCC is committed to adhering to sound financial policies and management oversight of the plan to ensure its sustainability for current and future retirees.

*Thrift savings and 401(k) plans:* The OCC’s employees are eligible to participate in the federal Thrift Savings Plan (TSP). FERS employees can receive up to 4.0 percent in OCC matching contributions, in addition to an automatic contribution of 1.0 percent of adjusted base pay. The OCC’s contributions to the TSP totaled \$23.0 million and \$22.7 million for FY 2020 and FY 2019, respectively, and are included as a component of “Personnel compensation and benefits” in Note 9, “Net Cost of Operations.”

OCC employees also may elect to contribute a portion of their total pay to the OCC-sponsored 401(k) plan, subject to Internal Revenue Service regulations that apply to employee contributions in both the federal TSP and the OCC-sponsored 401(k) plan. The OCC matches the first 1.0 percent of employee contributions to the OCC 401(k) plan and provides an automatic employer contribution of 4.0 percent of adjusted base pay.

The amount of each participant’s matching contribution to the 401(k) plan is based on the applicable retirement system under which each participant is covered. For those who participate in FERS, the CSRS, or CSRS Offset, the OCC provides an automatic contribution of 4.0 percent of adjusted base pay and an additional matching contribution of up to 1.0 percent. For those who participate in the OTS 401(k) plan, the OCC provides an automatic contribution of 4.0 percent of adjusted base pay, an additional matching contribution of up to 3.0 percent to participants in the Financial Institutions Retirement Fund, and a 1.0 percent additional match to all other participants.

With few exceptions, employees who leave the OCC before the vesting period (three or more years of continuous credited service) forfeit the OCC’s matching contributions. The OCC’s 401(k) Plan Adoption Agreement provides that the OCC may use forfeitures to pay plan expenses and offset the employer’s contribution obligation. In addition, the agency may re-allocate forfeitures among participants. This year, the OCC used forfeitures to defray plan expenses.

The OCC's contributions to the 401(k) plans totaled \$26.4 million and \$29.7 million for FY 2020 and FY 2019, respectively, and are included as a component of "Personnel compensation and benefits" in Note 9, "Net Cost of Operations."

*Federal Employees Health Benefits and Federal Employees' Group Life Insurance:* Employees and retirees of the OCC are eligible to participate in the Federal Employees Health Benefits and Federal Employees' Group Life Insurance plans administered by the OPM, which involve a cost sharing of biweekly coverage premiums by OCC employees and the OCC. The OCC does not fund post-retirement benefits for these programs. Instead, the OCC's financial statements recognize an imputed financing source and corresponding expense that represent the OCC's share of the cost to the federal government of providing these benefits to all eligible OCC employees.

*Post-retirement life insurance benefit plan:* The OCC sponsors a life insurance benefit plan for current and retired employees. The OCC's life insurance benefit plan is a defined-benefit plan for which the benefit is earned over the period from the employee's date of hire to the date on which the employee is assumed to retire. The valuation of the plan is performed in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. Specifically, the OCC uses the actuarial cost method as outlined in FASB ASC Topic 715, "Compensation—Retirement Benefits," to determine costs for its retirement plans. Gains or losses owing to changes in actuarial assumptions are amortized over the service life of the plan. The actuarial assumptions and methods used in calculating actuarial amounts comply with the requirements for post-retirement benefits other than pensions as set forth in FASB ASC Topic 715, and for health benefit plans as set forth in American Institute of Certified Public Accountants Statement of Position 92-6, "Accounting and Reporting by Health and Welfare Benefit Plans." (For more information, see Note 7.)

## **NET POSITION**

Net position is the residual difference between assets and liabilities and is composed of cumulative results of operations. The OCC allocates a significant portion of the net position to its financial reserves. Financial reserves are integral to the effective stewardship of the OCC's resources, particularly because the agency does not receive congressional appropriations. (For more information, see Note 8.)

## **CUSTODIAL ACTIVITY**

Non-entity receivables, liabilities, and revenues are recorded as custodial activity in the Statements of Custodial Activity and include amounts collected for fines, CMPs, and related interest assessments. Revenues are recognized as cash collected that will be transferred to the General Fund of the U.S. Treasury. The OCC presents the Statements of Custodial Activity on the "modified cash basis," in accordance with SFFAS No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting." The OCC recognizes revenues as cash is collected and records a "noncash accrual adjustment" representing the net increase or decrease during the reporting period in net revenue-related assets and liabilities.

## NOTE 2—FUND BALANCE WITH TREASURY

The FBWT represents the budgetary resources available for the OCC’s use and is a reconciliation between budgetary and proprietary accounts. The OCC’s FBWT consists of one U.S. Treasury fund symbol designated as a trust fund and established by 12 USC 481, which governs the collection and use of assessments and other funds by the OCC.

The OCC’s FBWT consists of unobligated and obligated balances that reflect the budgetary authority remaining for disbursement against current or future obligations. The unobligated balance represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations and is classified as available for future OCC use. The obligated balance not yet disbursed represents funds that have been obligated for goods that have not been received or services that have not been performed. It also represents goods and services that have been delivered or received but for which payment has not been made. The majority of the OCC’s nonbudgetary FBWT account balance represents investment accounts that reduce the status of the FBWT.

The OCC holds a limited amount of funds outside of Treasury that are classified as with the public investments, net. See Note 3 for more information.

As of September 30, 2020, and September 30, 2019, there were no unreconciled differences between U.S. Treasury records and balances reported on the OCC’s general ledger.

Table 10 depicts the OCC’s FBWT amounts for FY 2020 and FY 2019.

**TABLE 10: FUND BALANCE WITH TREASURY (in Thousands)**

	FY 2020	FY 2019
<b>Fund balance</b>		
Trust fund	\$ 7,408	\$ 6,487
<b>Status of FBWT</b>		
Unobligated balance—available	\$ 1,656,347	\$ 1,659,677
Obligated balance not yet disbursed	319,564	299,750
Nonbudgetary FBWT	(1,968,503)	(1,952,940)
<b>Total</b>	<b>\$ 7,408</b>	<b>\$ 6,487</b>

## NOTE 3—INVESTMENTS, NET

Intragovernmental investments, net: The OCC’s investments are stated at amortized cost and the related accrued interest. Premiums and discounts are amortized over the term of the investment using the effective interest method. The fair market value of intragovernmental investment securities was \$2,035.6 million on September 30, 2020, and \$1,978.7 million on September 30, 2019. The overall portfolio earned an annual yield of 1.60 percent for FY 2020 and 2.14 percent for FY 2019.

The yield-to-maturity on individual securities in the non-overnight portion of the OCC’s investment portfolio ranged from 0.3 percent to 3.1 percent on September 30, 2020, and from 1.0 percent to 3.1 percent on September 30, 2019.

With the public investments, net: During FY 2020, the OCC made an investment in a money market mutual fund, Federated Hermes Trust for Treasury Obligations Fund, Capital Share Class (TOCXX), of \$5.0 million, through a state-chartered Federal Reserve-supervised bank. The bank and its related affiliates are responsible for the administration of the investments in the fund. Although the fund is not insured or guaranteed by the FDIC or any other government agency, the fund complies with Rule 2a-7 definition of a government money market fund.

**TABLE 11: FY 2020 INVESTMENTS, NET (in Thousands)**

	<b>COST</b>	<b>AMORTIZATION METHOD</b>	<b>AMORTIZED (PREMIUM) DISCOUNT</b>	<b>INTEREST RECEIVABLE</b>	<b>INVESTMENTS, NET</b>	<b>OTHER ADJUSTMENTS</b>	<b>MARKET VALUE DISCLOSURE</b>
Intragovernmental securities:							
Nonmarketable market-based	\$ 1,988,280	Effective interest	\$ 1,580	\$ 5,071	\$ 1,994,931	\$ 0	\$ 2,035,639
<b>Total intragovernmental investments</b>	<b>\$ 1,988,280</b>		<b>\$ 1,580</b>	<b>\$ 5,071</b>	<b>\$ 1,994,931</b>	<b>\$ 0</b>	<b>\$ 2,035,639</b>
With the public securities:							
Nonmarketable market-based	\$ 5,000	Effective interest	\$ 0	\$ 0	\$ 5,000	\$ 0	\$ 5,000
<b>Total with the public investments</b>	<b>\$ 5,000</b>		<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,000</b>	<b>\$ 0</b>	<b>\$ 5,000</b>

**TABLE 12: FY 2019 INVESTMENTS, NET** (in Thousands)

	<b>COST</b>	<b>AMORTIZATION METHOD</b>	<b>AMORTIZED (PREMIUM) DISCOUNT</b>	<b>INTEREST RECEIVABLE</b>	<b>INVESTMENTS, NET</b>	<b>OTHER ADJUSTMENTS</b>	<b>MARKET VALUE DISCLOSURE</b>
Intragovernmental securities:							
Nonmarketable market-based	\$ 1,960,513	Effective interest	\$ 2,220	\$ 4,654	\$ 1,967,387	\$ 0	\$ 1,978,726
<b>Total intragovernmental investments</b>	<b>\$ 1,960,513</b>		<b>\$ 2,220</b>	<b>\$ 4,654</b>	<b>\$ 1,967,387</b>	<b>\$ 0</b>	<b>\$ 1,978,726</b>
With the public securities:							
Nonmarketable market-based	\$ 0	Effective interest	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total with the public investments</b>	<b>\$ 0</b>		<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

## NOTE 4—ACCOUNTS RECEIVABLE

Except for CMPs, accounts receivable represent monies due for services and goods provided that are retained by the OCC upon collection. The amounts shown for federal receivables include pension-sharing costs for former OTS employees transferred to other federal agencies in accordance with the provisions of Dodd-Frank. CMP receivables are amounts assessed against people or banks for violations of law, regulation, and orders; unsafe or unsound practices; and breaches of fiduciary duty. Because CMPs are not debts owed to the OCC, the amount outstanding does not enter into the calculation for the allowance for uncollectible accounts. (For more information on how the OCC calculates the allowance, see Note 1.)

**TABLE 13: FY 2020 ACCOUNTS RECEIVABLE** (in Thousands)

	<b>GROSS</b>	<b>ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS</b>	<b>ACCOUNTS RECEIVABLE, NET</b>
Federal receivables	\$ 3,443	\$ 0	\$ 3,443
CMP receivables	1,538	0	1,538
Nonfederal receivables	9	1	8
<b>Total accounts receivable</b>	<b>\$ 4,990</b>	<b>\$ 1</b>	<b>\$ 4,989</b>

**TABLE 14: FY 2019 ACCOUNTS RECEIVABLE** (in Thousands)

	<b>GROSS</b>	<b>ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS</b>	<b>ACCOUNTS RECEIVABLE, NET</b>
Federal receivables	\$ 3,517	\$ 0	\$ 3,517
CMP receivables	1,311	0	1,311
Nonfederal receivables	6	0	6
<b>Total accounts receivable</b>	<b>\$ 4,834</b>	<b>\$ 0</b>	<b>\$ 4,834</b>

## NOTE 5—GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

The OCC's assets include land, a building, leasehold improvements, equipment, a capital lease, and internal-use software. Please see Note 1 for details on the OCC's capitalization policy and accounting for depreciation and amortization. The figures in tables 15 and 16 present the OCC's capitalization thresholds and the general PP&E balances as of September 30, 2020 and 2019, respectively. In FY 2020, the OCC reduced the capitalization threshold for internal-use software to align with Treasury Department policy.

In FY 2020, the OCC recognized \$4.2 million of fully depreciated assets and expired leasehold assets removed from service, compared with \$15.4 million in FY 2019. In both FY 2020 and FY 2019, the OCC did not recognize any losses on asset disposal.

The OCC's building and associated land are located in Washington, D.C. The building is a rental-income property that the OCC uses to supplement its operating budget (see Note 6).

**TABLE 15: FY 2020 PROPERTY, PLANT, AND EQUIPMENT, NET (in Thousands)**

CLASS OF ASSETS	CAPITALIZATION THRESHOLD	USEFUL LIFE (IN YEARS)	COST	ACCUMULATED DEPRECIATION/AMORTIZATION	NET BOOK VALUE
Land	NA	NA	\$ 7,101	\$ 0	\$ 7,101
Building	\$ 50	50	49,188	(41,290)	7,898
Leasehold improvements	50	5-20	110,803	(75,087)	35,716
Equipment	50	5	43,234	(33,903)	9,331
Capital leases	50	5	3,167	(1,255)	1,912
Internal-use software	\$ 250	5	91,729	(90,646)	1,083
<b>Total</b>			<b>\$ 305,222</b>	<b>\$ (242,181)</b>	<b>\$ 63,041</b>

**TABLE 16: FY 2019 PROPERTY, PLANT, AND EQUIPMENT, NET (in Thousands)**

CLASS OF ASSETS	CAPITALIZATION THRESHOLD	USEFUL LIFE (IN YEARS)	COST	ACCUMULATED DEPRECIATION/AMORTIZATION	NET BOOK VALUE
Land	NA	NA	\$ 7,101	\$ 0	\$ 7,101
Building	\$ 50	50	49,188	(40,237)	8,951
Leasehold improvements	50	5-20	108,032	(69,277)	38,755
Equipment	50	5	41,255	(34,736)	6,519
Capital leases	50	5	3,128	(625)	2,503
Internal-use software	\$ 500	5	91,729	(89,927)	1,802
<b>Total</b>			<b>\$ 300,433</b>	<b>\$ (234,802)</b>	<b>\$ 65,631</b>

## NOTE 6—LEASES

### OCC AS LESSEE

The OCC leases equipment and office space for its headquarters operations in Washington, D.C., and for district and field operations. The OCC evaluates all leases at inception in accordance with the criteria set forth in SFFAS No. 5, “Accounting for Liabilities of the Federal Government.” In FY 2020, all but one of the OCC’s leases were recorded as operating leases. The one capital lease is with a nonfederal lessor and will be fully amortized in September 2023. The total future minimum lease payments for the capital lease are immaterial. The costs for both the operating and capital leases are included in the Statements of Net Cost. These leases are noncancelable and have expiration dates ranging from FY 2019 to FY 2028, the majority with renewal options. The leases provide for future increased payments based on increases in real estate taxes, operating costs, or selected price indexes.

The future minimum lease payments to nonfederal lessors through FY 2025 and thereafter, not including renewals, are shown in table 17. The OCC has two leases with federal lessors with end dates in 2021 and 2022. Total future minimum lease payments to federal lessors are immaterial.

**TABLE 17: FY 2020 FUTURE LEASE PAYMENTS TO NONFEDERAL LESSORS FOR OPERATING LEASES (IN THOUSANDS)**

YEAR	PROPERTY	EQUIPMENT	TOTAL
2021	\$ 57,317	\$ 2,496	\$ 59,813
2022	53,867	1,493	55,360
2023	43,920	60	43,980
2024	42,656	0	42,656
2025	40,738	0	40,738
2026 and beyond	86,215	0	86,215
<b>Total</b>	<b>\$ 324,713</b>	<b>\$ 4,049</b>	<b>\$ 328,762</b>

### OCC AS LESSOR

In FY 2012, the OCC entered into a 20-year occupancy agreement with another federal agency for space in the building the OCC owns. This agreement expires in February 2032 and includes renewal options. The agreement provides for annual base rent and additional rent for building operating expenses. The agreement also provides for fixed future increases in rents over the term of the agreement. The OCC is also continuing to enter into lease agreements with retail tenants to comply with the District of Columbia’s requirement to have retail establishments on the plaza level. The future minimum rental income through FY 2026 and thereafter, not including renewals, is shown in table 18.

**TABLE 18: FY 2020 FUTURE RENTAL INCOME (in Thousands)**

YEAR	AMOUNT
2021	\$ 13,997
2022	14,212
2023	14,414
2024	14,703
2025	14,997
2026 and beyond	103,330
<b>Total</b>	<b>\$ 175,653</b>

## NOTE 7—OTHER ACTUARIAL LIABILITIES

The OCC's other actuarial liabilities are reported on the Balance Sheets and include the following components.

**TABLE 19: ACTUARIAL LIABILITIES** (in Thousands)

COMPONENT	FY 2020	FY 2019
Post-retirement life insurance benefits	\$ 97,749	\$ 87,533
Federal Employees' Compensation Act	9,549	8,925
Pentegra DB Plan	1,422	1,200
<b>Total actuarial liabilities</b>	<b>\$ 108,720</b>	<b>\$ 97,658</b>

### POST-RETIREMENT LIFE INSURANCE BENEFITS

The OCC sponsors a life insurance benefit plan for current and retired employees. The weighted average discount rate used in determining the post-retirement life insurance benefits, also known as the accumulated post-retirement benefit obligation, was 2.92 percent in FY 2020 and 3.4 percent in FY 2019. The discount rate was the primary driver for the \$10.2 million year-over-year increase in the net actuarial liability (\$97.7 million in FY 2020 and \$87.5 million in FY 2019) and the \$6.5 million actuarial loss in FY 2020.

Total periodic post-retirement life insurance benefit expenses are recognized as program costs in the Statements of Net Cost. Any gains or losses from changes in long-term assumptions used to measure liabilities for post-retirement life insurance benefits are displayed separately in the Statements of Net Cost, as required. Table 20 presents a reconciliation of the beginning and ending post-retirement life insurance liability and provides material components of the related expenses.

**TABLE 20: RECONCILIATION OF BEGINNING AND ENDING POST-RETIREMENT LIABILITY AND THE RELATED EXPENSES** (IN THOUSANDS)

CHANGE IN ACTUARIAL AND ACCRUED BENEFITS	FY 2020	FY 2019
Actuarial post-retirement liability, beginning balance	\$ 87,533	\$ 72,405
Actuarial expense		
Normal cost	1,813	1,468
Interest on the liability balance	2,932	3,053
Actuarial (gain)/loss		
From experience	(147)	(343)
From assumption changes	7,915	13,117
Prior service costs		
<b>Total expense</b>	<b>12,513</b>	<b>17,295</b>
Less amounts paid	(2,297)	(2,167)
<b>Actuarial post-retirement liability, ending balance</b>	<b>\$ 97,749</b>	<b>\$ 87,533</b>

## FEDERAL EMPLOYEES' COMPENSATION ACT

The Federal Employees' Compensation Act provides income and medical cost protection to cover federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for OCC employees covered under the Federal Employees' Compensation Act are administered by the U.S. Department of Labor and billed to the OCC. The FY 2020 present value of these estimated outflows was calculated using a discount rate of 2.41 percent for wage benefits and 2.30 percent for medical benefits. For FY 2019, the discount rates for wage and medical benefits were 2.61 percent and 2.35 percent, respectively.

## PENTEGRA DEFINED BENEFIT PLAN

The Pentegra DB Plan is a tax-exempt, multiple-employer, DB pension plan in which participating employers pay all costs into one general account. The OCC does not report in its financial statements any assets, accumulated plan benefits, or actuarial gains/losses from the Pentegra DB Plan. Pentegra, as plan administrator, reports these amounts in an annual filing.

At retirement, employees may choose either a lump sum payment or an annuity/lump sum split. The Pentegra DB Plan year begins July 1 and ends June 30.

In FY 2020 and FY 2019, the OCC paid \$4.8 million and \$3.3 million and recognized plan expenses of \$5.0 million and \$3.6 million, respectively. At September 30, 2020 and 2019, the OCC had accrued \$1.4 million and \$1.2 million, respectively, representing the portion of the plan expenses from July to September of each fiscal year that is paid in the following fiscal year. The OCC made the minimum required contribution for the 2020–2021 plan year expenses.

## NOTE 8—NET POSITION

Net position represents the net result of operations since inception and includes cumulative amounts related to investments in capitalized assets held by the OCC. The OCC allocates a portion of its net position as financial reserves for use at the Comptroller's discretion. In addition, the OCC sets aside funds in the net position to cover the cost of ongoing operations, including commitments and open obligations supporting the achievement of OCC strategic goals and objectives. The year-to-year increase in net position reflects the excess of revenues over the cost of operations for both years presented. Table 21 shows balances for FY 2020 and FY 2019.

TABLE 21: NET POSITION AVAILABILITY (in Thousands)

COMPONENT	FY 2020	FY 2019
Financial reserves	\$ 1,493,492	\$ 1,444,356
Set aside for ongoing operations	81,171	92,403
<b>Net position</b>	<b>\$ 1,574,663</b>	<b>\$ 1,536,759</b>

## NOTE 9—NET COST OF OPERATIONS

The net cost of operations represents the OCC’s operating costs deducted from assessments and fees paid by banks and other income earned. The operating costs include the gain or loss from actuarial experience and assumption changes per the guidance in SFFAS No. 33, “Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses From Changes in Assumptions and Selecting Discount Rates and Valuation Dates.” The imputed financing sources for net cost of operations are reflected in the Statements of Changes in Net Position, Note 10, and Note 11. Table 22 illustrates the OCC’s operating expense categories for FY 2020 and FY 2019.

**TABLE 22: NET COST (EXCESS OF REVENUES OVER COST) OF OPERATIONS BY EXPENSE CATEGORY (IN THOUSANDS)**

COMPONENT	FY 2020	FY 2019
Personnel compensation and benefits	\$ 800,879	\$ 785,746
Contractual services	116,368	110,557
Rent, communication, and utilities	86,642	77,596
Travel and transportation of persons and things	19,074	43,444
Imputed costs (Note 10)	30,723	41,302
Depreciation	11,588	13,326
Other	22,096	22,497
<b>Total cost of operations</b>	<b>1,087,370</b>	<b>1,094,468</b>
Less earned revenues not attributed to programs	(1,094,551)	(1,195,538)
<b>Total</b>	<b>\$ (7,181)</b>	<b>\$ (101,070)</b>

## NOTE 10—IMPUTED COSTS AND FINANCING SOURCES

In accordance with SFFAS No. 5, federal agencies must recognize the portions of employees’ pension and other retirement benefits to be paid by OPM trust funds. These amounts are recorded as imputed costs and imputed financing for other agencies. Annually, the OPM provides federal agencies with cost factors for computing current year imputed costs. These cost factors are multiplied by the current year salary or number of employees, as applicable, to provide an estimate of the imputed financing that OPM trust funds will provide for each agency.

The imputed cost categories for FY 2020 and FY 2019 are listed in the table below. These imputed costs are included on the Statements of Net Cost. The financing sources absorbed by the OPM are reflected in the Statements of Changes in Net Position and in Note 11. The year-to-year change in imputed cost is related to an increase in the FERS employing agency contribution rate for retirement benefits.

**TABLE 23: IMPUTED COSTS ABSORBED BY THE OPM (in Thousands)**

COMPONENT	FY 2020	FY 2019
Retirement	\$ 3,513	\$ 15,583
Federal Employee Health Benefits	27,152	25,663
Federal Employees’ Group Life Insurance	58	56
<b>Total</b>	<b>\$ 30,723</b>	<b>\$ 41,302</b>

## NOTE 11—RECONCILIATION OF NET COST TO NET OUTLAYS

The Reconciliation of Net Cost of Operations to Net Outlays depicts the difference between proprietary financial accounting information and budgetary accounting information. Proprietary financial accounting information is intended to depict the U.S. government's financial operations and financial position presented on an accrual basis in accordance with GAAP, which includes the recognition of assets and liabilities for which collections and payments, respectively, have not been made. In contrast, budgetary accounting information is used for planning and control purposes and includes net outlays that reflect both the receipt and use of cash, as well as reporting the federal deficit. The reconciliation of the OCC's net cost (presented on an accrual basis) and net outlays (presented on a budgetary basis) reflects the relationship between financial accounting and budgetary information. The reconciliation serves not only to identify costs paid in the past and those that will be paid in the future but also to assure integrity between financial and budgetary accounting. Tables 24 and 25 depict the OCC's Reconciliation of Net Cost to Net Outlays for FY 2020 and FY 2019.

**TABLE 24: FY 2020 RECONCILIATION OF NET COST TO NET OUTLAYS (in Thousands)**

	INTRA- GOVERNMENTAL	WITH THE PUBLIC	TOTAL FY 2020
<b>Net cost</b>	\$ 131,549	\$ (138,730)	\$ (7,181)
<b>Components of net cost not part of net outlays:</b>			
Property, plant, and equipment depreciation	\$ 0	\$ (11,588)	\$ (11,588)
<b>Increase/(decrease) in assets:</b>			
Accounts receivable	343	2	345
Investments	11,565	5,000	16,565
Other assets	(438)	15	(423)
<b>Increase/(decrease) in liabilities:</b>			
Accounts payable	0	(669)	(669)
Salaries and benefits	(1,407)	(11,115)	(12,522)
Other liabilities	(658)	21,373	20,715
<b>Other financing sources:</b>			
Imputed financing	(30,723)	0	(30,723)
<b>Total components of net cost not part of net outlays</b>	\$ (21,318)	\$ 3,018	\$ (18,300)
<b>Components of net outlays that are not part of net cost:</b>			
Acquisition of capital assets	0	8,998	8,998
<b>Total components of net outlays that are not part of net cost</b>	0	8,998	8,998
<b>Net outlays</b>	\$ 110,231	\$ (126,714)	\$ (16,483)

**TABLE 25: FY 2019 RECONCILIATION OF NET COST TO NET OUTLAYS** (in Thousands)

	INTRA- GOVERNMENTAL	WITH THE PUBLIC	TOTAL FY 2019
<b>Net cost</b>	\$ 121,754	\$ (222,824)	\$ (101,070)
<b>Components of net cost not part of net outlays:</b>			
Property, plant, and equipment depreciation	\$ 0	\$ (13,326)	\$ (13,326)
<b>Increase/(decrease) in assets:</b>			
Accounts receivable	987	(95)	892
Investments	952	0	952
Other assets	108	41	149
<b>Increase/(decrease) in liabilities:</b>			
Accounts payable	0	(607)	(607)
Salaries and benefits	(302)	5,264	4,962
Other liabilities	2,124	11,912	14,036
<b>Other financing sources:</b>			
Imputed financing	(41,302)	0	(41,302)
<b>Total components of net cost not part of net outlays</b>	<b>\$ (37,433)</b>	<b>\$ 3,189</b>	<b>\$ (34,244)</b>
<b>Components of net outlays that are not part of net cost:</b>			
Acquisition of capital assets	0	4,754	4,754
<b>Total components of net outlays that are not part of net cost</b>	<b>0</b>	<b>4,754</b>	<b>4,754</b>
<b>Net outlays</b>	<b>\$ 84,321</b>	<b>\$ (214,881)</b>	<b>\$ (130,560)</b>

## NOTE 12—CONTINGENT LIABILITIES

The OCC recognizes and discloses contingencies in accordance with SFFAS No. 5, as amended by SFFAS No. 12. The OCC is party to various administrative proceedings, legal actions, and claims brought against the agency, including threatened or pending litigation involving federal employment claims, some of which may ultimately result in settlements or decisions against the federal government.

In FY 2020, the OCC recorded an additional \$140,000 contingent liability for an ongoing legal case where the risk of loss was probable, and the amount was estimable. The estimated contingent liability of this case is between \$810,000 and \$940,000. In FY 2019, the OCC increased the same liability by \$125,000 from the prior year.

## NOTE 13—UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent the amount of goods or services ordered to perform the OCC’s mission objectives, but which have not been received.

**TABLE 26: UNDELIVERED ORDERS AT THE END OF THE PERIOD** (in Thousands)

	FY 2020	FY 2019
Undelivered orders paid at the end of the period		
Intragovernmental	\$ 201	\$ 639
With the public	85	70
Total undelivered orders paid at the end of the period	\$ 286	\$ 709
Undelivered orders unpaid at the end of the period		
Intragovernmental	\$ 5,938	\$ 8,659
With the public	75,228	72,247
Total undelivered orders unpaid at the end of the period	\$ 81,166	\$ 80,906
<b>Total</b>	<b>\$ 81,452</b>	<b>\$ 81,615</b>

## NOTE 14—CUSTODIAL REVENUES

The OCC assesses fines and penalties against people or banks for violations of law, regulation, and orders; unsafe or unsound practices; and breaches of fiduciary duty. These amounts typically are collected in the same year that the OCC assesses them and are recognized as cash collected that will be transferred to the General Fund of the U.S. Treasury. The change in FY 2020 is due to an increase in the need to assess penalties against regulated institutions.

**TABLE 27: CUSTODIAL REVENUE** (in Thousands)

	TAX YEAR				2020 COLLECTIONS
	2020	2019	2018	PRE-2018	
Fines and penalties, nontax related	\$ 131,941	\$ 92	\$ 86	\$ 19	\$ 132,138
	TAX YEAR				2019 COLLECTIONS
	2019	2018	2017	PRE-2017	
Fines and penalties, nontax related	\$ 125,183	\$ 356	\$ 3	\$ 51	\$ 125,593



## Independent Auditor's Report

Acting Comptroller of the Currency  
Office of the Comptroller of the Currency

Deputy Inspector General  
Department of the Treasury

In our audits of the fiscal years 2020 and 2019 financial statements of the Office of the Comptroller of the Currency (OCC), we found:

- the OCC's financial statements as of and for the fiscal years ended September 30, 2020, and 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed;<sup>1</sup> and
- no reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, required supplementary information (RSI)<sup>2</sup>, and other information included with the financial statements;<sup>3</sup> (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

### Report on the Financial Statements

In accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, we have audited the OCC's financial statements. The OCC's financial statements comprise the balance sheets as of September 30, 2020, and 2019; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

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<sup>1</sup>A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

<sup>2</sup>The RSI consists of Management's Discussion and Analysis, inclusive of its Financial Summary following the Message from the Chief Financial Officer, which are included with the financial statements.

<sup>3</sup>Other information consists of information included with the financial statements, other than the auditor's report and RSI.

**WILLIAMS, ADLEY & COMPANY-DC, LLP**

*Certified Public Accountants / Management Consultants*

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We conducted our audits in accordance with auditing standards generally accepted in the U.S., the standards applicable to financial audits contained in *Government Auditing Standards*, and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Management's Responsibility

The OCC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted auditing standards, U.S. generally accepted government auditing standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

#### Opinion on Financial Statements

In our opinion, the OCC's financial statements present fairly, in all material respects, the OCC's financial position as of September 30, 2020, and 2019, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

### Other Information

The OCC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on the OCC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

## **Report on Internal Control over Financial Reporting**

In connection with our audits of the OCC's financial statements, we considered the OCC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the OCC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

### Management's Responsibility

The OCC management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

In planning and performing our audit of the OCC's financial statements as of and for the year ended September 30, 2020, in accordance with U.S. generally accepted government auditing standards, we considered the OCC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the

effectiveness of the OCC's internal control over financial reporting. Accordingly, we do not express an opinion on the OCC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies<sup>4</sup> or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

### Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

### Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the OCC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses. However, significant deficiencies or material weaknesses may exist that have not been identified.

### Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the OCC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the OCC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

### **Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements**

In connection with our audits of the OCC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

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<sup>4</sup>A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Management's Responsibility

The OCC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the OCC.

### Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the OCC that have a direct effect on the determination of material amounts and disclosures in the OCC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the OCC.

### Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2020 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the OCC. Accordingly, we do not express such an opinion.

### Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance.

This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

*Williams, Arley & Company DC, LLP*  
Washington, DC  
November 20, 2020

# OTHER INFORMATION

## KEY PERFORMANCE MEASURES AND RESULTS

The OCC's FY 2020 performance measures, workload indicators, customer service standards, and results are presented in table 28. They respond to the requirements for most agencies to set goals, measure performance, and report the information to Congress as established in the Government Performance and Results Act of 1993 Modernization Act of 2010.

The OCC organizes its programs under three activities: supervise, regulate, and charter banks. In addition, the OCC measures its overall efficiency and effectiveness with an agency-wide indicator. As such, the OCC's priorities focus on strengthening the resiliency of the institutions subject to its jurisdiction through its supervisory and regulatory programs and activities. A stronger and more resilient banking system directly supports four out of five Treasury Department FY 2018–2022 strategic goals: boost U.S. economic growth, promote financial stability, enhance national security, and achieve operational excellence.

**TABLE 28: PERFORMANCE MEASURES, WORKLOAD INDICATORS, CUSTOMER SERVICE STANDARDS, AND RESULTS**

PERFORMANCE MEASURES, WORKLOAD INDICATORS, AND CUSTOMER SERVICE STANDARDS	FY 2017	FY 2018	FY 2019	2020 TARGET	2020 ACTUAL
<b>Supervise and regulate programs</b>					
Percentage of banks with composite capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk (CAMELS) rating of 1 or 2	94%	96%	96%	90%	99%
Rehabilitated problem banks as a percentage of the problem banks one year ago (CAMELS 3, 4, or 5)	40%	44%	15%	40%	23% <sup>a</sup>
Percentage of banks that are well capitalized	97%	97%	98%	95%	95%
Percentage of banks with consumer compliance rating of 1 or 2. For institutions with assets more than \$10 billion, these ratings reflect only those laws and regulations for which the OCC has enforcement and supervisory authority.	97%	98%	98%	94%	98%
<b>Charter program</b>					
Percentage of licensing applications and notices completed within established time frames	96%	97%	99%	95%	98%
<b>Agencywide</b>					
Total OCC costs relative to every \$100,000 in assets regulated	\$9.49	\$9.12	\$8.07	\$8.10	\$7.78

<sup>a</sup> The low percentage is an indicator of a shrinking population base of problem banks in 2019.

# PAYMENT INTEGRITY INFORMATION ACT

The Payment Integrity Act requires federal agencies to review all programs and activities annually and identify those that may be susceptible to significant improper payments. For programs and activities in which the risk of improper payments is determined to be significant, agencies are required to estimate the amount of improper payments made in those programs and activities and meet specific reporting requirements.

## PAYMENT INTEGRITY

Each year, the Treasury Department provides the OCC with guidance, in accordance with OMB Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control,” appendix C, “Requirements for Payment Integrity Improvement,” to complete an annual risk assessment of programs and activities to identify those susceptible to significant improper payments. In FY 2020, the OCC performed a risk assessment on the following five programs:

- » Federal employee payments, including payroll
- » Entitlements or benefits (other than payroll)
- » Travel card
- » Contract payments or invoices
- » Purchase card

The results of the agency’s risk assessment indicate that none of the OCC’s programs or activities are susceptible to significant improper payments at or above thresholds established by the OMB and, therefore, the OCC is not required to determine a statistically valid estimate of improper payments or perform additional reporting on corrective actions or root causes.

## ANALYSIS OF OVERPAYMENTS

Overpayments are identified through pre- and post-payment audits, recurring quality control reviews, and other controls, such as vendor reviews before contract award, Treasury pay file reviews, and Do Not Pay (DNP) continuous monitoring efforts. The OCC ensures that effective controls are in place to limit payments to ineligible vendors and to meet the DNP requirements.

The OCC monitors overpayments to increase the likelihood of prompt recovery. The underlying causes and contributing factors are identified quickly, and control measures are implemented to prevent additional overpayments.

In FY 2020, the OCC reported information on identified overpayments to the OMB through the Treasury Department. The information reported by the OCC to the Treasury Department is available at <https://www.paymentaccuracy.gov/>.

To: Steven T. Mnuchin  
Secretary of the Treasury

From: Brian P. Brooks  
Acting Comptroller of the Currency

Date: October 30, 2020

Subject: FY 2020 Final Unmodified Statement of Assurance  
of Achievement of Management Control Objectives

The Office of the Comptroller of the Currency (OCC) is responsible for meeting the objectives of section 2 and section 4 of the Federal Managers' Financial Integrity Act (FMFIA), as well as implementing the requirements of the Federal Financial Management Improvement Act (FFMIA) and the Digital Accountability and Transparency Act. The implementation guidelines related to these acts are included in the internal control requirements of the Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control." The objectives of OMB Circular A-123, including its appendixes, are to ensure (1) alignment of strategic goals with the agency's mission, (2) effective and efficient operations, (3) reliable reporting, and (4) compliance with applicable laws and regulations.

Management is responsible for managing risks and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. Risk management practices that identify, assess,

respond to, and report on risks are taken into account when designing internal controls and assessing their effectiveness. The OCC conducted its assessment of risk and internal controls in accordance with OMB Circular A-123 and OMB Circular A-123, Appendix A, "Management of Reporting and Data Integrity Risk." Based on the results of this assessment, the OCC can provide reasonable assurance that our internal controls over strategic, operational, reporting, and compliance objectives were operating effectively as of September 30, 2020.

In addition, the OCC conducted an assessment of its financial management systems in accordance with OMB Circular A-123, Appendix D, "Compliance with the FFMIA." Based on the results of this assessment, our financial management systems substantially comply with FFMIA Section 803(a) as of September 30, 2020.

As part of its evaluation process, the OCC considered the results of extensive testing and assessments across the organization and independent audits.

# ABBREVIATIONS

<b>AML</b>	anti-money laundering	<b>FY</b>	fiscal year
<b>ASC</b>	Accounting Standards Codification	<b>GAAP</b>	generally accepted accounting principles
<b>BSA</b>	Bank Secrecy Act	<b>GAS</b>	Government Account Series
<b>CAMELS</b>	capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk	<b>IPERIA</b>	Improper Payments Elimination and Recovery Improvement Act
<b>CARES Act</b>	Coronavirus Aid, Relief, and Economic Security Act	<b>Libor</b>	London Interbank Offered Rate
<b>CBLR</b>	community bank leverage ratio	<b>MCBS</b>	Midsize and Community Bank Supervision
<b>CBS</b>	Committee on Bank Supervision	<b>MDI</b>	minority depository institution
<b>CECL</b>	current expected credit losses	<b>NRC</b>	National Risk Committee
<b>CMP</b>	civil money penalty	<b>OCC</b>	Office of the Comptroller of the Currency
<b>CRA</b>	Community Reinvestment Act	<b>OMB</b>	Office of Management and Budget
<b>CSRS</b>	Civil Service Retirement System	<b>OPM</b>	U.S. Office of Personnel Management
<b>DNP</b>	Do Not Pay	<b>OTS</b>	Office of Thrift Supervision
<b>FASAB</b>	Federal Accounting Standards Advisory Board	<b>PP&amp;E</b>	property, plant, and equipment
<b>FASB</b>	Financial Accounting Standards Board	<b>PPP</b>	Paycheck Protection Program
<b>FBWT</b>	Fund Balance With Treasury	<b>REACH</b>	Roundtable for Economic Access and Change
<b>FDIC</b>	Federal Deposit Insurance Corporation	<b>SA-CCR</b>	standardized approach for counterparty credit risk
<b>FERS</b>	Federal Employees Retirement System	<b>SBA</b>	Small Business Administration
<b>FFIEC</b>	Federal Financial Institutions Examination Council	<b>SFFAS</b>	Statement of Federal Financial Accounting Standards
<b>fintech</b>	financial technology	<b>TSP</b>	Thrift Savings Plan
<b>FSA</b>	federal savings association		

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**OCC HEADQUARTERS**  
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Washington, DC 20219



Office of the  
Comptroller of the Currency

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gulfcoastrestorationhotline@oig.treas.gov

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[www.treasury.gov/about/organizational-structure/ig](http://www.treasury.gov/about/organizational-structure/ig)