Fiscal Year 2021 Bank Supervision Operating Plan
Office of the Comptroller of the Currency
Committee on Bank Supervision

The Office of the Comptroller of the Currency's (OCC) Committee on Bank Supervision (CBS) strategy planning guidance sets forth the agency's supervision priorities and objectives. The agency's fiscal year (FY) for 2021 begins October 1, 2020, and ends September 30, 2021. The FY 2021 Bank Supervision Strategy Planning Guidance outlines the OCC's supervision priorities and aligns with "The OCC's Strategic Plan, Fiscal Years 2019–2023" and the National Risk Committee's (NRC) priorities. The strategy planning guidance facilitates the development of supervisory strategies for individual national banks, federal savings associations, federal branches and agencies of foreign banking organizations (collectively, banks), as well as identified service providers. CBS managers and staff will use this plan to guide their supervisory priorities, planning, and resource allocations for FY 2021.

Priority Objectives for CBS Operating Units

The FY 2021 strategy planning guidance and the follow-on bank supervision operating plan identify priority objectives across the CBS operating units. CBS operating units and managers should use this guidance to develop and execute individual operating unit plans and risk-focused bank supervisory strategies. While the objectives are similar for the Large Bank Supervision and Midsize and Community Bank Supervision departments, CBS managers will differentiate bank size, complexity, and risk profile when developing individual bank supervisory strategies. CBS operating plans include resources and support for risk-focused examinations of technology and significant service providers that provide critical processing and services to banks. The OCC will adjust supervisory strategies, as appropriate, during the fiscal year in response to emerging risks and supervisory priorities. For FY 2021, supervision efforts will be flexible to recognize the broad and bank-specific impacts of the pandemic and resulting economic, financial, operational, and compliance implications. In addition to the baseline supervision to assign ratings, the development of supervisory strategies will focus on the following risk areas:

- Credit risk management given projected weaker economic conditions. Examiner focus should be on commercial and retail credit risk control functions, including portfolio administration and risk management, timely risk identification, independent loan review, risk rating accuracy, policy exception tracking, collateral valuation, stress testing, and collections/workout management.
- Commercial and residential real estate concentration risk management, including verification that risk assessment and management practices adequately account for concentration risks. Examiner focus should include portfolios with material concentrations, especially in sectors hard hit by the pandemic.

- Appropriateness of allowance for loan and lease losses/allowance for credit losses, forecasting the cumulative impact from a lengthy period of eased underwriting standards, and potential higher probability of default and loss given default. Examiners should focus on Current Expected Credit Losses implementation for those institutions that have adopted the standard, and preparation for those that will be implementing the standard.
- Cybersecurity and operational resilience with a focus on threat vulnerability and detection, access controls and data security, and managing third-party access. Examiners should also focus on incident response and remediation processes.
- Bank Secrecy Act/anti-money laundering (BSA/AML) compliance, ensuring the effectiveness of BSA/AML risk management systems relative to the complexity and risks associated with business models and products, evaluating technology and modeling solutions to perform or enhance BSA/AML oversight functions, and determining the adequacy of suspicious activity monitoring and reporting systems and processes.
- Compliance risk management associated with 2020 pandemic-related bank activities, such as CARES Act loan forbearance requirements or other bank-provided consumer loan or account accommodations. Effects of the pandemic on overall compliance risk as well as specific areas of risk (e.g., SCRA risk associated with increased foreclosure volume).
- Community Reinvestment Act performance, including implementation of new guidance, procedures and tools related to the CRA rule issued on June 5, 2020.
- Fair lending examinations and risk assessments, including risks associated with 2020 pandemic-related loan accommodations and loss mitigation efforts and new technology used in underwriting processes.
- The impact of a low-rate environment on banks' business models, strategies, asset and liability risk exposures, net interest margin, and funding stability.
- Bank preparation for the phaseout of the London Interbank Offering Rate as a reference rate after 2021, including operational and consumer impact assessments and change management related to implementation and disclosure of an alternative index for pricing loans, deposits, and other products and services.
- Proper oversight of significant third-party relationships, including partnerships. Examiners should identify where those relationships represent significant concentrations in operations, bank resiliency, or other risks. Examiners should assess risk oversight of third party's own management of cybersecurity and resilience risks.
- Change management over significant operational changes. Examiners should evaluate governance over new technology innovation and implementation, including use of cloud computing, artificial intelligence, digitalization in risk management processes, new products and services, and notable changes in strategic plans. Examiners will also focus on change management over emergency programs in response to the pandemic including the CARES Act and pandemic-related operating conditions.
- Payment systems products and services, currently offered or planned, focusing on new or novel products, services, or channels for wholesale and retail customer relationships. Examiners should consider potential risks including operational, compliance, strategic and reputation and how these risks are incorporated into institution-wide risk assessments and new product review processes.

Resources should remain focused on significant risks in FY 2021 while considering appropriate coverage of other areas. Strategies should focus on control functions and, as appropriate, leverage the institutions' audit, loan review, and risk management processes where the OCC has validated reliability

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

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