

# OCC Guidelines Establishing Standards for Recovery Planning by Certain Large Insured National Banks, Large Insured Federal Savings Associations, and Large Insured Federal Branches

## Supporting Statement

OMB Control No. 1557-0333

### A. Justification.

#### 1. *Circumstances that make the collection of information necessary:*

In 2015, the OCC issued guidelines applicable to each insured national bank, insured Federal savings association, and insured Federal branch of a foreign bank (together, banks) with average total consolidated assets equal to or greater than \$50 billion (covered banks). The guidelines stated that each covered bank should develop and maintain a recovery plan that is appropriate for its individual size, risk profile, activities, and complexity, including the complexity of its organizational and legal entity structure, in order to be able to respond quickly to and recover from the financial effects of severe stress. The guidelines established standards for this recovery planning.

The OCC issued a final rule in 2018 that increased the average total consolidated assets threshold for applying the recovery planning guidelines to a bank from \$50 billion to \$250 billion and decreased from 18 months to 12 months the time within which a bank should comply with the recovery planning guidelines after the bank first becomes subject to the guidelines.<sup>1</sup>

#### 2. *Use of the information:*

Overview of covered bank. A recovery plan should describe the covered bank's overall organizational and legal entity structure, including its material entities, critical operations, core business lines, and core management information systems. The plan should describe interconnections and interdependencies (1) across business lines within the covered bank; (2) with affiliates in a bank holding company structure; (3) between a covered bank and its foreign subsidiaries; and (4) with critical third parties.

Triggers. A covered bank's recovery plan should identify triggers that appropriately reflect the bank's particular vulnerabilities.

Options for recovery. A recovery plan should identify a wide range of credible options that a covered bank could undertake to restore financial strength and viability, thereby allowing the bank to continue to operate as a going concern and to avoid liquidation or resolution. A recovery plan should explain how the covered bank would carry out each option and describe the timing required for carrying out each option. The recovery plan should specifically identify the recovery options that require regulatory or legal approval.

Impact assessments. For each recovery option, a covered bank should assess and describe how the option would affect the covered bank. This impact assessment and description

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<sup>1</sup> 83 FR 66604 (December 27, 2018).

should specify the procedures the covered bank would use to maintain the financial strength and viability of its material entities, critical operations, and core business lines for each recovery option. For each option, the recovery plan's impact assessment should address the following: (1) the effect on the covered bank's capital, liquidity, funding, and profitability; (2) the effect on the covered bank's material entities, critical operations, and core business lines, including reputational impact; and (3) any legal or market impediment or regulatory requirement that must be addressed or satisfied in order to implement the option.

Escalation procedures. A recovery plan should clearly outline the process for escalating decision-making to the covered bank's senior management, board of directors (board), or appropriate board committee in response to the breach of any trigger. The recovery plan should also identify the departments and persons responsible for executing the decisions of senior management, the board, or an appropriate board committee.

Management reports. A recovery plan should require reports that provide senior management, the board, or an appropriate board committee with sufficient data and information to make timely decisions regarding the appropriate actions necessary to respond to the breach of a trigger.

Communication procedures. A recovery plan should provide that the covered bank will notify the OCC of any significant breach of a trigger and any action taken or to be taken in response to such breach and should explain the process for deciding when a breach of a trigger is significant. A recovery plan also should address when and how the covered bank will notify persons within the organization and other external parties of its action under the recovery plan. The recovery plan should specifically identify how the covered bank will obtain required regulatory or legal approvals.

Other information. A recovery plan should include any other information that the OCC communicates in writing directly to the covered bank regarding the covered bank's recovery plan.

A covered bank should (1) integrate its recovery plan into its risk governance functions and (2) align its recovery plan with its other plans, such as its strategic, operational (including business continuity), contingency, capital (including stress testing), liquidity, and resolution planning. The covered bank's recovery plan also should be specific to that covered bank and coordinated with any recovery and resolution planning efforts by the bank's holding company.

A covered bank's recovery plan should address the responsibilities of the bank's management and board with respect to the plan. Specifically, management should review the recovery plan at least annually and in response to a material event. It should revise the plan as necessary to reflect material changes in the covered bank's size, risk profile, activities, and complexity, as well as changes in external threats. This review should evaluate the organizational structure and its effectiveness in facilitating a recovery. The board is responsible for overseeing the covered bank's recovery planning process. The board of a covered bank or an appropriate board committee should review and approve the recovery plan as needed and at least annually, to address significant changes made by management.

The OCC believes that a large, complex institution should undertake recovery planning in order to be able to respond quickly to and recover from the financial effects of severe stress on

the institution. The process of developing and maintaining a recovery plan also should cause a covered bank's management and its board to enhance their focus on risk governance with a view toward lessening the negative impact of future events. OCC examiners will assess the appropriateness and adequacy of the covered bank's ongoing recovery planning process as part of the agency's regular supervisory activities.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Describe any consideration of using information technology to reduce burden:**

Respondents may use any technology compatible with meeting the requirements of the guidelines.

**4. Efforts to identify duplication:**

The OCC recognizes that many covered banks already engage in significant planning, including planning responses to cyber-attacks, business interruptions, and leadership vacancies. Some covered banks also undertake a range of other planning, including strategic, contingency, capital (including stress testing), liquidity, and resolution. The same is true for their parent holding companies or affiliates. Also, the OCC does not intend for a covered bank's recovery planning to be needlessly burdensome or duplicative of these other planning processes. The OCC expects, however, that a covered bank's recovery plan will identify the recovery strategies that are specific to that bank and, as appropriate, distinguishable from the recovery strategies of its holding company or affiliates. Furthermore, while the OCC encourages covered banks to leverage their existing processes, including by incorporating or cross-referencing portions or elements of relevant plans, in most cases, it is unlikely that a covered bank will be able to use a plan prepared for another purpose or entity to satisfy the guidelines. The purpose of the requirements is to provide a comprehensive framework for evaluating how severe stress would financially affect a covered bank specifically and the recovery options that would allow that bank to remain viable under such stress.

**5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.**

The final rule increased the average total consolidated assets threshold for applying the recovery planning guidelines to a covered bank from \$50 billion to \$250 billion and decreased from 18 months to 12 months the time within which a bank should comply with the recovery planning guidelines after the bank first becomes subject to the guidelines.

**6. Consequence to Federal program if the collection were conducted less frequently:**

If a covered bank were to prepare, review, or revise its recovery plan less frequently than provided in the rule, the bank would be less prepared to respond to and recover from the financial effects of severe stress, which could threaten its viability or the safety and soundness of its operations.

**7. Special circumstances that would cause an information collection to be conducted in a manner inconsistent with 5 CFR par 1320:**

The information collection will be conducted in a manner consistent with 5 CFR part 1320.5(d)(2).

**8. Efforts to consult with persons outside the agency:**

The OCC issued a notice for 60 days of comment concerning the collection on \_\_\_\_\_, 2022, 87 FR \_\_\_\_\_.

**9. Payment or gift to respondent:**

Not applicable.

**10. Any assurance of confidentiality:**

The information collection request will be kept private to the extent permissible by law.

**11. Justification for questions of a sensitive nature:**

None.

**12. Burden estimate:**

Total Number of Respondents: 8.

Total Burden per Respondent: 7,543 hours.

Total Burden for Collection: 60,344 hours.

Cost of Hour Burden

60,344 hours x \$114.17 = \$6,889,474.48

To estimate wages, the OCC reviewed May 2020 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities (NAICS 5220A1). To estimate compensation costs associated with the rule, the OCC uses \$114.17 per hour, which is based on the average of the 90th percentile for six occupations adjusted for inflation (2 percent as of Q1 2021), plus an additional 33.4 percent for benefits (based on the percent of total compensation allocated to benefits as of Q4 2020 for NAICS 522: credit intermediation and related activities).

**13. Estimate of total annual costs to respondents (excluding cost of hour burden in Item #12)**

None.

**14. Estimate of annualized cost to the Federal government:**

None.

**15. Change in burden:**

There is no change in burden.

**16. Information regarding collections whose results are to be published for statistical use:**

Not applicable.

**17. Reasons for not displaying OMB approval expiration date:**

Not applicable.

**18. Exceptions to the certification statement:**

Not applicable.

**B. Collections of Information Employing Statistical Methods**

Not applicable.