

# The Office of the Comptroller of the Currency

## *Enterprise Risk Appetite Statement*

*Revised 11/20/2019*



## About the OCC's Enterprise Risk Management Program

The OCC's Enterprise Risk Management (ERM) program identifies and assesses the OCC's mission-critical risks and supports the agency in managing those risks. By establishing a systematic approach to identifying, assessing, and managing risk, the OCC intends to continually improve the agency's governance, increase accountability, and enhance overall performance.

The Office of Enterprise Risk Management, led by the Chief Risk Officer, reports directly to the Comptroller of the Currency and administers the agency's ERM framework. As part of the framework, the "Enterprise Risk Appetite Statement" articulates the level and type of risk the agency will accept while conducting its mission and carrying out its [strategic plan](#). The OCC will align its strategic decisions with this appetite statement in accordance with the principles outlined in [OMB Circular No. A-123](#) and the [Committee of Sponsoring Organizations of the Treadway Commission \(COSO\) Enterprise Risk Management Integrated Framework](#).

## Enterprise Risk Appetite Statement

*The OCC will act in accordance with its risk appetite statement to achieve its strategic goals and objectives in pursuit of its vision to remain the preeminent prudential supervisor. The OCC must employ sound enterprise risk management principles, including identifying, measuring, monitoring, and controlling risk; transparent decision making; effective communication; and prioritization of risk. The OCC manages nine interrelated categories of risk to effectively supervise and ensure a safe and sound federal banking system that supports consumers, communities, businesses, and the U.S. economy. Where the OCC has discretion, the agency is willing to assume certain risks to remain nimble in meeting the challenges of an evolving banking landscape. Strong risk management practices will enable the agency to operate proactively while controlling risk.*



# Overview

## About the OCC's Risk Appetite

- Risk appetite is an integral part of the OCC's Enterprise Risk Management framework.
- Risk appetite articulates the level and type of risk the agency will accept while conducting its mission and carrying out its strategic plan.
- Where the OCC has discretion, the agency is willing to assume certain risks to remain nimble in meeting the challenges of an evolving banking landscape.
- The OCC has established risk appetite in nine categories.
- The OCC has an overall Moderate risk appetite, and a low risk appetite in specific areas.
- The OCC will align its strategic decisions with its risk appetite.

## Risk Appetite Definitions

### Low

- Cautious approach and intentionally conservative.
- Limited tolerance for uncertain outcomes relative to achievement of the OCC's mission, vision, or strategic objectives.
- Will accept risk if achieving an outcome is especially important to the OCC's mission, goals, or strategic objectives and there is limited possibility of failure to achieve desired outcomes.
- Prefer to avoid trading off this objective against achievement of other objectives.

### Moderate

- Measured and deliberative approach.
- A degree of tolerance for uncertain outcomes relative to achievement of OCC's mission, goals, or strategic objectives.
- Will accept selected risks but must be soundly justified.
- Willing to trade off this objective against achievement of other objectives in certain circumstances.

### High

- Flexible approach with higher possibility of failure.
- Willing to tolerate uncertain outcomes relative to achievement of OCC's mission, goals, or strategic objectives.
- Willing to take risks when long-term benefits are foreseeable and outweigh risks.
- Willing to trade off this objective against achievement of other objectives.



# Enterprise Risk Appetite

## Technology Risk

*Risk that information technology processing, security, stability, capacity, and performance jeopardize core agency operations.*

### Low Risk Appetite

- Unauthorized access, use, or release of personally identifiable information or sensitive data.
- Noncompliance with technology laws, regulations, policies, or procedures.
- Lack of resiliency against cybersecurity threats.

### Moderate Risk Appetite

- Alignment of enterprise information systems, data, and business practices.
- Ability to meet user demands and support a mobile workforce.
- Technology infrastructure and performance (e.g., stability, reliability, capability, capacity, and duplicative systems).
- Business resiliency planning and execution.

## Human Capital Risk

*Risk that resource use and employment practices do not align with the agency's mission and strategic objectives.*

### Low Risk Appetite

- Noncompliance with workplace safety laws and regulations.
- Noncompliance with equal employment opportunity principles, diversity principles, and ethical standards.
- Noncompliance with human capital law, rule, regulation, policy, or procedure, or other matters that could compromise the agency's integrity.
- Noncompliance with the collective bargaining agreement.
- Regulatory capture.

### Moderate Risk Appetite

- Talent acquisition (recruiting and hiring).
- Talent development (developing employees with the necessary skills and competencies, including critical thinking and sound judgment, retention, succession, leadership development, and training).
- Performance management.
- Enterprise workforce plan execution.
- Alignment of resource allocation and utilization with mission, strategic goals, and risk.
- Compensation policies.
- Stepping outside historical channels to acquire talent.

## External Risk

*Risk that political, geopolitical, or external stakeholder events affect the agency's ability to achieve objectives.*

### Low Risk Appetite

- N/A.

### Moderate Risk Appetite

- Legislative, regulatory, and industry changes/events.
- Political, geopolitical, and stakeholder events.
- Domestic and international issues.
- Macroeconomic issues.
- Social issues.
- Taking a leadership role on issues supportive of the OCC's mission.



# Enterprise Risk Appetite

## Supervision Risk

*Risk that supervisory processes do not identify and mitigate significant risks to the banking industry.*

### Low Risk Appetite

- Lack of supervisory objectivity, critical thinking, and sound judgment.
- Not proactively identifying emerging or systemic supervisory risks.
- Not developing effective supervisory strategies.
- Supervisory guidance that does not clarify the agency's supervisory expectations.
- Supervisory processes that fail to ensure supervised institutions adhere to applicable laws and regulations, provide fair access to financial services, and treat customers fairly.
- Lack of internal collaboration.
- Regulatory capture.

### Moderate Risk Appetite

- Exercising sound judgment and discretion in the execution of supervisory strategies.
- Achieving improvements to the supervision tools and information available to assist examiners.
- Resource expertise and knowledge transfer.
- Resource allocation.
- Interagency collaboration.
- Timeliness of supervisory guidance.
- Value of the federal charter.

## Operational Risk

*Risk that people, processes, systems, or external events impede the OCC's ability to meet its objectives.*

### Low Risk Appetite

- Physical security.
- Employee conduct.
- Regulatory capture.

### Moderate Risk Appetite

- Process efficiency.
- Governance processes.
- Third-party oversight.
- Business continuity planning.

## Reputation Risk

*Risk that negative perception jeopardizes the OCC's credibility, achievement of mission and strategic objectives, or ability to maintain the agency as the preeminent bank regulator.*

### Low Risk Appetite

- Information security.
- Regulatory capture.
- Poor employee conduct.
- Failure to be fiscally responsible.

### Moderate Risk Appetite

- Communication strategies (internal and external).
- Issue escalation and response.
- Human resource practices.
- Supervision, legal, licensing, and policy decisions.
- OCC culture (external and internal view of OCC vision, mission, values, and behaviors).
- Taking a leadership role on issues supportive of the OCC's mission.



# Enterprise Risk Appetite

## Strategic Risk

*Risk that agency strategy selection, prioritization, modification, and implementation jeopardize achievement of OCC goals and objectives.*

### Low Risk Appetite

- Execution and achievement of agency strategy and outcomes not aligning with OCC goals and objectives.
- Ineffective or inefficient decision making and execution.

### Moderate Risk Appetite

- Ability to evolve, adapt, and remain relevant.
- Responsiveness to changes in the internal and external operating environment.

## Legal Risk

*Risk that the agency does not fulfill its obligations under applicable laws, regulations, federal directives, mandates, or executive orders or has gaps in mission-critical functions to supervise, license, and maintain a sound federal banking system.*

### Low Risk Appetite

- Noncompliance with applicable laws, regulations, federal directives, mandates, and executive orders.
- Failure to abide by contractual obligations.
- Loss or reduction of the OCC's statutory independence.
- Infringement on the OCC's banking powers, including regulation development and interpretation.
- Poor employee conduct.
- Gaps in mission-critical functions to supervise, license, and maintain a safe and sound banking system.
- Regulatory capture.

### Moderate Risk Appetite

- Human resource guidance and practices.
- Interagency coordination.
- Preparedness for new, modified, or eliminated laws and regulations.
- Supervision support, licensing decisions, policy positions, and enforcement actions.
- Taking a leadership role pursuing and/or defending issues supportive of the OCC's core mission (e.g. OCC's banking powers; interpretation of the applicability of laws, regulations, federal directives, mandates, and executive orders to the OCC; defense of the agency's statutory independence).

## Financial Risk

*Risk that the OCC's financial resources will be impaired because of adverse economic conditions, reduction in assets under supervision, inefficient resource utilization, or increasing expenditures reducing the ability to successfully complete the agency's mission.*

### Low Risk Appetite

- Weak internal controls and reporting.
- Inefficient resource utilization.

### Moderate Risk Appetite

- Change in assets under supervision.
- Using sound financial stewardship to operate more efficiently and invest in projects, technologies, and personnel that enhance the agency's ability to meet its mission.
- Impact to financial resources because of adverse economic conditions.

