Audit Report

OIG-25-021

FINANCIAL MANAGEMENT

Audit of the Office of the Comptroller of the Currency's Financial Statements for Fiscal Years 2024 and 2023

December 18, 2024

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

OFFICE OF
INSPECTOR GENERAL

December 18, 2024

MEMORANDUM FOR MICHAEL J. HSU
ACTING COMPTROLLER OF THE CURRENCY

FROM: Shiela Michel /s/
Acting Director, Financial Statement Audits

SUBJECT: Audit of the Office of the Comptroller of the Currency's Financial Statements for Fiscal Years 2024 and 2023

We hereby transmit the attached subject report. Under a contract monitored by our office, GKA, P.C. (GKA), a certified independent public accounting firm, audited the financial statements of the Office of the Comptroller of the Currency (OCC) as of September 30, 2024 and 2023, and for the years then ended. 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. 24-02, *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, GKA 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 GKA'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.

GKA is responsible for the attached auditors' reports dated October 31, 2024, and the conclusions expressed in the report. However, our review disclosed no instances where GKA 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) 486-1415, or a member of your staff may contact Catherine Yi, Manager, Financial Statement Audits, at (202) 553-7412.

Attachment

Office of the Comptroller of the Currency

2024 ANNUAL REPORT

SAFEGUARDING TRUST

PROMOTING A SAFE, SOUND, AND FAIR FEDERAL BANKING SYSTEM

OCC.GOV

ABOUT THIS REPORT

The fiscal year (FY) 2024 Annual Report gives Congress an overview of the condition of the federal banking system and discusses the OCC's strategic priorities, initiatives, financial management, and condition.[1]

1 Unless otherwise noted, all references to 2024 in this report refer to the FY ending September 30, 2024.

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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.[2] The agency also examines banking-related services provided by certain third parties.[3] It administers the organization and structure of the federal banking system by implementing and enforcing federal banking laws. The OCC maintains a supervisory and regulatory framework for banks that contributes to the safety, soundness, and fairness of the federal banking system and supports banks' efforts to innovate responsibly and adapt to meet the evolving financial needs of consumers, businesses, and communities nationwide. The OCC 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. Headquartered in Washington, D.C., the OCC has offices in 51 cities nationwide.

President Abraham Lincoln signed the National Currency Act on February 25, 1863, creating the OCC and the federal banking system. The law was revised in June 1864 and renamed the National Bank Act in 1874; it 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. The International Banking Act of 1978 allows foreign banking organizations to conduct banking operations in the United States through a federal branch or agency.

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 member of the Financial Stability Oversight Council (FSOC), the Federal Financial Institutions Examination Council (FFIEC), and the Financial Literacy and Education Commission.

MISSION

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

CORE VALUES

The OCC adheres to four key tenets in carrying out its mission and vision:

- **Integrity**
- **Expertise**
- **Collaboration**
- **Independence**

VISION

The OCC is the leading 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.

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 services provided to banks 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.

OCC AT A GLANCE

3,630 OCC EMPLOYEES

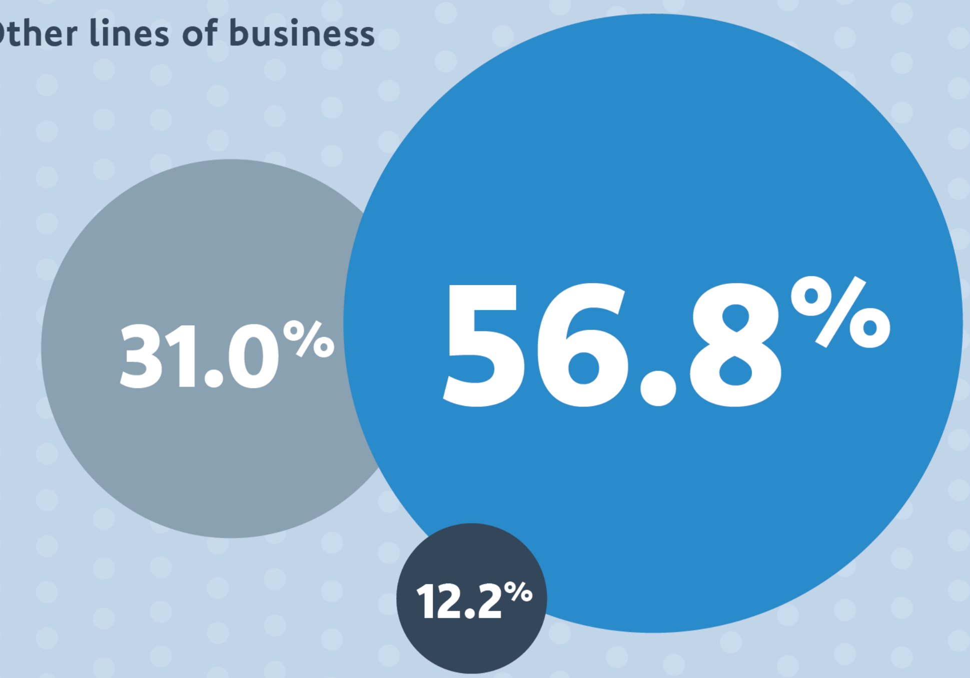
64.9% OF EMPLOYEES ARE BANK EXAMINERS

$1.289 Billion BUDGET AUTHORITY

51 CITIES WITH OFFICES

PERCENTAGE OF BANK EXAMINERS ASSIGNED TO

- Midsize and Community Bank Supervision
- Large Bank Supervision
- Other lines of business



NOTE: EMPLOYEE DATA AS OF JUNE 30, 2024

LOCATIONS

HEADQUARTERED IN WASHINGTON, D.C., THE OCC HAS OFFICES NATIONWIDE.

REGIONS

West South Midwest Southeast East Northeast

COMPTROLLER'S VIEWPOINT

Acting Comptroller of the Currency Michael Hsu testifies about regulatory priorities before the U.S. House Committee on Financial Services at the U.S. Capitol in Washington, D.C., November 15, 2023.

The OCC promotes a safe, sound, and fair federal banking system, overseeing a system of national banks and FSAs (collectively, banks) in the federal banking system that contributes to the nation's prosperity.

The overall condition of the federal banking system remained sound in fiscal 2024. Banks continued to operate in a dynamic environment with changing customer needs related to products, services, and delivery channels.

LONG-TERM PRIORITIES

In my May testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs,[4] I discussed how the OCC is advancing four critical agency priorities that I set out after becoming Acting Comptroller—guarding against complacency, elevating fairness, adapting to digitalization, and managing climate-related financial risks.

Focusing on these priorities supports credibility and trust in banks and the federal banking system.

GUARDING AGAINST COMPLACENCY

To build and maintain trust in the federal banking system, it is critical that banks guard against complacency. The OCC expects the banks we supervise to remain vigilant and focused on risk management, including traditional risks, as well as prepare for emerging risks and tail risk events.

OPERATIONAL RESILIENCE

Operational resilience—a bank's ability to prepare for, adapt to, and withstand or recover from disruptions—is often overshadowed by debates about capital and liquidity, but it is critical to the safety and soundness of banks and their financial stability. Speaking at the Institute of International Bankers Annual Washington Conference in March,[5] I emphasized that regulatory agencies like the OCC expect banks to be operationally resilient. The March speech noted that the federal banking agencies are considering what changes to our operational resilience framework may be appropriate, with a current focus on exploring baseline operational resilience requirements for large banks with critical operations, including third-party service providers. Gathering input from the industry and other stakeholders is important, including as a means to ensure consistency across institutions over time.

At an agency town hall in February, Acting Comptroller Hsu and Peter Conti-Brown, Associate Professor of Financial Regulation at the University of Pennsylvania's Wharton School, discussed the OCC's important role in the evolution of banking and supervision.

Robust recovery planning can help mitigate the too-big-to-fail problem and makes a critical difference when a large bank is under severe stress. I reiterated the importance of recovery planning and potential actions for banks in my remarks at the Entrepreneurship, Markets, and Technology: Regulation's Challenges in a Changing World Conference in May.[6]

In July, the OCC issued for comment a proposal that would expand our recovery planning guidelines to all large, insured banks with assets of $100 billion or more, incorporate testing standards for recovery plans, and clarify the role of nonfinancial (operations and strategic) risk in recovery planning.[7]

Speaking at the Exchequer Club of Washington, D.C., in July, I noted that we continue to explore baseline operational requirements for large banks' critical operations. I also discussed resilience and four pillars that are critical to maintaining trust: capital to absorb losses, liquidity to mitigate and withstand runs, operational resilience to maintain critical operations, and recovery planning to ensure options in stress.[8]

4 See OCC News Release 2024-52, "Acting Comptroller Testifies on Agency Activities."

5 See OCC News Release 2024-23, "Acting Comptroller Discusses Operational Resiliency."

6 See OCC News Release 2024-54, "Acting Comptroller Discusses Recovery Planning."

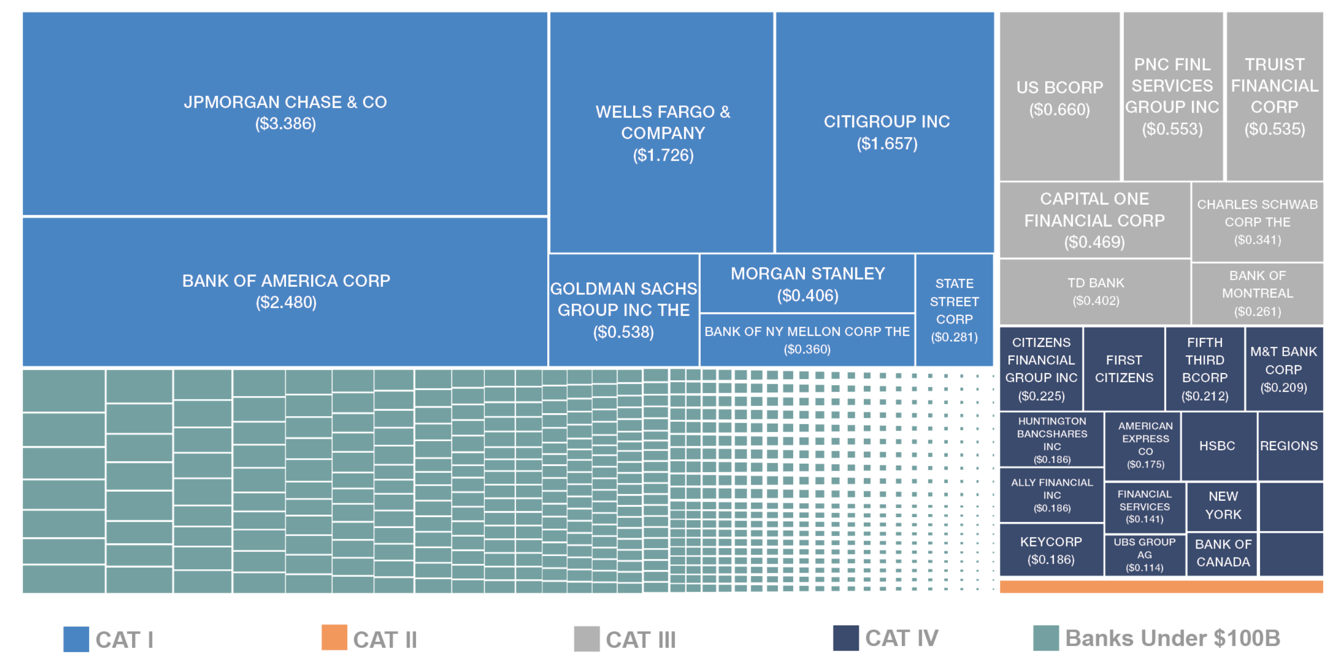
7 See OCC News Release 2024-69, "OCC Requests Comments on Proposed Revisions to Its Recovery Planning Guidelines." These guidelines were finalized October 21, 2024.

BANK MERGERS

Bank mergers have been top of mind in 2024, and we have begun taking actions to improve our bank merger applications processes and become more transparent.[9] In January at the University of Michigan Ross School of Business in Ann Arbor, Mich., I described steps the OCC is taking to improve transparency and trust in our bank merger processes. We need to make sure that every merger is procompetitive, pro-community, and pro-financial stability.[10]

In September, the agency adopted a final rule amending its procedures reviewing applications under the Bank Merger Act and adding, as an appendix, a policy that summarizes the principles the OCC uses when it reviews proposed bank merger transactions under the Bank Merger Act.[11] As I noted of the rule, "This final rule and policy statement provide clarity and transparency around the OCC's consideration of bank mergers to improve outcomes to benefit communities, enhance competition, and support a diverse banking system." The OCC testified on the original proposal before the House Financial Services Committee's Subcommittee on Financial Institutions and Monetary Policy in May.[12]

FIGURE 1: Bank Total Assets by Large Bank Categories (I–IV) and All Other Banks (Dollars in Trillions)



Source: FDIC Research Information System Data

In remarks before the University of Michigan Ross School of Business in January, Acting Comptroller Hsu presented this illustration of the concentration of large banks; Category II, III, and IV banks; and small banks and community banks in discussing bank mergers.

8 See OCC News Release 2024-79, "Acting Comptroller Discusses Trends Reshaping Banking."

9 See OCC News Release 2024-6, "Acting Comptroller Discusses Bank Mergers."

10 See OCC News Release 2024-102, "Acting Comptroller Issues Statements at FDIC Board Meeting on Bank Merger Policy and Recordkeeping."

11 See OCC News Release 2024-101, "OCC Approves Final Rule and Policy Statement on Bank Mergers."

12 See OCC News Release 2024-44, "Acting Senior Deputy Comptroller and Chief Counsel Testifies on Bank Mergers."

INTERNATIONAL ENGAGEMENT

While we continue to work in collaboration with other U.S. regulatory agencies, there is value in considering international perspectives. Since several banks under OCC supervision operate globally, it is important for the OCC as a prudential supervisor to understand the full scope of risks that these global operations present to assess the effectiveness of the banks' risk management policies and programs.

The OCC testified about its engagements with international forums and the benefits these engagements provide to the U.S. banking system before the House Financial Services Committee in March.[13] Additionally, in September, I spoke about the evolving nature of bank supervision at the Joint European Banking Authority and European Central Bank International Conference on Addressing Supervisory Challenges Through Enhanced Cooperation. My remarks reflected on the nature and evolution of supervision, an evolving banking system, and the steps necessary to remain effective.[14]

The OCC also is a member of several international forums or their subgroups, including the Basel Committee on Banking Supervision and the U.S. delegation to the Financial Action Task Force. Benefits of the OCC's engagements in international bodies include an opportunity to exercise U.S. leadership and promote U.S. policy interests, advance U.S. national security and foreign policy interests, establish a global baseline and level playing field for financial services regulation, and facilitate knowledge sharing.

OTHER ACTIONS TAKEN TO GUARD AGAINST COMPLACENCY

In May, the OCC, FDIC, and Federal Housing Finance Agency (FHFA) each approved a notice of proposed rulemaking (NPR) to address incentive-based compensation arrangements, consistent with section 956 of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010.[15] The National Credit Union Administration (NCUA) approved an NPR in July.[16]

The NPR proposes to prohibit incentive-based compensation arrangements that encourage inappropriate risks by providing excessive compensation or that could lead to material financial loss.

In January remarks at Columbia University Law School in New York City, I spoke about the increased speed and severity of bank runs, considered lessons learned from the recent large bank failures, and shared preliminary thoughts on the contours of what targeted regulatory enhancements for midsize and large banks might look like.[17] Together with the Board of Governors of the Federal Reserve System (Federal Reserve Board) and the FDIC, the OCC is considering requiring banks to improve their readiness to use the Federal Reserve's discount window.

In partnership with the other federal banking agencies, the NCUA, the Financial Crimes Enforcement Network, and state bank and credit union regulators, in December 2023, the OCC issued the "Interagency Statement for Banks on the Issuance of the Beneficial Ownership Information Access Rule" to provide additional clarity for banks on the Access Rule.[18] In July 2024, the federal banking agencies and the NCUA put forth for comment a proposal updating requirements for supervised institutions to establish, implement, and maintain effective, risk-based, and reasonably designed anti-money laundering and countering the financing of terrorism (AML/CFT) programs.[19]

Lastly, the OCC updated the "Retail Nondeposit Investment Products" (RNDIP) booklet of the *Comptroller's Handbook*.[20] This booklet discusses risks and risk management practices associated with the recommendation or sale of RNDIPs to retail customers.

13 See OCC News Release 2024-30, "Senior Deputy Comptroller Testifies on Engaging with International Forums."

14 See OCC News Release 2024-95, "Acting Comptroller Discusses the Evolution of Bank Supervision."

15 See OCC News Release 2024-47, "Agencies Issue Proposal on Incentive-Based Compensation."

16 Section 956 requires that the OCC, FDIC, FHFA, and NCUA act jointly with the Securities and Exchange Commission (SEC) and the Federal Reserve Board to issue rules or guidelines. Rulemaking on this topic is on the SEC's agenda. The Federal Reserve Board has not acted to join the proposal.

17 See OCC News Release 2024-4, "Acting Comptroller Discusses Bank Liquidity Risk."

18 See OCC Bulletin 2023-39, "Bank Secrecy Act/Anti-Money Laundering: Interagency Statement for Banks on the Issuance of the Access Rule."

Acting Comptroller Hsu spoke about elevating fairness to promote public trust in banking during the Consumer Bankers Association's annual conference.

ELEVATING FAIRNESS

When I spoke at the Consumer Banking Association's CBA LIVE 2024, I noted that the banking system exists to support people and their communities and emphasized my belief that by elevating fairness, banks can improve their ability to anticipate and adapt to emerging compliance risk issues.[21]

19 See OCC News Release 2024-82, "Agencies Request Comment on Anti-Money Laundering/Countering the Financing of Terrorism Proposed Rule." In June, the Financial Crimes Enforcement Network also proposed to amend its AML/CFT program requirements.

20 See OCC Bulletin 2024-13, "Retail Nondeposit Investment Products: Revised Comptroller's Handbook Booklet and Rescissions."

21 See OCC News Release 2024-34, "Acting Comptroller Discusses Fairness and Compliance Risk Management."

PROJECT REACH 2.0: TARGETED APPROACHES TO INCLUSION AND ACCESS

In May, the OCC launched Project REACh 2.0 to reboot, refresh, and reinvigorate our already successful initiative to promote financial inclusion through greater access to credit and capital. Under REACh 2.0, working groups will focus on place-based initiatives, underserved and disadvantaged populations, technology, tools, products, and services.

Acting Comptroller Hsu, along with Director of Minority Outreach Andrew Moss, met with Project REACh founders. Pictured from left: John Hope Bryant of Operation HOPE, Acting Comptroller Hsu, Laurie Vignaud, formerly of LiftFund, Tim Welsh, formerly of U.S. Bank, and Director of Minority Outreach Andrew Moss.

At our 2024 Project REACh Financial Inclusion Summit in May, we brought together leaders from the banking industry, national civil rights organizations, business, and technology to identify and reduce barriers that prevent full, equal, and fair participation in the nation's economy.

Acting Comptroller Hsu announced the launch of Project REACh 2.0 at the Project REACh Financial Inclusion Summit in Washington, D.C., in May.

In my update on Project REACh at the National Community Reinvestment Coalition Just Economy Conference 2024, I highlighted that as part of Project REACh, several national banks have undertaken a pilot program that uses alternative, non-FICO data to qualify consumers for first-time credit cards.[22] As of October 31, 2023, more than 110,000 accounts were established under this pilot program. The participating banks were monitoring key performance metrics to track customer credit progression after account opening, and initial reports were promising. After 12 months, these consumers had built an average FICO score of 680. The success of this pilot shows how fairness outcomes can be accelerated through collaboration and engagement.

Another key focus for Project REACh participants has been revitalizing minority depository institutions (MDI). I noted that 26 banks had signed a pledge to support MDIs with over $500 million in financial support and technical assistance to help these institutions grow and expand in safe, sound, and sustained ways.

22 See OCC News Release 2024-38, "Acting Comptroller Discusses Elevating Fairness in Banking."

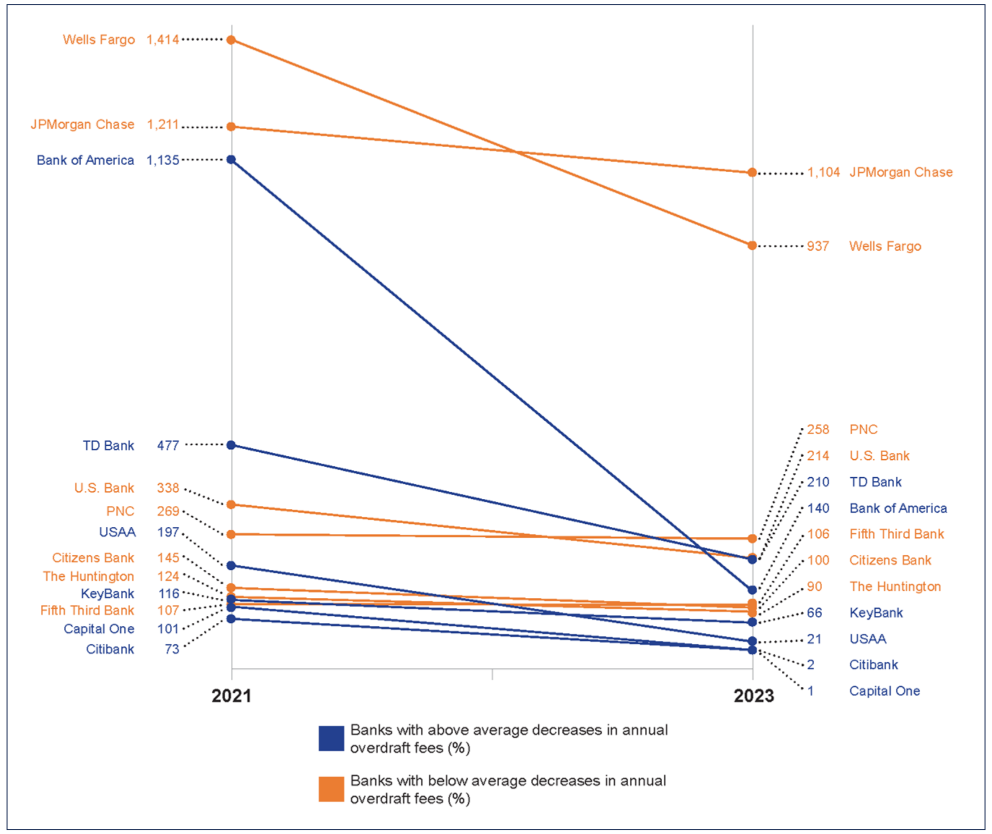
Project REACh participants are also committed to helping expand access to housing for low- and moderate-income communities, with several actions taken this year. REACh participants hosted a national webinar for bankers to demystify the process and support opportunities for home finance in tribal lands. The group sponsored deal-making sessions among tribal leaders and banking officials that focused on affordable housing. REACh participants also helped facilitate several banks' launches of special purpose credit programs focused on providing mortgage financing for minority communities, as permitted under the Equal Credit Opportunity Act. Another group of REACh participants worked on expanding the supply of affordable housing through accessory dwelling units (ADU) in California, where zoning laws for ADUs had recently changed. They developed a white paper and piloted a loan pool to facilitate ADU financing.

Senior Deputy Comptroller for Bank Supervision Policy Grovetta Gardineer (right) moderated a panel on creating solutions to accelerate financial inclusion with (from left) Jesse Van Tol of the National Community Reinvestment Coalition, Anthony Hudson of BMO Harris, Kala Gibson of Fifth Third Bank, and Donna Gambrell of Appalachian Community Capital.

RESIDENTIAL LENDING

Ensuring fairness in residential real estate lending is part of my priority to reduce inequality in banking. In my statement accompanying release of the Property Appraisal and Valuation Equity (PAVE) Task Force report in 2022, I noted the OCC's commitment to taking the actions recommended in the report to ensure greater federal oversight and effective monitoring for discrimination in residential property appraisals and technology-based valuations.[23] In July, as recommended by the PAVE Task Force, the OCC and four other federal regulators issued final guidance on the reconsiderations of value (ROV) of residential real estate to highlight the risks of deficient residential real estate valuations; outline applicable statutes, regulations, and existing guidance that govern ROVs; explain how ROVs can be incorporated into existing risk management functions; and provide examples of policies and procedures banks may choose to adopt.[24]

FIGURE 2: Annual Overdraft-Related Fees ($ Millions)
OCC-Regulated Banks With Over $100 Billion in Total Assets



Source: Call report data

When discussing the importance of fairness in banking at the Just Economy Conference in April, Acting Comptroller Hsu highlighted banks' progress in overdraft protection program reforms since the OCC issued guidance in April 2023 to assist banks in managing the various risks associated with overdrafts.

Additionally in July, the OCC along with five other federal regulatory agencies issued a final rule designed to implement quality control standards for automated valuation models (AVM).[25] While AVM technology and data availability have the potential to reduce costs and turnaround times in the property valuation process, it is important that institutions using AVMs take appropriate steps to ensure the credibility and integrity of the valuations produced.

As I noted at an FFIEC Appraisal Subcommittee hearing in February, we have taken actions to improve consumer access to homeownership, a major determinant of wealth in America.[26] In addition to the final AVM rule, we are supporting research that may lead to new ways to address the undervaluation of housing in communities of color. As a member of the FFIEC, we released a bulletin to communicate principles for the examination of supervised institutions' residential property appraisal and evaluation practices.[27]

23 See OCC News Release 2022-28, "Acting Comptroller Issues Statement on Action Plan to Advance Property Appraisal and Valuation Equity."

24 See OCC Bulletin 2024-18, "Real Estate Appraisals: Final Interagency Guidance on Reconsiderations of Value of Residential Real Estate."

25 See OCC Bulletin 2024-17, "Final Rule: Quality Control Standards for Automated Valuation Models."

26 See OCC News Release 2024-11, "Acting Comptroller Discusses Appraisal Bias."

OPPORTUNITY AND EQUALITY

I spoke on the importance of elevating opportunity for Americans, including new Americans, at the Financial Literacy and Education Commission's public meeting in April.[28] The OCC encourages banks to pursue opportunities to serve new Americans so that they fully benefit from our financial system and banks gain from growing sectors of the economy. Serving new Americans is integral in supporting a financial system that is inclusive and fair, as well as safe and sound.

Supporting a fair and inclusive financial system is critical to maintaining trust in the banking system. In the rapidly evolving area of buy now, pay later (BNPL) lending, we expect that banks offering BNPL loans do so in a manner that is safe and sound, provides fair access to financial services, supports fair treatment of consumers, and complies with applicable laws and regulations.[29] In December 2023, the OCC issued guidance setting forth the agency's expectation that banks should address the risks associated with BNPL lending and maintain safeguards that minimize adverse customer outcomes.[30]

In 2023, the OCC issued guidance to assist banks in managing the various risks associated with overdraft protection programs, including identifying certain practices that may present a heightened risk of violating prohibitions against unfair or deceptive acts or practices. In the year since, overdraft fees charged by OCC-regulated banks in aggregate have fallen over 40 percent, from $6.5 billion in 2021 to $4 billion, and supervisory data continue to show declines in overdraft fees quarter over quarter.

In his keynote address at the Financial Health Network's Emerge Financial Health Conference in June, Acting Comptroller Hsu discussed the Vital Signs banks can use to help determine their consumers' financial health.

CONSUMER FINANCIAL HEALTH

In support of goals in the OCC's 2023–2027 Strategic Plan,[31] in June the OCC released the report "How Banks Can Measure and Support Customer Financial Health Outcomes."[32] The report explains how the OCC considers financial health and sets forth the Financial Health Vital Signs metrics identified by the OCC that could be used to assess customers' financial health. The report is intended to contribute to broader efforts to measure financial health as a means of supporting improved financial health outcomes. The Financial Health Vital Signs are designed to support banks' efforts to understand their customers' financial challenges, improve product and service offerings, and empower customers to improve their financial health.

During the Emerge Financial Health Conference in Chicago, I explained that the goal is to identify clear, simple, and consistent indicators of financial

27 See OCC Bulletin 2024-6, "Real Estate Appraisals and Evaluations: FFIEC Statement on Examination Principles Related to Valuation Discrimination and Bias in Residential Lending."

28 See OCC News Release 2024-40, "Acting Comptroller Discusses Creating Economic Opportunity for New Americans."

29 See OCC News Release 2023-134, "OCC Issues Guidance on 'Buy Now, Pay Later' Lending."

30 See OCC Bulletin 2023-37, "Retail Lending: Risk Management of 'Buy Now, Pay Later' Lending."

31 See OCC Strategic Plan, Fiscal Years 2023–2027.

32 See OCC Community Development Insights, "How Banks Can Measure and Support Customer Financial Health Outcomes."

FIGURE 3: Key Components of Financial Health: Stability, Resilience, and Security

The OCC identified three key elements of financial health—stability, resilience, and security—and suggested the Financial Health Vital Signs as a starting point for banks to assess and support customers in improving their financial health.

health[33] and that the three Vital Signs metrics set out in the report are a starting point. The OCC's work suggests that for an individual or household, there are three interconnected components or attributes of financial health—stability, resilience, and security. With these components in mind, the OCC identified three Vital Signs metrics, which are positive cash flow, liquidity buffers, and on-time payments. These measures could help banks start to understand their customers' financial challenges, improve product and service offerings, and empower customers to improve their financial health.

As I noted in September before a United Nations Secretary-General's Special Advocate for Inclusive Finance for Development event in New York City, by developing people-centered metrics that measure their financial health and well-being, we can accelerate the progress made to date on financial inclusion and sharpen it to improve long-term financial outcomes for individuals and their communities.[34]

COMMUNITY REINVESTMENT ACT

In October 2023, the federal banking agencies jointly issued a final rule to strengthen, modernize, and make consistent interagency regulations implementing the Community Reinvestment Act (CRA).[35] The final rule and supplemental final rule are currently subject to litigation. The OCC continues to assess bank CRA performance under the 1995/2021 regulatory framework.

In addition, we continue to work to enhance our mutually reinforcing efforts to ensure compliance with fair lending laws. Most recently, we have developed screening methods that can identify potentially discriminatory CRA assessment areas by using census and geographic data to detect when communities of color are located near—but excluded from—the boundaries of an assessment area.

DATA TRANSPARENCY

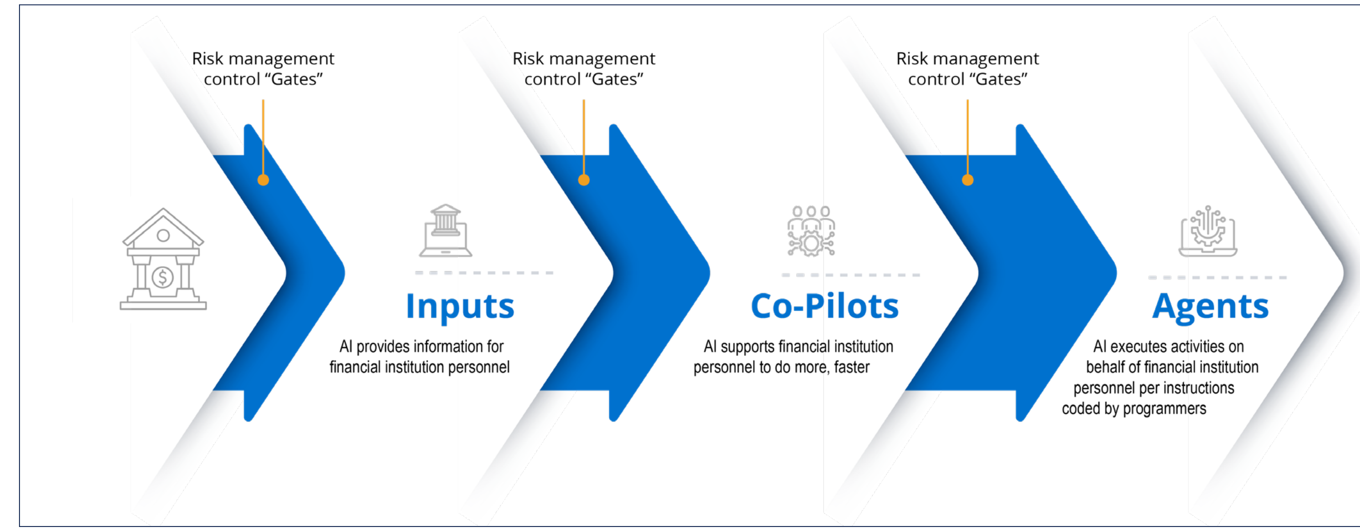
As required by the Financial Data Transparency Act of 2022, we are working to establish consistent data standards to promote the interoperability of financial regulatory data across the OCC, Federal Reserve Board, FDIC, NCUA, Consumer Financial Protection Bureau (CFPB), FHFA, Commodity Futures Trading Commission, SEC, and U.S. Department of the Treasury. In August, we proposed a joint rule that would establish joint data standards for certain collections of information reported by regulated financial entities and data collected on behalf of the FSOC.[36]

33 See OCC News Release 2024-60, "Acting Comptroller Discusses Improving Consumer Financial Health."

34 See OCC News Release 2024-107, "Acting Comptroller Discusses Financial Inclusion."

35 See OCC Bulletin 2023-32, "Community Reinvestment Act: Interagency Final Rulemaking to Implement the CRA."

FIGURE 4: Risk Management Control Gates



At the 2024 Conference on Artificial Intelligence and Financial Stability, Acting Comptroller Hsu said that for banks interested in adopting AI, establishing clear and effective gates between each phase of adoption could help ensure that innovations are helpful and not dangerous.

ADAPTING TO DIGITALIZATION

The OCC was the first U.S. regulatory agency to prioritize innovation and develop third-party risk management guidance, positioning the agency as a leader on financial technology issues and bank-nonbank relationships. To support our strategic plan goals of agility, learning, and leading on supervision, the OCC promotes a culture of continuous learning. One such area of focus for the OCC is the risks and opportunities presented by digitalization of the banking system. The OCC also led the effort to develop a common cloud lexicon for terms used by cloud service providers and financial sector consumers.[37]

ARTIFICIAL INTELLIGENCE

How banks approach and use artificial intelligence (AI) will have implications for maintaining consumer trust. In 2024, we hosted an agencywide forum on AI to deepen our understanding of AI, promote collaborations, and provide valuable insights to navigate this rapidly developing technology. At the FSOC's AI Conference in June, I discussed how the real power of AI stems from its ability to learn.[38] With this learning, however, come novel challenges for accountability and governance. The controls appropriate to mitigate risk vary depending on how AI is being used. I believe having clear risk management control "gates" and a shared responsibility model for AI safety can help.

At the Just Economy Conference in April, I discussed how AI has the potential to reduce bias and enable fair access to credit and banking services in ways that humans have found challenging to do without AI. However, AI also

36 See OCC Bulletin 2024-24, "Financial Data Transparency Act of 2022: Notice of Proposed Rulemaking."

37 See U.S. Department of the Treasury, "Treasury and the Financial Services Sector Coordinating Council Publish New Resources on Effective Practices for Secure Cloud Adoption," July 17, 2024.

38 See OCC News Release 2024-61, "Acting Comptroller Discusses Artificial Intelligence and Financial Stability."

Speaking at the Just Economy Conference in April, Acting Comptroller Hsu discussed how AI has the potential to both reduce and perpetuate biases in credit and banking services.

Speaking at the October 2023 Money 20/20 conference in Las Vegas, Acting Comptroller Hsu gave insight into how regulators are assessing fintech. Source: Money 20/20 USA.

has the potential to perpetuate and exacerbate the biases, discrimination, and unfairness that are deeply embedded in the data that feed AI systems. To guard against this, banks should have appropriate oversight and governance of the models they use. This includes monitoring for fair lending impacts as credit models are developed, validated, monitored, and tested.

TACKLING FRAUD AND SCHEMES

During the Financial Literacy and Education Commission's public meeting in July, I noted that while AI may enable more frequent and sophisticated frauds, fraudsters also engage in traditional scams, including scams that rely on victims paying through checks and wire transfers.[39] Technology can help flag suspicious activity, support strong authentication, and hold fraudulent or potentially fraudulent credit card transactions until further authentication has occurred, but strong controls and fraud monitoring capabilities remain important. For example, in May, the OCC issued an alert on fictitious regulatory notifications that appeared to be initiated by senior OCC officials regarding funds purportedly held by the agency.[40]

FINANCIAL TECHNOLOGY

Advancements in technology, combined with the continued growth of online and mobile commerce, have been driving the digitalization of banking, with most of the innovation being led by nonbank financial technology (fintech) firms, as I noted in my remarks before the Exchequer Club in July.[41]

Also in July, the federal banking agencies issued a statement reminding banks of potential risks associated with third-party arrangements to deliver bank deposit products and services.[42] The agencies also requested additional information on a broad range of bank-fintech arrangements, including with respect to deposit, payment, and lending products and services, and requested input on the nature and implications of bank-fintech arrangements and effective risk management practices.[43]

To provide guidance for community banks developing and implementing third-party risk management practices for fintech partnerships, the federal banking agencies released a guide in May that includes potential considerations, resources, and examples through each stage of the third-party risk management life cycle.[44]

As the digitalization of more and more parts of the economy continues, open banking and real-time payments are likely to further accelerate digitalization trends in banking. In remarks at Vanderbilt University in Nashville, I discussed how blurring the line between banking and commerce can lead to financial instability.[45] From a bank regulatory perspective, our focus must be on ensuring that bank safety and soundness are maintained, consumers are protected, and the playing field is level.

OTHER ACTIONS TAKEN TO ADAPT TO DIGITALIZATION

In February, the OCC hosted a symposium on the tokenization of real-world assets and liabilities. In my opening remarks, I noted that tokenization holds the promise of reducing real-world problems by reducing settlement lags and the associated frictions, costs, and risks. The symposium discussions focused on legal and risk management foundations tokenizing real-

39 See OCC News Release 2024-75, "Acting Comptroller Discusses Importance of Addressing Financial Fraud."

40 See OCC Alert 2024-1, "Fictitious Regulatory Notifications: Fictitious Notification Regarding the Release of Funds Supposedly Under the Control of the Office of the Comptroller of the Currency."

41 See OCC News Release 2024-79, "Acting Comptroller Discusses Trends Reshaping Banking."

42 See OCC Bulletin 2024-20, "Third-Party Arrangements: Joint Statement on Banks' Arrangements With Third Parties to Deliver Bank Deposit Products and Services."

43 See OCC Bulletin 2024-21, "Bank-Fintech Arrangements: Request for Information on Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses."

44 See OCC Bulletin 2024-11, "Third-Party Relationships: A Guide for Community Banks."

45 See OCC News Release 2024-17, "Acting Comptroller Discusses Banking and Commerce."

Acting Comptroller Hsu testifies about agency priorities before the House Financial Services Committee on May 15, 2024. He discussed the OCC's work to guard against complacency, adapt to digitalization, manage climate-related financial risk, and promote fairness in banking.

world assets and liabilities. Strong foundations can enable purposeful innovation that promotes safety, soundness, and fairness, and complies with laws and regulations.

In December 2023, the federal banking agencies and the NCUA published a final rule amending the Uniform Rules of Practice and Procedure to recognize the use of electronic communications in all aspects of administrative hearings and to otherwise increase the efficiency and fairness of administrative adjudications. The OCC also updated its agency-specific rules and integrated FSAs into those rules. Finally, the OCC amended its rules on organization and functions to address service of process.[46]

CLIMATE-RELATED FINANCIAL RISK

In alignment with my priority to address climate-related financial risks, in October 2023, the federal banking agencies announced principles to support the management of climate-related financial risks by banks with more than $100 billion in total consolidated assets.[47]

As I noted in my statement in support of these principles at the FDIC Board meeting in October 2023, weaknesses in how banks identify, measure, monitor, and control the potential physical and transition risks associated with a changing climate could adversely affect bank safety and soundness.[48] Banks are likely to be affected by both the physical risks and transition risks associated with climate change. The adoption of these principles promotes safety and soundness by highlighting the risk management capabilities that can help strengthen large banks as the world changes.

CONCLUSION

While we focus on safeguarding the trust of banks and the trust of consumers, regulatory agencies must also earn and keep the trust of their employees. As the Acting Comptroller of the Currency, I am committed to a workplace that is free from harassing conduct, discriminatory harassing conduct/harassment, and retaliation, and the agency will conduct prompt, thorough, and impartial inquiries into any reports of harassing conduct.[49]

Our work is important to consumers, to banks, and to the financial system, and by continuing to promote the safety, soundness, and fairness of our federal banking system, we can safeguard trust in the OCC and the federal financial system.

Michael J. Hsu
Acting Comptroller of the Currency

46 See OCC Bulletin 2023-41, "Rules of Practice and Procedure: Final Rule."

47 See OCC Bulletin 2023-33, "Risk Management: Principles for Climate-Related Financial Risk Management for Large Financial Institutions."

48 See OCC News Release 2023-119, "Acting Comptroller Issues Statements at FDIC Board Meeting on CRA and Climate-Related Financial Risk Management."

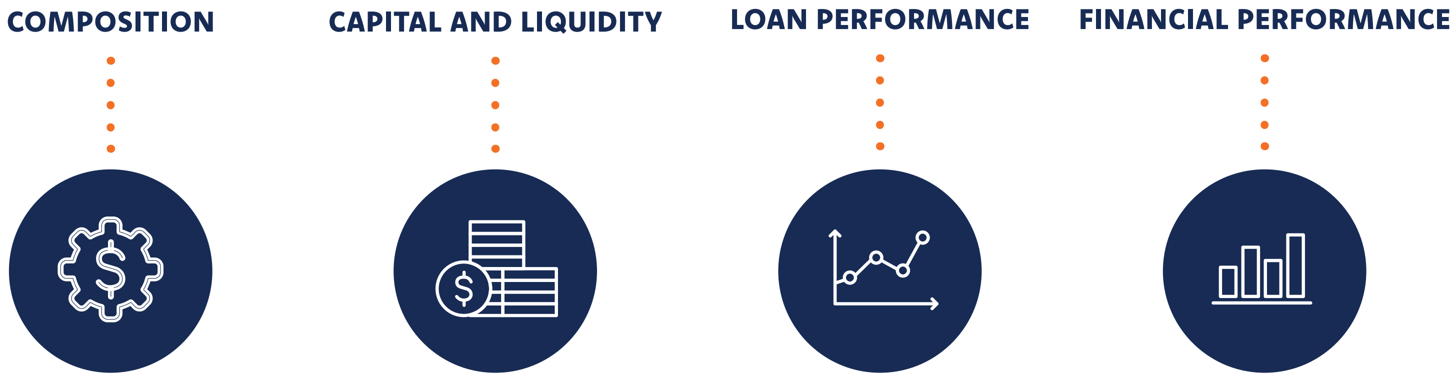
49 See The OCC Policy Statement on Prohibiting Harassment in the Workplace.

CONDITION OF THE FEDERAL BANKING SYSTEM

The condition of the federal banking system remains sound. Continuous improvement in risk management is crucial to guard against complacency. While the economy outperformed expectations, driven by consumer spending and a strong labor market, the maturing economic cycle may introduce challenges, such as a cooling job market and financial stress on consumers.

Despite projections of a soft landing for the economy and slowing core inflation, banks face persistent risks from an inverted yield curve and elevated interest rates. Higher rates have boosted loan yields, but funding pressures and increased credit costs may strain earnings.

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

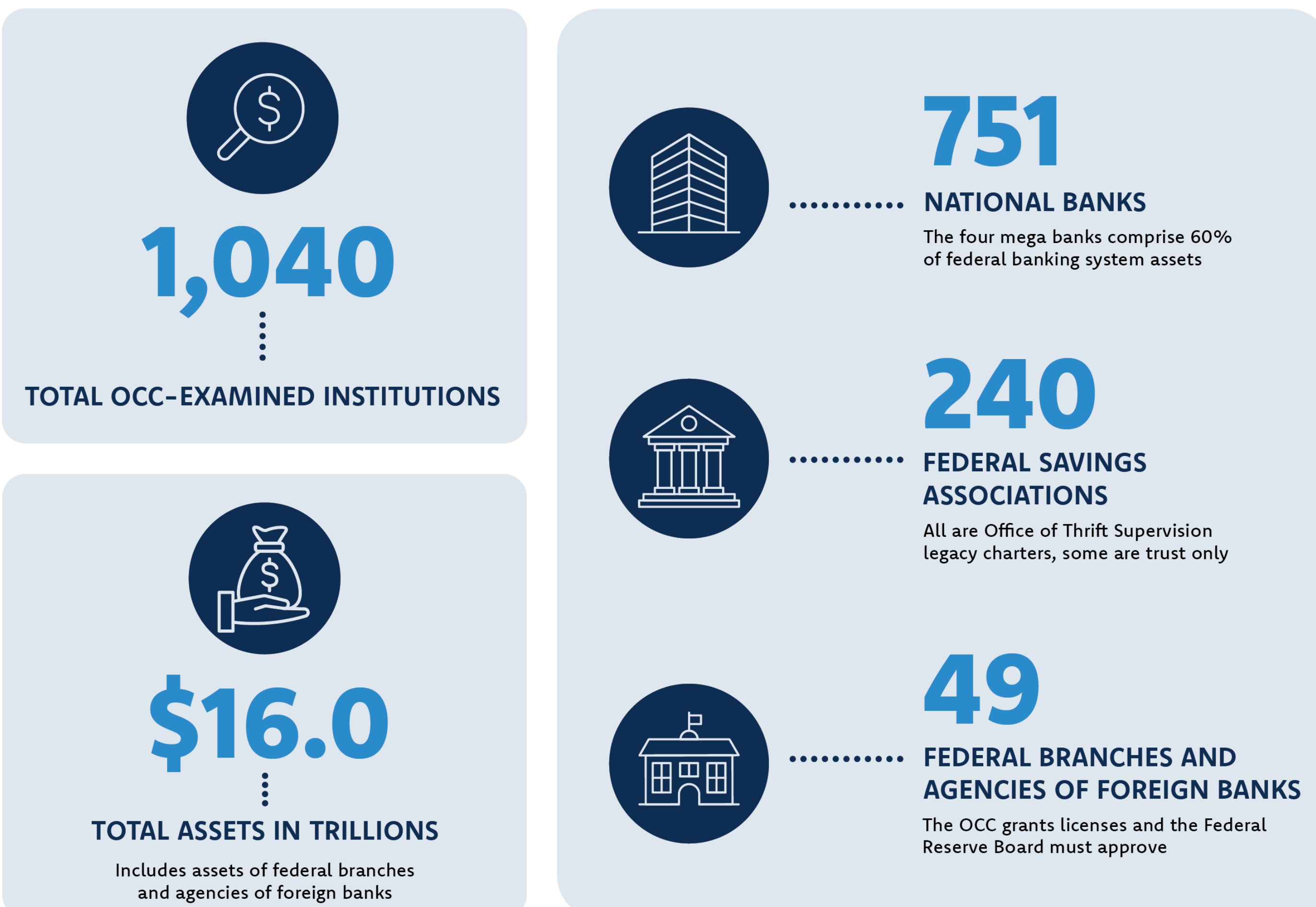


COMPOSITION

As of September 30, 2024, the federal banking system comprises 1,040 financial institutions, or 991 banks and 49 federal branches and agencies of foreign banks, operating in the United States. These banks range from small community banks[50] to the largest, most globally active U.S. banks. Of the 991 banks, 727 have less than $1 billion in assets, while 57 have more than $10 billion.

In total, the banks within the federal banking system hold $16.0 trillion of all assets of U.S. banks (66 percent of the total assets held by all U.S. banks). The federal banking system holds more than 73.7 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 5: Federal Banking System at a Glance



Source: OCC

Data as of September 30, 2024

50 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

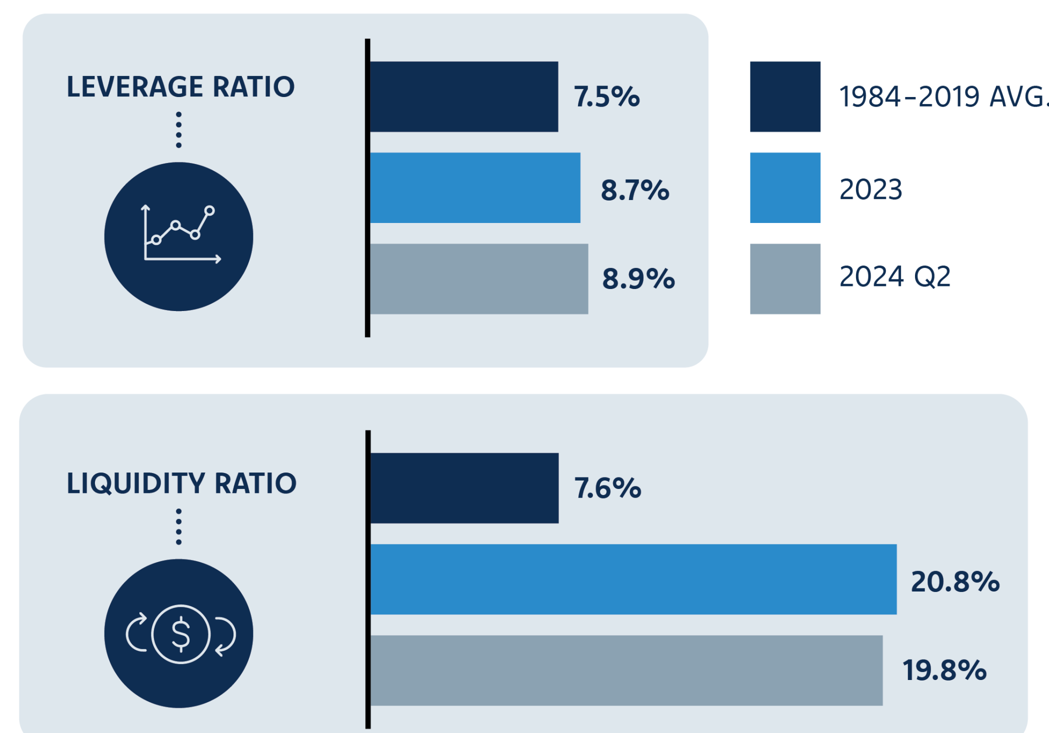
The economy continues to expand, and in recent months it has shown resiliency after a slight moderation over the summer. The moderation allowed wage and price pressures in the economy to cool enough to give the Federal Reserve space to loosen monetary policy. As price pressures continue to abate, current forecasts show financial markets expect further cuts in interest rates.

The federal banking system recorded healthy leverage ratios in the first half of 2024, as shown in figure 6. The tier 1 leverage ratio stood at 8.9 percent in the first half of 2024, a slight increase from the second half of 2023 when the ratio stood at 8.7 percent. These readings are above the historical average of 7.5 percent from 1984 to 2019.

Tier 1 leverage ratios have increased over the past decade because of higher capital levels and enhanced supervisory expectations.

The federal banking system's liquidity ratio stood at 19.8 percent of assets in the first half of 2024, above the pre-pandemic rate of 15.3 percent recorded in 2019 and well above the pre-pandemic average of 7.6 percent from 1984 to 2019. Liquidity in the system was sound before the pandemic thanks to policy developments and an emphasis on stronger risk management following the financial crisis.[51] During the pandemic, liquidity surged as Americans saved pandemic relief aid and were cautious to spend because of the risks posed by COVID-19. As the economy and the financial system normalized in recent years, the liquidity ratio has gradually declined.

FIGURE 6: Leverage and Liquidity



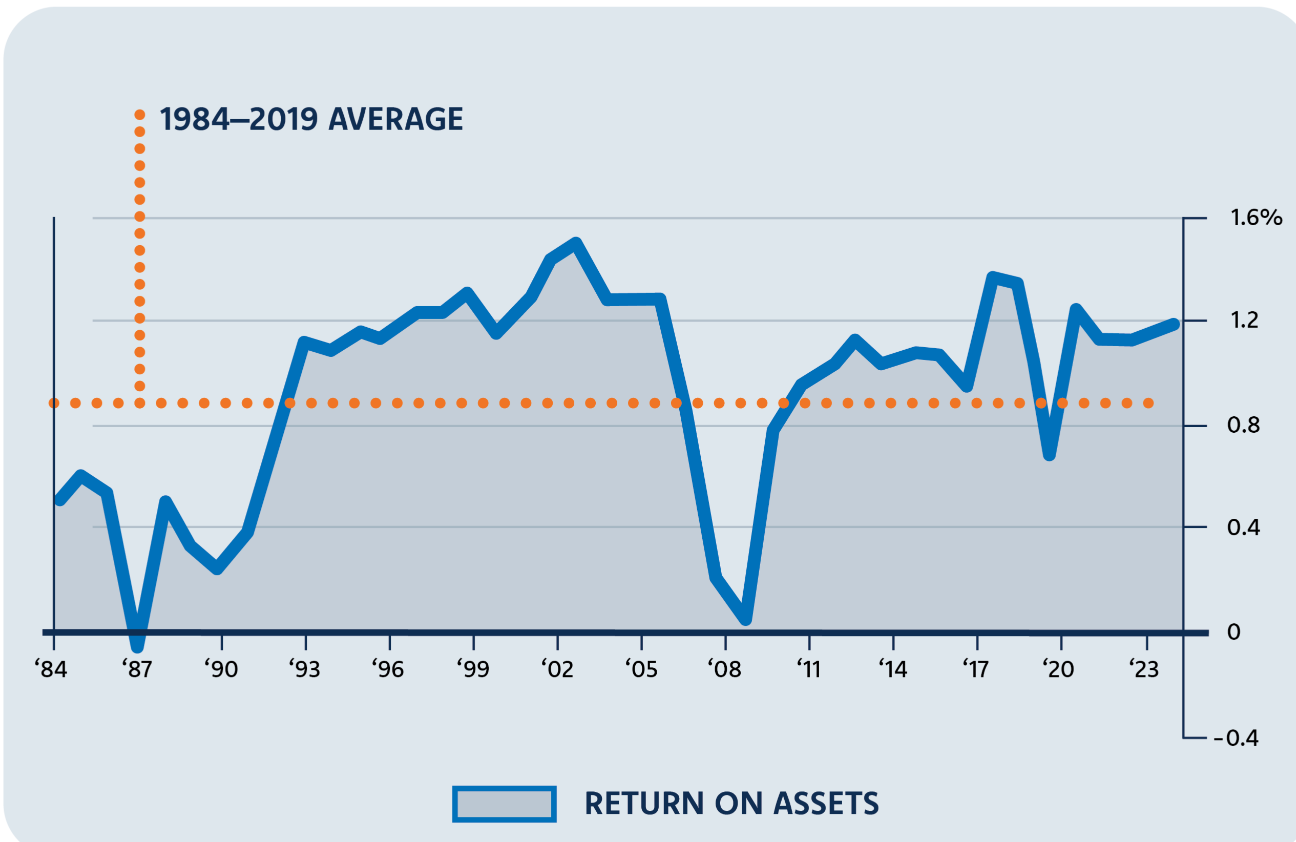
Source: OCC

51 Liquid assets are defined as cash, net Federal Reserve funds, and U.S. Treasury securities.

FINANCIAL PERFORMANCE

System profitability remained largely the same through the first half of 2024 compared with the first half of 2023. Profitability, as measured by return on assets, stood at 1.2 percent in the first half of 2024, compared with 1.3 percent in the first half of 2023. The growth in the first half of 2024 is above the long-term average of 0.89 percent, but excluding downturns, profitability is consistent with periods of economic expansion (see figure 7).

FIGURE 7: Bank Profitability



Source: OCC

At the start of the current rate cycle, profitability was driven by widening margins on net interest income, as banks in the system were quick to pass on high rates to borrowers. Depositors have begun seeking higher yields, adding to funding costs. Thus, net interest margins have continued to compress, creating a drag on profit growth. Profitability has also come under pressure from higher credit costs as a softening labor market and the repricing of loans begin to weigh on borrowers.

The system's net income fell 5.7 percent year-to-date through the second quarter of 2024 compared with the same period last year. For banks with less than $10 billion in assets (community banks), net income declined 6.6 percent. The decline was attributed to compressing net interest margins, growth in provisioning, and the effects of inflation on noninterest expense. Net interest income year-to-date declined 1.1 percent for the system and 0.5 percent for community banks. Provisions increased 7.1 percent as banks anticipate more credit costs. Community banks saw a more modest 5.4 percent increase in provisioning.

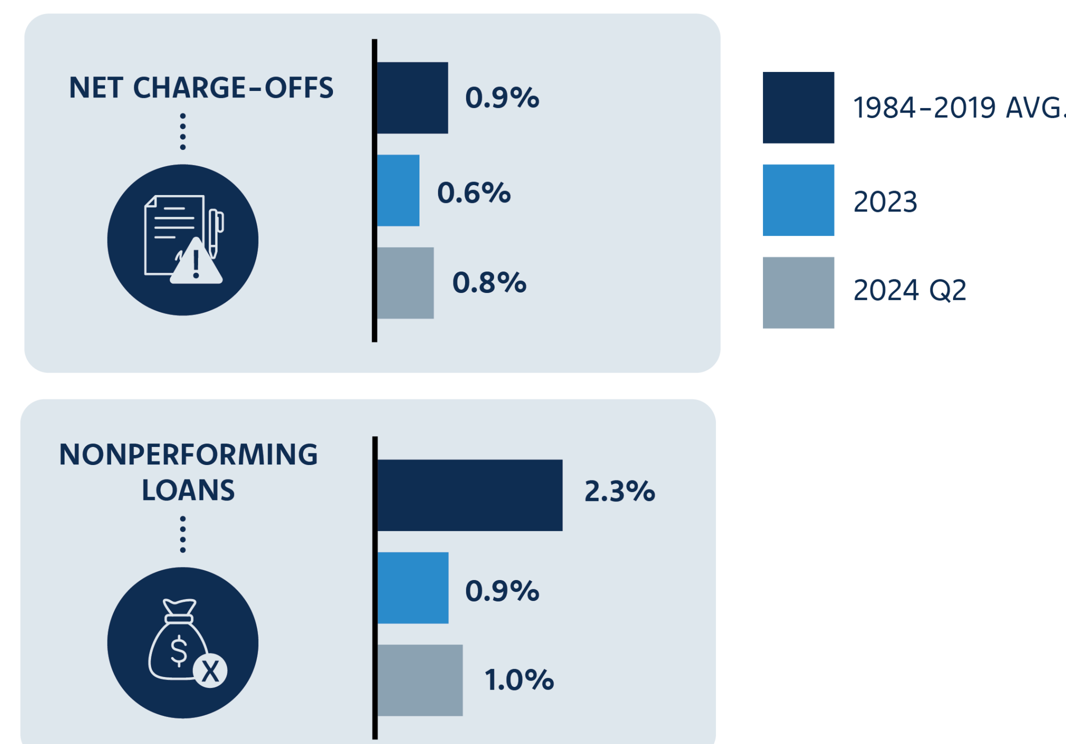
The outlook for profitability for the remainder of 2024 is mixed. Moderating inflation has markets anticipating that the Federal Reserve Board will loosen monetary conditions. This may support profitability but is balanced by higher credit costs from a softening labor market and the repricing of low-yielding loans.

LOAN PERFORMANCE

Credit quality ratios weakened through the second quarter of 2024 for the federal banking system but remain healthy compared with historical long-term averages. The rate of nonperforming loans weakened 10 basis points to 1.0 percent by the first half of 2024 from full year 2023.[52] This is still below the historical average rate of 2.3 percent from 1984 to 2019 and matches levels seen in 2019 before the pandemic, as shown in figure 8.

Net charge-offs as a share of total loans rose to 0.8 percent by the second quarter of 2024, an increase of 20 basis points from 2023.[53] Current net charge-offs are in line with the historic average of 0.9 percent from 1984 to 2019. The recent uptick was expected given tight monetary conditions and a moderating economy. Net charge-offs rose across all loan portfolios, particularly credit cards, commercial real estate, and commercial and industrial loans.

FIGURE 8: Bank Profitability



Source: OCC

52 Nonperforming loans are the share of total loans that are 90 or more days past due or on nonaccrual status.

53 Net charge-offs are the share of total loan balances charged off as a loss, net of recoveries.

SUPERVISION

The OCC governs its bank supervision program through two committees: the Committee on Bank Supervision (CBS) and the National Risk Committee (NRC). The CBS makes sure supervisory activities, policies, and programs are coordinated and consistent 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 2024;
- the Mutual Savings Association Advisory Committee;
- MDIs;
- published rules, guidance, and other materials;
- licensing activities; and
- enforcement actions.

Acting Comptroller Hsu (bottom row, center) stands with newly commissioned National Bank Examiners in September 2024. They include (bottom row) Kathyrn Cnudde, Fiona Rutgers, Alyssa Edmunds, Flor Espinoza, (Acting Comptroller of the Currency Mike Hsu), Madison Claxton, Marin Hodges, Jessica Choe, (middle row) Matthew Sundberg, Nicholas Piscopo, Nicholas Toutant, Emily Biggs, Jacob Von Seggern, Tony Philip, Jelani Nantambu, (back row) Clay Menefee, William Hazen, Brandon Schilling, Colin Hayes, William Harnett, Luke Kindberg, and Logan Cahall.

SUPERVISION PRIORITIES

The OCC's supervisory priorities outlined in its *Fiscal Year 2024 Bank Supervision Operating Plan* provided the foundation for policy initiatives and supervisory strategies, as applied to individual banks and third-party servicers subject to OCC examination.[54] The plan focused on these topics:

- Asset and liability management
- Credit
- Allowance for credit losses
- Cybersecurity
- Operations
- Distributed ledger technology activities
- Change management
- Payments
- Bank Secrecy Act (BSA)/AML/CFT and Office of Foreign Assets Control
- Consumer compliance
- CRA
- Fair lending
- Climate-related financial risks

54 See OCC News Release 2023-109, "OCC Releases Bank Supervision Operating Plan for Fiscal Year 2024."

In addition to supervising activities at individual banks, the OCC conducts horizontal supervisory initiatives for key risks to facilitate coordination and assessment of issues across the banking industry. The agency provided updates about risks to the federal banking system and supervisory priorities through its *Semiannual Risk Perspective* (SARP) reports, bulletins, news releases, *Comptroller's Handbook*, speeches, outreach events, and discussions with bank management and boards of directors.

MUTUAL SAVINGS ASSOCIATION ADVISORY COMMITTEE

The committee's role includes assessing the condition of mutual savings associations, considering regulatory changes, and recommending steps the OCC may take to ensure the health and vitality of the mutual savings association industry.

MINORITY DEPOSITORY INSTITUTIONS

The OCC administers an MDI program to provide technical assistance and other support to OCC-supervised MDIs, consistently promoting and preserving these banks with requirements set forth in law. The OCC issues the *Report to Congress on Preserving and Promoting Minority Depository Institutions* annually, which covers activities taken related to MDIs.

RULEMAKING ACTIONS AND GUIDANCE

The OCC issued 10 rulemaking actions in FY 2024, listed in table 1.

TABLE 1: Rulemaking During 2024

TOPIC	ACTION	REFERENCE
Financial Data Transparency Act	Joint notice of proposed rulemaking to implement the Financial Data Transparency Act of 2022	OCC Bulletin 2024-24
BSA/AML	Joint notice of proposed rulemaking to amend the Bank Secrecy Act compliance program requirements to establish, implement, and maintain effective, risk-based, and reasonably designed AML/CFT programs that align with changes proposed by the Financial Crimes Enforcement Network	OCC Bulletin 2024-19
Credit	Final rule to implement quality control standards for AVMs used by mortgage originators and secondary market issuers in valuing residential real estate	OCC Bulletin 2024-17
Bank management and operations	Notice of proposed rulemaking to revise guidelines establishing standards for recovery planning by certain large insured national banks, FSAs, and federal branches	OCC Bulletin 2024-16
Bank management and operations	OCC's approval of a joint notice of proposed rulemaking to implement section 956 of Dodd–Frank, which would establish new requirements for incentive-based compensation at certain covered institutions	OCC Bulletin 2024-12
CRA	Joint final rule to strengthen and modernize regulations implementing the CRA	OCC Bulletin 2023-32
CRA	Joint interim final rule that extends the applicability date of the facility-based assessment areas and public file provisions included in the agencies' final rule revising their regulations implementing the CRA; final rule that makes technical corrections to CRA final rule	OCC Bulletin 2024-9
FOIA	Notice of proposed rulemaking to amend the OCC's Freedom of Information Act (FOIA) regulations to provide for expedited processing of FOIA requests and establish procedures for requestors to appeal denials of expedited processing and fee waiver requests	OCC Bulletin 2024-7
Licensing	Final rule to amend procedures for reviewing bank merger applications and add a policy statement that summarizes the principles the OCC uses when it reviews proposed bank merger transactions under the Bank Merger Act	OCC Bulletin 2024-28
Practice and procedure	Joint final rule to amend the Uniform Rules of Practice and Procedure to recognize the use of electronic communications in all aspects of administrative hearings and increase the efficiency and fairness of administrative adjudications, update OCC-specific rules (local rules) of administrative practice, and integrate OCC uniform and local rules so that one set of rules applies to both national banks and FSAs	OCC Bulletin 2023-41

In addition to rulemaking actions, the OCC published periodic reports providing information and analysis on trends in various financial markets and economic sectors for a wider audience, including members of Congress. See table 2.

TABLE 2: Guidance and Publications Issued During 2024

TOPIC	PUBLICATION	REFERENCE
Accounting	Update to the *Bank Accounting Advisory Series*, which reflects accounting standards issued by the Financial Accounting Standards Board on such topics as eliminating the recognition and measurement of troubled debt restructurings by creditors, loan modifications, and credit losses	OCC Bulletin 2024-23
Bank management and operations	Fees and assessments charged by the OCC for calendar year 2024	OCC Bulletin 2023-36
Bank management and operations	SARP analyzing the key issues facing the federal banking system	OCC news releases 2023-135 and 2024-64
Bank management and operations	Regulatory review of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 to identify outdated, unnecessary, or unduly burdensome regulations	OCC Bulletins 2024-5 and 2024-22
Bank management and operations	Guide for community banks about third-party risk management	OCC Bulletin 2024-11
Bank management and operations	Joint statement on banks' arrangements with third parties to deliver bank deposit products and services to end users	OCC Bulletin 2024-20
Bank management and operations	*FFIEC Information Technology Examination Handbook* "Development, Acquisition, and Maintenance" booklet	OCC Bulletin 2024-26
Bank management and operations	Joint principles for climate-related financial risk management for large financial institutions	OCC Bulletin 2023-33
BSA/AML	Interagency statement for banks on the issuance of the beneficial ownership information access rule	OCC Bulletin 2023-39

TOPIC	PUBLICATION	REFERENCE
Capital markets	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 2023-138, 2024-35, 2024-70, and 2024-105
Capital markets	Guidance highlighting actions banks should take to prepare for a change in the standard securities settlement cycle for most U.S. securities transactions	OCC Bulletin 2024-3
Capital markets	Semiannual *Interest Rate Risk Statistics Report* of data gathered during examinations of OCC-supervised midsize and community banks	OCC Bulletin 2024-10 and www.occ.gov "Publications" page
Compliance	Issuance announcing FFIEC's revised "A Guide to HMDA Reporting: Getting It Right!"	OCC Bulletin 2024-15
CRA	Revisions to the asset-size threshold amounts used to define "small bank or savings association" and "intermediate small bank or savings association" under CRA regulations	OCC Bulletin 2023-40
CRA	Host state loan-to-deposit ratios the agencies will use to determine compliance with section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994	OCC Bulletin 2024-14
Credit	Guidance on venture loans to companies in an early, expansion, or late stage of corporate development	OCC Bulletin 2023-34
Credit	Guidance to assist with risk management of BNPL loans	OCC Bulletin 2023-37
Credit	Quarterly *OCC Mortgage Metrics Report* 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 2023-137, 2024-27, 2024-71, and 2024-103
Credit	Answers to frequently asked questions about the State Small Business Credit Initiative 2.0	OCC Bulletin 2024-1
Credit	FFIEC statement on examination principles related to valuation discrimination and bias in residential property lending	OCC Bulletin 2024-6
Credit	Joint order granting temporary exceptions about appraisal requirements for real estate-related financial transactions in areas affected by Hawaii's wildfires	OCC Bulletin 2024-8
Credit	Joint annual report on the Shared National Credit Program to review the performance of large loan commitments shared between regulated institutions	OCC News Release 2024-16
Credit	Interagency guidance on ROV of residential real estate	OCC Bulletin 2024-18
Cybersecurity	Annual *Cybersecurity and Financial System Resilience Report*	See www.occ.gov
Cybersecurity	FFIEC statement about sunsetting the cybersecurity assessment tool	OCC Bulletin 2024-25
Economics	*Economic Snapshot* series reporting data on national and regional trends	See www.occ.gov

TOPIC	PUBLICATION	REFERENCE
Economics	*Moments in History* series article titled "The History of National Bank Real Estate Lending: Part II (1981–2023)"	See www.occ.gov
Economics	*On Point* economic and policy insights article titled "Do Past Cycles Predict the Future Value of Home Prices?"	See www.occ.gov
Enforcement	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, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015	OCC Bulletin 2024-2
Examinations	Revised interagency examination procedures for the Telephone Consumer Protection Act	OCC Bulletin 2023-35
Examinations	Updated *Comptroller's Handbook* "Retail Nondeposit Investment Products" booklet	OCC Bulletin 2024-13
Regulation O	Interagency statement to extend the "Extension of the Revised Statement Regarding Status of Certain Investment Funds and Their Portfolio Investments for Purposes of Regulation O and Reporting Requirements under Part 363 of FDIC Regulations"	OCC Bulletin 2023-38

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. Table 3 lists all licensing activities for FY 2024.

TABLE 3: Corporate Application Activity in FY 2024

APPLICATION TYPE	APPLICATIONS RECEIVED	APPROVED	CONDITIONALLY APPROVED	DENIED	TOTAL
Branches	511	496	0	0	496
Capital/sub-debt	24	15	3	0	18
Change in bank control	6	0	1	0	1
Charters	0	1	3	0	4
Charter conversions*	7	2	2	0	4
Federal branches	3	0	0	0	0
Fiduciary powers	2	1	0	0	1
Mergers	23	17	2	0	19
Relocations	140	132	0	0	132
Reorganizations	22	20	2	0	22
Subsidiaries	11	11	0	0	11
Substantial change in assets	4	2	3	0	5
Mutual to stock conversions	3	0	2	0	2
Total	**756**	**697**	**18**	**0**	**715**

*Conversions to an OCC-regulated bank.

ENFORCEMENT ACTIONS

The OCC investigates, litigates, and takes enforcement actions to address 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 OCC took 36 formal enforcement actions against banks this year, an increase in the number taken over the past several years. The OCC took 11 formal bank actions in 2023, 17 in 2022, 29 in 2021, and 20 in 2020. Oversight, compliance, and operational failures continue to be a focus of formal bank enforcement actions. More than half of the formal bank enforcement actions addressed strategic or capital planning, liquidity risk management, or interest rate risk management. Table 4 summarizes the OCC's formal enforcement actions issued in 2024.

TABLE 4: OCC Enforcement Actions in FY 2024

TYPE OF ENFORCEMENT ACTION	NUMBER	AMOUNT[a]
12 USC 1829 notifications	47	
Bank CMP	4	$405,000,000
Cease-and-desist order (bank)[b]	10	
Formal agreement (bank)	22	
Notices of charges filed	7	
Personal cease-and-desist order	4	
Personal CMP	8	$1,120,000
Prompt corrective action directive	0	
Removal/prohibition	54	
Total	**156**	**$406,120,000**

[a] Includes only assessed penalties through September 30, 2024, and does not include remediation to customers that the OCC may have required of the bank. Penalties are sent to the Treasury Department.

[b] May include instances when multiple charters in a company are subject to the same enforcement action.

LEADERSHIP

MICHAEL J. HSU

Acting Comptroller of the Currency

Michael J. Hsu became Acting Comptroller of the Currency on May 10, 2021. As Acting Comptroller, Mr. Hsu is the administrator of the federal banking system, chief executive officer of the OCC, and a member of the OCC's Executive Committee. The Comptroller also serves as a director of the FDIC and a member of the FSOC and the FFIEC.

Before joining the OCC, Mr. Hsu served as an associate director in the Division of Supervision and Regulation at the Federal Reserve Board, where he chaired the Large Institution Supervision Coordinating Committee Operating Committee. He cochaired the Federal Reserve's Systemic Risk Integration Forum, served as a member of the Basel Committee Risk and Vulnerabilities Assessment Group, and cosponsored forums promoting interagency coordination with foreign and domestic financial regulatory agencies.

His career has included serving as a financial sector expert at the International Monetary Fund, financial economist at the Treasury Department helping to establish the Troubled Assets Relief Program, and financial economist at the SEC overseeing the largest securities firms. He began his career in 2002 as a staff attorney in the Federal Reserve Board's Legal Division.

Mr. Hsu has a bachelor of arts degree from Brown University, a master of science degree in finance from George Washington University, and a juris doctor degree from New York University School of Law.

FFIEC CHAIR

The OCC assumed the Chair of the FFIEC on April 1, 2023, for a two-year term, which runs through March 31, 2025. The Council is responsible for developing uniform reporting systems for federally supervised financial institutions, their holding companies, and the nonfinancial institution subsidiaries of those institutions and holding companies. The FFIEC also conducts schools for examiners employed by the five federal member agencies represented on the FFIEC and makes those schools available to employees of state agencies that supervise financial institutions. The Chair of the Council rotates among its federal members in the following order: the OCC, Federal Reserve Board, FDIC, CFPB, and NCUA.

BEVERLY COLE

Midsize and Community Bank Supervision

As the Senior Deputy Comptroller for Midsize and Community Bank Supervision (MCBS), Beverly Cole 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 these duties in October 2022.

Ms. Cole joined the OCC in 1979 as an assistant national bank examiner in Little Rock, Ark. She left the OCC to work in the banking industry in 1984 and then rejoined the agency in 1987. She was commissioned as a National Bank Examiner in 1989. She has held a variety of supervisory roles including as Deputy Comptroller for Compliance Supervision and Deputy Comptroller for the Northeastern District.

Ms. Cole graduated from Tougaloo College with a bachelor's degree in economics with an emphasis in business administration. She was cross-credentialed as a federal thrift regulator in 2015.

GREG COLEMAN

Large Bank Supervision

As the Senior Deputy Comptroller for Large Bank Supervision, Greg Coleman directs nearly 800 employees who supervise the country's largest banks and is a member of the OCC's Executive Committee and the CBS. He assumed these duties in January 2021.

Mr. Coleman previously was a Deputy Comptroller for Large Bank Supervision. He has held a variety of bank supervision roles as an examiner, policy expert, and manager at the OCC, including serving as Examiner-in-Charge of Capital One and E*TRADE. He previously served as a director within the Credit and Market Risk Division in the Office of the Chief National Bank Examiner and as the lead for the capital markets team at JPMorgan Chase. He joined the OCC in 1989 as a field examiner, became a commissioned National Bank Examiner in 1994, and cross-certified to examine FSAs in 2013.

Mr. Coleman is a Chartered Financial Analyst charterholder and has a bachelor of science degree in business administration from the University of Nebraska–Lincoln.

JAY GALLAGHER

Supervision Risk and Analysis

As Senior Deputy Comptroller for Supervision Risk and Analysis, Jay Gallagher oversees OCC staff responsible for Systemic Risk Identification and Support, Supervision System and Analytical Support, Economic and Policy Analysis, and Economic and Risk Analysis. He is a member of the OCC's Executive Committee and the CBS. He assumed these duties in October 2022.

Before this position, Mr. Gallagher was Deputy Comptroller for Systemic Risk Identification and Support. He previously served as an asset management expert in MCBS. He has been a team leader for asset management, mortgage, and retail credit. Additionally, he was a market risk team lead and lead expert for asset management in Large Bank Supervision. In recognition of his expertise and service, Mr. Gallagher was designated a Senior National Bank Examiner in 2019.

Mr. Gallagher graduated with a bachelor's degree from Bloomsburg University in Pennsylvania. He is a U.S. Marine Corps veteran.

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, community affairs, and the Office of Financial Technology. 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.

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

LARRY L. HATTIX

Enterprise Governance and Ombudsman, and Chief Risk Officer

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. As the Chief Risk Officer since 2021, he drives an agencywide view of risks and evaluates adherence to the agency's risk appetite statement. He is a member of the OCC's Executive Committee and the National Risk Steering Committee. He 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.

TED DOWD

Acting Chief Counsel

As Acting Senior Deputy Comptroller and Chief Counsel, Ted Dowd oversees the agency's legal and licensing activities such as legal advisory services to bank supervision and policy, 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 Acting Comptroller and senior OCC executives. He assumed this role in April 2024.

Previously at the OCC, Mr. Dowd served as Deputy Chief Counsel where he supervised the OCC's Bank Advisory division and oversaw the OCC's district counsel offices.

Mr. Dowd has a law degree from the Catholic University of America, Columbus School of Law. He is also a graduate of Providence College.

LAUREN OPPENHEIMER

Public Affairs and Chief of Staff

Lauren Oppenheimer is the Senior Deputy Comptroller for Public Affairs and Chief of Staff for Acting Comptroller of the Currency Michael J. Hsu.

In this role, Ms. Oppenheimer advances the Acting Comptroller's priorities and serves as a member of the OCC's Executive Committee. She directs the daily operations of the Acting Comptroller's staff and provides administrative oversight to the Office of Minority and Women Inclusion as well as the Office of Climate Risk. She oversees the Office of Public Affairs with functions such as banking, congressional, and media relations; design, digital, disclosure, and editorial services; external outreach; internal communications; and minority affairs. She assumed this role in December 2021.

Before joining the OCC, Ms. Oppenheimer was the Director of Legislative and Intergovernmental Affairs at the Department of Commerce. She also previously worked as the Minority Staff Director for the Senate Banking, Housing, and Urban Affairs Subcommittee on Financial Institutions and Consumer Protection and in the House of Representatives for members of Congress on the House Financial Services Committee.

She has a bachelor's degree from the University of Toronto and a master's degree from the London School of Economics and Political Science.

MINH-HAI TRAN-LAM

Office of Management and Chief Management Officer

As Senior Deputy Comptroller for Management and Chief Management Officer, Minh-Hai Tran-Lam is responsible for the OCC's departments of Financial Management; Human Capital; Leadership, Executive, and Organizational Development; Administrative Operations; and Information and Technology Services. She is a member of the OCC's Executive Committee and assumed these duties in October 2022.

Before her current role, Ms. Tran-Lam was the Chief of Staff to the Chief Information Officer at the FDIC, where she oversaw financial and human resources management, procurement, policy, and technology initiatives. She has held leadership positions at the Department of State's Bureau of Information Resource Management, managing day-to-day global business management operations, congressional relations, and implementation of cross-cutting regulations. Ms. Tran-Lam also served at the Executive Office of the President, Office of Management and Budget (OMB), where she was responsible for oversight of the federal government's information technology portfolio and led domestic policy initiatives across the Executive Branch. Earlier in her career, Ms. Tran-Lam held policy-making positions at the Federal Aviation Administration and the Environmental Protection Agency.

Ms. Tran-Lam has an undergraduate degree in environmental science from the University of Virginia and a master's degree from the Schar School of Policy and Government at George Mason University with a concentration in science and technology.

FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS

LETTER FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the OCC's financial statements as an integral part of the *2024 Annual Report*. For FY 2024, our independent auditor has again issued an unmodified opinion on the OCC's financial statements.

In FY 2024, the OCC's total liabilities and net position is $2.8 billion. We continue to take pride in our role as stewards of the financial resources needed to achieve the OCC's mission to ensure that national banks and FSAs operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

As we look forward to FY 2025 and beyond, the agency will continue to improve and modernize operations, and invest in technology and our people to advance the OCC's mission. As a new chief financial officer to this organization, I am grateful to work alongside such a dedicated workforce and be part of ensuring financial stability in the U.S. banking system.

Mark S. Thomas
Principal Deputy Comptroller for Management and Chief Financial Officer

FINANCIAL SUMMARY

The OCC received an unmodified audit opinion on its FY 2024 and FY 2023 financial statements. The OCC presents the principal financial statements to report the financial position and results of its 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 OMB. In addition, the agency 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 2024 and FY 2023.

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 outlays of budgetary resources at the end of the year.

Table 5 illustrates the OCC's key components of financial condition, and the subsequent narrative sections address the OCC's financial activities in FY 2024 and FY 2023.

TABLE 5: Key Components of Financial Condition, as of September 30, 2024 and 2023 (Dollars in Thousands)

Costs[a]	FY 2024	FY 2023	$ INCREASE/(DECREASE)	% INCREASE/(DECREASE)
Total financing sources	$67,312	$51,163	$16,149	31.6%
Less: net cost	$125,014	$18,226	$106,788	585.9%
Net change of cumulative results of operations	$(57,702)	$32,937	$(90,639)	(275.2)%
Net position[b]				
Assets				
Fund Balance with Treasury	$31,360	$32,220	$(860)	(2.7)%
Investments	$2,192,830	$2,256,199	$(63,369)	(2.8)%
General property, plant, and equipment, net	$520,557	$76,316	$444,241	582.1%
Accounts receivable and other	$3,846	$2,366	$1,480	62.6%
Total assets	$2,748,593	$2,367,101	$381,491	16.1%
Liabilities				
Accounts payable and other accrued liabilities	$494,966	$59,738	$435,228	728.6%
Accrued payroll and benefits	$123,255	$139,845	$(16,590)	(11.9)%
Deferred revenue	$288,175	$278,977	$9,198	3.3%
Other actuarial liabilities	$91,534	$79,939	$11,595	14.5%
Total liabilities	$997,930	$558,499	$439,431	78.7%
Net position	$1,750,663	$1,808,602	$(57,939)	(3.2)%
Total liabilities and net position	$2,748,593	$2,367,101	$381,492	16.1%

Source: OCC financial system data.

[a] Statements of Net Cost and Statements of Changes in Net Position.

[b] 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 2024 of $1,335.9 million reflected an increase of $128.5 million, or 10.6 percent, from $1,207.4 million reported in FY 2023. The year-over-year rise is primarily attributable to increases in personnel compensation and benefits, depreciation and amortization, and travel. These increases were partially offset by lower rent, utilities, and communications expenses.

REVENUES

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

Total FY 2024 revenue of $1,218.5 million reflects a $33.2 million, or 2.8 percent, increase from FY 2023 revenue of $1,185.3 million. Bank assets used in the September 30, 2024, semiannual assessment were $16.6 trillion, an increase of 2.5 percent from $16.2 trillion a year earlier. While revenue from bank assessments rose by $10.7 million year-over-year primarily because of a rise in assets in the federal banking system, that is only a 1 percent increase from FY 2023.

Interest revenue totaled $53.8 million in FY 2024, an increase of $10.7 million, or 24.8 percent, from the $43.1 million reported in FY 2023. The year-to-year change is a result of interest rate increases for both overnight and longer-term securities during FY 2024. The significant year-over-year increase in other income from $17.8 million in FY 2023 to $29.6 million in FY 2024 was driven primarily by a Department of Justice legal settlement. The settlement resulted in the OCC receiving about $10.4 million in damages. Table 6 shows the OCC's funding sources for FY 2024 and FY 2023.

TABLE 6: Funding Sources (Dollars in Millions)

SOURCE	FY 2024	FY 2023	CHANGE ($)	CHANGE (%)
Assessments	$1,135.1	$1,124.4	$10.7	1.0%
Interest revenue	$53.8	$43.1	$10.7	24.8%
Other income	$29.6	$17.8	$11.8	66.3%
Total revenue	**$1,218.5**	**$1,185.3**	**$33.2**	**2.8%**

ASSETS

The OCC has both "entity" and "non-entity" assets. The OCC uses entity assets, which belong to the agency, to fund operations. Nonentity assets are assets the OCC holds on behalf of another federal agency. The OCC's nonentity assets presented as accounts receivable are CMPs due to the federal government through court-enforced legal actions.

As of September 30, 2024, total entity assets were $2,748.6 million, an increase of $381.5 million, or 16.1 percent, from the total assets of $2,367.1 million reported on September 30, 2023. The increase to assets is a result of OCC's adoption of Statements of Federal Financial Accounting Standards (SFFAS) No. 54, "Leases," on October 1, 2023, partially offset by a reduction in investment balances. The new standard requires that federal lessees recognize a lease liability and a lease asset at the beginning of a lease's term unless it meets the scope exclusions or the definition/criteria of a non-intragovernmental short-term lease, contract, or agreement that transfers ownership or intragovernmental lease. Please see Notes 1 and 6 for details.

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 agency also maintains a limited amount of funds invested with the public in support of contingency planning. 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, 2024, the amortized book value of intragovernmental investments and related accrued interest was $2,170.7 million, compared with $2,235.2 million the previous year. The difference of $64.5 million, or 2.9 percent, reflects a decrease in invested funds as a result of the agency using some of the funds from securities that matured in FY 2024 to cover operating losses. The market value of the OCC's intragovernmental investment portfolio in FY 2024 was $31.2 million lower than book value, compared with FY 2023, when the market value was $100.4 million lower than book value. This change is mostly attributable to the decline in interest rates in September of FY 2024—when interest rates decrease, the market value of the agency's securities increases—reducing the year-over-year gap between market and book value.

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, 2024, was $1,395.0 million (63.1 percent) and as of September 30, 2023, $1,673.0 million (73.2 percent), respectively. The weighted average maturity of the portfolio, including overnights, was 1.4 years as of September 30, 2024, compared with 1.9 years at the end of FY 2023.

The OCC's intragovernmental portfolio earned an annual yield of 2.7 percent in FY 2024, compared with 2.2 percent in FY 2023. The OCC calculates annual portfolio yield by dividing the total interest earned during the year by the average ending monthly book value of investments.

The OCC's investments with the public consist of funds held in a money market mutual fund with a state-chartered Federal Reserve-supervised bank. The agency's investments with the public as of September 30, 2024, and September 30, 2023, were $22.1 million and $21.0 million, respectively. The increase reflects interest earned on invested funds.

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, 2024, total liabilities were $997.9 million, a net increase of $439.4 million, or 78.7 percent, from total liabilities of $558.5 million on September 30, 2023. This change is largely due to the OCC complying with the new federal requirements in SFFAS No. 54, "Leases," for recognizing lease liabilities and assets. Please see Notes 1 and 6 for details.

NET POSITION

The OCC's net position of $1,750.7 million as of September 30, 2024—a decrease of $57.9 million (3.2 percent) from the $1,808.6 million reported for FY 2023—represents the cumulative net excess of the OCC's cost of operations over revenues. The year-over-year decrease in net position includes an adjustment of $0.2 million to account for a change in accounting principle resulting from the adoption of SFFAS 54, "Leases." This change decreased the beginning balance of the FY 2024 net position. 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 agency's resources, and it has a disciplined process for reviewing 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 a significant fluctuation in revenues or expenses could have on the agency's operations. The OCC also sets aside funds for ongoing operations.

As of September 30, 2024, and September 30, 2023, the OCC's financial reserves were $1,555.5 million and $1,636.9, respectively. These reserves are essential to a prudent, reasonable financial management strategy.

FINANCIAL STATEMENTS

OFFICE OF THE COMPTROLLER OF THE CURRENCY

BALANCE SHEETS

AS OF SEPTEMBER 30, 2024 AND 2023

(Dollars in Thousands)	FY 2024	FY 2023
Assets		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$31,360	$32,220
Investments, net (Note 3)	2,170,726	2,235,186
Accounts receivable (Note 4)	1,560	1,700
Other assets	39	30
Total intragovernmental	**$2,203,685**	**$2,269,136**
With the public:		
Investments, net (Note 3)	22,104	21,014
Accounts receivable, net (Note 4)	2,144	601
General property, plant, and equipment, net (Note 5)	520,557	76,316
Other assets	103	34
Total with the public	**$544,908**	**$97,965**
Total assets	**$2,748,593**	**$2,367,101**
Liabilities		
Intragovernmental:		
Accounts payable and other accrued liabilities	7,489	13,721
Total intragovernmental	**$7,489**	**$13,721**
With the public:		
Accounts payable	9,624	4,033
Accrued payroll and benefits	42,639	63,746
Accrued annual leave	80,616	76,099
Lease liabilities (Note 6)	452,718	1,805
Other accrued liabilities	25,135	40,179
Deferred revenue	288,175	278,977
Other actuarial liabilities (Note 7)	91,534	79,939
Total with the public	**$990,441**	**$544,778**
Total liabilities	**$997,930**	**$558,499**
Net position (Note 8)	**1,750,663**	**1,808,602**
Total liabilities and net position	**$2,748,593**	**$2,367,101**

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, 2024 AND 2023

(Dollars in Thousands)	FY 2024	FY 2023
Program costs:		
Supervise		
Intragovernmental	$216,384	$189,816
With the public	959,801	868,351
Subtotal—supervise	**$1,176,185**	**$1,058,167**
Regulate		
Intragovernmental	24,898	22,311
With the public	112,027	104,330
Subtotal—regulate	**$136,925**	**$126,641**
Charter		
Intragovernmental	4,261	4,125
With the public	18,517	18,479
Subtotal—charter	**22,778**	**22,604**
Total program costs	**$1,335,888**	**$1,207,412**
Less earned revenues not attributed to programs	(1,218,469)	(1,185,310)
Net program costs before gain/loss from changes in assumptions	**$117,419**	**$22,102**
Actuarial (gain)/loss (Note 7)	7,595	(3,876)
Net cost of operations (Note 9)	**$125,014**	**$18,226**

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, 2024 AND 2023

(Dollars in Thousands)	FY 2024	FY 2023
Cumulative results of operations:		
Beginning balance	$1,808,602	$1,775,665
Adjustments:		
Changes in accounting principles	(237)	0
Beginning Balance, as Adjusted	1,808,365	0
Transfer in without reimbursement	0	0
Imputed financing (Note 10)	67,322	51,163
Other	(10)	0
Net cost of operations	(125,014)	(18,226)
Net change in cumulative results of operations	(57,702)	32,937
Cumulative results of operations	**$1,750,663**	**$1,808,602**
Net Position	**$1,750,663**	**$1,808,602**

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, 2024 AND 2023

(Dollars in Thousands)	FY 2024	FY 2023
Budgetary resources:		
Unobligated balance from prior year budget authority, net	$1,829,570	$1,851,690
Spending authority from offsetting collections	1,220,076	1,169,406
Total budgetary resources	**$3,049,646**	**$3,021,096**
Status of budgetary resources:		
New obligations and upward adjustments (total)	$1,286,715	$1,208,528
Unobligated balance, end of year:		
Exempt from apportionment, unexpired accounts	1,762,931	1,812,568
Unexpired unobligated balance, end of year	1,762,931	1,812,568
Expired unobligated balance, end of year	0	0
Unobligated balance, end of year (total)	1,762,931	1,812,568
Total status of budgetary resources	**$3,049,646**	**$3,021,096**
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	71,062	(25,950)
Agency outlays, net	**$71,062**	**$(25,950)**

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, 2024 AND 2023

(Dollars in Thousands)	FY 2024	FY 2023
Revenue activity:		
Sources of cash collections		
Fines and penalties (Note 14)	$405,520	$107,227
Accrual adjustment	$627	$(139)
Total custodial revenue	**$406,147**	**$107,088**
Disposition of custodial revenue:		
Transferred to Treasury	$405,520	$107,227
(Increase)/decrease in amounts yet to be transferred	$627	$(139)
Total disposition for custodial revenue	**$406,147**	**$107,088**
Net custodial activity	**$0**	**$0**

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, 2024.

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 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. (For more information, see Note 4.)

Intragovernmental and with the public: Throughout these financial statements, assets, liabilities, earned revenues, and costs have been classified according to the entity responsible for these transactions. Intragovernmental assets, liabilities, and earned revenues are derived from activity with other federal entities. All other assets, liabilities, and revenues result from activities with parties outside the federal government. Intragovernmental costs are payments or expense accruals 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 other fees paid by banks, from income on investments in nonmarketable U.S. Treasury securities, and from rental property 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 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 primarily 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

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.

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).

Intragovernmental investments, net: The OCC invests available funds held by the U.S. Treasury in U.S. Government Account Series Treasury securities, which include bills, notes, and one-day certificates. U.S. Government Account Series 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 Financial Accounting Standards Board (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 can access at the measurement date. (For more information, see Note 3.)

ACCOUNTS RECEIVABLE, NET

In accordance with SFFAS No. 1, "Accounting for Selected Assets and Liabilities," the OCC updates the allowance for loss on accounts receivable with the public 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, NET

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. In FY 2024 the OCC adopted SFFAS No. 54, "Leases," which encompasses assets broader than the scope of SFFAS No. 6—specifically right-to-use leases assets—included in PP&E (see the "Leases" section for details).

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 except for 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 the asset is removed. (For more information, see Note 5.)

LEASES

The OCC adopted SFFAS No. 54, "Leases," on October 1, 2023. SFFAS No. 54 requires that federal lessees recognize a lease liability and a lease asset at the beginning of the lease term unless it meets the scope exclusions or the definition/criteria of a non-intragovernmental short-term lease, contract, or agreement that transfers ownership or intragovernmental lease. A federal lessor would recognize a lease receivable and unearned revenue unless it meets any scope exclusions or the definition/criteria of a non-intragovernmental short-term lease, contract, or agreement that transfers ownership or intragovernmental lease.

The OCC does not apply the provisions of SFFAS No. 54 to immaterial lessee or lessor items. Per SFFAS No. 54, a lease is defined as a contract or agreement whereby one entity (lessor) conveys the right to control the use of use of PP&E (the underlying asset) (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. A short-term lease is a non-intragovernmental lease with a lease term of 24 months or less. The OCC as a lessee recognizes short-term lease payments as an expense based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts; the OCC as a lessor recognizes short-term lease payments as revenue based on the payment provisions of the contract or agreement and standards regarding recognition of accounts receivable and other related amounts.

A contract or agreement that transfers ownership is defined as one that (a) transfers ownership of the underlying asset to the lessee by the end of the contract or agreement and (b) does not contain options to terminate, but that may contain an availability of funds or cancellation clause that is not probable of being exercised. For contracts and agreements that meet this requirement, the federal agency would report them as a purchase of that asset by the lessee or as a financed sale of the asset by the lessor. The OCC has not identified any contracts or agreements that transfer ownership.

An intragovernmental lease is defined as a contract or agreement occurring within a consolidation entity or between two or more consolidation entities as defined in SFFAS No. 47, Reporting Entity, whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. The OCC as lessee recognizes lease payments, including lease-related operating costs paid to the lessor, as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts; the OCC as a lessor recognizes lease receipts, including lease-related operating costs received from the lessee as income based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts.

In accordance with SFFAS No. 54, the OCC did not apply the new standard to the scope exclusions, which include immaterial lessee or lessor agreements, short-term lessee or lessor agreements, contracts or agreements that transfer ownership, or an intragovernmental lease, as described in the previous paragraphs.

For lessee contracts or agreements that met the SFFAS No. 54 criteria, the OCC initially recognized a lease liability and a right-to-use lease asset. The lease liability is measured at the present value of payments expected to be made during the lease term. The OCC discounts the future lease payments using the interest rate the lessor charges the lessee, or if the interest rate is not stated in the lease, the OCC's estimated incremental borrowing rate. The right-to-use lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

For lessor contracts or agreements that meet the SFFAS No. 54 criteria, federal agencies initially measure a lease receivable and unearned revenue. The federal agency measures the lease receivable at the present value of lease payments to be received for the lease term, reduced by any provision for uncollectible amounts. The federal agency discounts the future lease payments to be received using the rate the lessor charges the lessee, or if the interest rate is not stated in the lease, the agency's estimated incremental borrowing rate. The federal agency amortizes the unearned revenue, recognizing it as earned revenue, in a systematic and rational manner over the term of the lease. The OCC does not have any lessor contracts or agreement that meet the SFFAS No. 54 criteria for reporting.

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." The OCC adopted SFFAS No. 54, "Leases," on October 1, 2023. SFFAS No. 54 requires that federal lessees recognize a lease liability and a lease asset at the commencement of the lease term unless it meets the scope exclusions or the definition/criteria of a non-intragovernmental short-term lease, contract, or agreement that transfers ownership or intragovernmental lease. Therefore, the OCC recorded lease liabilities disclosed on the balance sheet (for more information, see Note 6).

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 leave: The OCC accrues and funds annual leave and credit hours as they are earned and reduces the accrual as leave and credit hours are taken or paid. Each year, the balance in the accrued leave account is adjusted to reflect actual leave balances with current pay rates. Sick leave and other types of non-vested leave are expensed as used.

Deferred revenue: The OCC's activities are primarily financed by assessments on assets held by banks. These assessments are due semiannually on March 31 and September 30 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 liability if it is both probable and can be reasonably estimated. 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 Defined Benefit Plan (Pentegra DB Plan). 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 president of the plan. 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 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.

The Pentegra DB Plan is a tax-exempt, multiple-employer, DB pension plan. 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. 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. 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.

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 $28.4 million and $26.1 million for FY 2024 and FY 2023, 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 $34.3 million and $32.2 million for FY 2024 and FY 2023, 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 Treasury Department. 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 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, 2024 and 2023, respectively, there were no unreconciled differences between U.S. Treasury records and balances reported on the OCC's general ledger. Table 7 depicts the OCC's FBWT amounts for FY 2024 and FY 2023.

TABLE 7: Fund Balance With Treasury as of September 30, 2024 and 2023 (Dollars in Thousands)

FUND BALANCE	FY 2024	FY 2023
Trust fund	$31,360	$32,220
STATUS OF FBWT	**FY 2024**	**FY 2023**
Unobligated balance—available	$1,762,400	$1,812,559
Obligated balance not yet disbursed	$406,044	$426,957
Nonbudgetary FBWT	$(2,137,084)	$(2,207,296)
Total	$31,360	$32,220

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 $2,139.5 million on September 30, 2024, and $2,134.8 million on September 30, 2023. The overall portfolio earned an annual yield of 2.7 percent for FY 2024 and 2.2 percent for FY 2023.

The yield-to-maturity on individual securities in the non-overnight portion of the OCC's investment portfolio ranged from 0.3 percent to 4.7 percent on September 30, 2024, and from 0.2 percent to 4.7 percent on September 30, 2023.

TABLE 8: Intragovernmental Investments, Net as of September 30, 2024 (Dollars in Thousands)

INTRAGOVERNMENTAL SECURITIES	COST	AMORTIZATION METHOD	AMORTIZED (PREMIUM) DISCOUNT	INTEREST RECEIVABLE	INVESTMENTS, NET	OTHER ADJUSTMENTS	MARKET VALUE DISCLOSURE
Nonmarketable market-based	$2,151,147	Effective interest	$16,299	$3,280	$2,170,726	$0	$2,139,490
Total intragovernmental investments	**$2,151,147**	**NA**	**$16,299**	**$3,280**	**$2,170,726**	**$0**	**$2,139,490**

TABLE 9: Intragovernmental Investments, Net as of September 30, 2023 (Dollars in Thousands)

INTRAGOVERNMENTAL SECURITIES	COST	AMORTIZATION METHOD	AMORTIZED (PREMIUM) DISCOUNT	INTEREST RECEIVABLE	INVESTMENTS, NET	OTHER ADJUSTMENTS	MARKET VALUE DISCLOSURE
Nonmarketable market-based	$2,229,259	Effective interest	$1,730	$4,197	$2,235,186	$0	$2,134,776
Total intragovernmental investments	**$2,229,259**	**NA**	**$1,730**	**$4,197**	**$2,235,186**	**$0**	**$2,134,776**

With the public investments, net: During FY 2024, the OCC maintained investments in a money market mutual fund, Federated Hermes Trust for Treasury Obligations Fund, Capital Share Class, through a state-chartered Federal Reserve-supervised bank as part of its contingency planning strategy. Total investments with the public are $22.1 million as of September 30, 2024, up from $21.0 million as of September 30, 2023. Growth in the account was driven exclusively by interest earned on invested funds. 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 the Rule 2a-7 definition of a government money market fund.

TABLE 10: With the Public Investments, Fair Value Measurement as of September 30, 2024 (Dollars in Thousands)

INVESTMENT TYPE	LEVEL 1	LEVEL 2	LEVEL 3	OTHER	TOTAL
Debt securities	$22,104	$0	$0	$0	$22,104
Total with the public investments	**$22,104**	**$0**	**$0**	**$0**	**$22,104**

TABLE 11: With the Public Investments, Fair Value Measurement as of September 30, 2023 (Dollars in Thousands)

INVESTMENT TYPE	LEVEL 1	LEVEL 2	LEVEL 3	OTHER	TOTAL
Debt securities	$21,014	$0	$0	$0	$21,014
Total with the public investments	**$21,014**	**$0**	**$0**	**$0**	**$21,014**

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 provisions of the Dodd–Frank Act. 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 12: Accounts Receivable as of September 30, 2024 (Dollars in Thousands)

COMPONENT	GROSS	ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS	ACCOUNTS RECEIVABLE, NET
Intragovernmental receivables	$1,560	$0	$1,560
CMP receivables	1,180	0	1,180
With the public receivables	972	(8)	964
Total accounts receivable	**$3,712**	**$(8)**	**$3,704**

TABLE 13: Accounts Receivable as of September 30, 2023 (Dollars in Thousands)

COMPONENT	GROSS	ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS	ACCOUNTS RECEIVABLE, NET
Intragovernmental receivables	$1,700	$0	$1,700
CMP receivables	553	0	553
With the public receivables	55	(7)	48
Total accounts receivable	**$2,308**	**$(7)**	**$2,301**

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

The OCC's assets include land, a building, leasehold improvements, equipment, right-to-use lease assets, and internal-use software. See Note 1 for details on the OCC's capitalization policy and accounting for depreciation and amortization and Note 6 for details on right-to-use lease assets recorded per SFFAS No. 54, "Leases." The figures in tables 14 and 15 present the OCC's capitalization thresholds and the general PP&E balances as of September 30, 2024 and 2023, respectively.

In FY 2024, the OCC recognized $16.8 million of fully depreciated assets and fully amortized leasehold assets removed from service, compared with $4.5 million in FY 2023. This increase is predominately a result of the retirement of leasehold improvements in New York. In adoption of SFFAS 54, capital leases were removed from general PP&E.

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). Details concerning estimated land acreage are discussed in unaudited required supplementary information.

TABLE 14: Property, Plant, and Equipment, Net as of September 30, 2024 (Dollars 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	(45,502)	3,686
Leasehold improvements	50	5-20	101,804	(59,405)	42,399
Equipment	50	5	75,954	(46,683)	29,271
Right-to-Use Lease Assets	50	Lease term	473,460	(35,752)	437,708
Internal-use software	$250	5	89,959	(89,567)	392
Total	**NA**	**NA**	**$797,466**	**$(276,909)**	**$520,557**

TABLE 15: Property, Plant, and Equipment, Net as of September 30, 2023 (Dollars 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	(44,449)	4,739
Leasehold improvements	50	5-20	100,177	(68,844)	31,333
Equipment	50	5	68,598	(37,996)	30,602
Capital leases	50	5	6,556	(4,513)	2,043
Internal-use software	$250	5	90,549	(90,051)	498
Total	**NA**	**NA**	**$322,169**	**$(245,853)**	**$76,316**

NOTE 6—LEASES

The OCC adopted SFFAS No. 54, "Leases," on October 1, 2023. SFFAS 54 requires federal lessees to record and report a right-to-use lease asset and a lease liability for non-intragovernmental leases when certain criteria are met. Federal agencies recognize leases, that have a lease term of 24 months or more, when the entity has the right to obtain and control access to economic benefits or services from the underlying property, plant, or equipment for a period in exchange for consideration under the terms of the contract or agreement. SFFAS 54 requires federal lessors to record and report a lease receivable and unearned revenue. Intragovernmental leases, leases shorter than 24 months (short-term), and agreements that transfer ownership are excluded from the scope of SFFAS 54. In addition, the statement only applies to material items.

OCC AS LESSEE

The OCC leases equipment and office space for its headquarters operations in Washington, D.C., and for regional and field operations. All leases are evaluated at inception in accordance with the criteria set forth in the standard. In FY 2024, all of the OCC's leases were recorded as right-to-use leases subject to SFFAS No. 54 except for two intragovernmental leases and seven short-term leases for office space. As of September 30, 2024, the OCC's right-to-use lease asset balance, composed of office space and equipment leases, is $473.5 million with accumulated amortization of $35.8 million. Lease expiration dates range from FY 2025 to FY 2043, for office space leases, the majority with renewal options; equipment lease expirations range from FY 2025 to FY 2028.

For FY 2024, the OCC had $20.1 million in lease liability expense. As of September 30, 2024, OCC is carrying a current year lease liability balance of $2.3 million due to the timing of payments driven by lessor invoicing. Tables 16 and 17 show the future lease payments to nonfederal lessors for office space and equipment.

TABLE 16: Future Lease Payments to Nonfederal Lessors for Office Space as of September 30, 2024 (Dollars in Thousands)

YEAR	PRINCIPAL	INTEREST	TOTAL
2025	$24,417	$19,515	$43,932
2026	26,237	18,385	44,622
2027	27,751	17,187	44,938
2028	2,295	16,422	18,717
2029	20,511	16,152	36,663
2030 to 2034	159,088	60,532	219,620
2035 to 2039	165,750	21,379	187,129
2040 to 2044	20,908	1,567	22,475
Total	**$446,957**	**$171,139**	**$618,096**

TABLE 17: Future Lease Payments to Nonfederal Lessors for Equipment as of September 30, 2024 (Dollars in Thousands)

YEAR	PRINCIPAL	INTEREST	TOTAL
2025	$1,425	$113	$1,538
2026	1,247	54	1,301
2027	402	26	428
2028	416	12	428
2029	0	0	0
Total	**$3,490**	**$205**	**$3,695**

The OCC had three intragovernmental leases for office space at the beginning of the reporting period; however, one was temporary having both the lease commencement and end dates during the fiscal year. The two remaining leases with intragovernmental lessors expire in 2025. For the period ending September 30, 2024, OCC had $0.5 million in related lease expenses.

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 future lease income from our intragovernmental tenant, through FY 2030 and thereafter, as of September 30, 2024, is shown in table 18.

TABLE 18: Future Lease Income as of September 30, 2024 (Dollars in Thousands)

YEAR	AMOUNT
2025	$14,926
2026	15,225
2027	15,530
2028	15,840
2029	16,157
2030 and beyond	39,793
Total	**$117,471**

The OCC has two occupancy agreements with nonfederal retail tenants located in the same OCC-owned building mentioned above. These tenants are located on the plaza level to comply with the District of Columbia requirements. These leases are not accounted for under SFFAS No. 54 because related revenue is immaterial.

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 as of September 30, 2024 and 2023 (Dollars in Thousands)

COMPONENT	FY 2024	FY 2023
Post-retirement life insurance benefits	$81,359	$70,016
Federal Employees' Compensation Act	9,447	9,262
Pentegra DB Plan	728	661
Total actuarial liabilities	**$91,534**	**$79,939**

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 5.0 percent in FY 2024 and 5.8 percent in FY 2023. The year-over-year net actuarial liability increased ($81.4 million in FY 2024 from $70.0 million in FY 2023) primarily due to a decrease in the discount rate used to calculate the liability with the OCC recognizing a $9.2 million actuarial loss in FY 2024 and an actuarial gain of $3.1 million in FY 2023.

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 Related Expenses (Dollars in Thousands)

Change in actuarial and accrued benefits	**FY 2024**	**FY 2023**
Actuarial post-retirement liability, beginning balance	$70,016	$71,168
Actuarial expense		
Normal cost	1,126	1,049
Interest on the liability balance	4,065	3,765
Actuarial (gain)/loss		
From experience	1,625	(171)
From assumption changes	7,595	(2,950)
Prior service costs		
Total expense	**14,411**	**1,693**
Less amounts paid	(3,068)	(2,845)
Actuarial post-retirement liability, ending balance	**$81,359**	**$70,016**

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 2024 present value of these estimated outflows was calculated using a discount rate of 2.6 percent for wage benefits and 2.4 percent for medical benefits. For FY 2023, the discount rates for wage and medical benefits were 2.3 percent and 2.1 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. 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.

For the plan years beginning 2024 and 2023, the OCC made the minimum required contribution payments to Pentegra DB Plan. In fiscal years 2024 and 2023, the OCC recognized plan expenses of $3.2 million and $3.3 million, respectively.

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 decrease in net position reflects the excess of costs over revenues for FY 2024. Table 21 shows balances for the years ended September 30, 2024 and 2023, respectively.

TABLE 21: Net Position Availability (Dollars in Thousands)

COMPONENT	FY 2024	FY 2023
Financial reserves	$1,555,461	$1,636,867
Set aside for ongoing operations	195,202	171,735
Net position	**$1,750,663**	**$1,808,602**

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 shows the OCC's operating expense categories for the years ended September 30, 2024 and 2023, respectively.

TABLE 22: Net Cost of Operations by Expense Category (Dollars in Thousands)

COMPONENT	FY 2024	FY 2023
Personnel compensation and benefits	$954,359	$867,413
Contractual services	145,281	138,915
Rent, communication, and utilities	49,236	64,889
Travel and transportation of persons and things	35,851	29,060
Imputed costs (Note 10)	67,322	51,163
Depreciation	16,619	12,348
Other	74,815	39,748
Total cost of operations	**1,343,483**	**1,203,536**
Less earned revenues not attributed to programs	(1,218,469)	(1,185,310)
Total	**$125,014**	**$18,226**

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, 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 2024 and FY 2023 are listed in table 23. These imputed costs are included on the Statements of Net Cost. The financing sources absorbed by OPM are reflected in the Statements of Changes in Net Position and in Note 11. The year-to-year change in imputed cost is primarily due to an increase in CSRS and FERS service costs.

TABLE 23: Imputed Costs Absorbed by OPM at the End of the Period (Dollars in Thousands)

COMPONENT	FY 2024	FY 2023
Retirement	$35,147	$19,273
Federal Employees Health Benefits	32,103	31,822
Federal Employee's Group Life Insurance	72	68
Total	**$67,322**	**$51,163**

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 the years ended September 30, 2024 and 2023, respectively.

TABLE 24: Reconciliation of Net Cost to Net Outlays for the Year Ended September 30, 2024 (Dollars in Thousands)

(Dollars in Thousands)	Intra-governmental	With the public	Total FY 2024
Net cost	**$166,305**	**$(41,291)**	**$125,014**
Components of net cost not part of net outlays:			
Property, plant, and equipment depreciation and amortization	0	(52,371)	(52,371)
Right-to-use lease assets	0	471,418	471,418
Increase/(decrease) in assets:			
Accounts receivable, net	(140)	917	777
Investments, net	(64,460)	1,090	(63,370)
Other assets	9	69	78
(Increase)/decrease in liabilities:			
Accounts payable	0	(5,591)	(5,591)
Salaries and benefits	4,923	16,404	21,327
Lease liabilities	0	(452,718)	(452,718)
Other liabilities	1,936	(3,521)	(1,585)
Other financing sources:			
Imputed financing	(67,322)	0	(67,322)
TOTAL COMPONENTS OF NET COST NOT PART OF NET OUTLAYS	**$(125,054)**	**$(24,303)**	**$(149,357)**
Components of net outlays that are not part of net cost:			
Acquisition of capital assets	0	25,194	25,194
Intragovernmental investments	70,211	0	70,211
Total components of net outlays that are not part of net cost	**70,211**	**25,194**	**95,405**
Net outlays	**$111,462**	**$(40,400)**	**$71,062**

TABLE 25: Reconciliation of Net Cost to Net Outlays for the Year Ended September 30, 2023 (Dollars in Thousands)

(Dollars in Thousands)	Intra-governmental	With the public	Total FY 2023
Net cost	**$157,473**	**$ (139,247)**	**$ 18,226**
Components of net cost not part of net outlays:			
Property, plant, and equipment depreciation	0	21,661	21,661
Increase/(decrease) in assets:			
Accounts receivable, net	(273)	(150)	(423)
Investments, net	9,985	892	10,877
Other assets	(3)	(32)	(35)
(Increase)/decrease in liabilities:			
Accounts payable	0	(584)	(584)
Salaries and benefits	(462)	(11,035)	(11,497)
Other liabilities	(874)	(3,297)	(4,171)
Other financing sources:			
Imputed financing	(51,163)	0	(51,163)
Total components of net cost not part of net outlays	**$(42,790)**	**$7,455**	**$(35,335)**
Components of net outlays that are not part of net cost:			
Intragovernmental investments	(8,841)	0	(8,841)
Total components of net outlays that are not part of net cost	**(8,841)**	**0**	**(8,841)**
Net outlays	**$105,842**	**$(131,792)**	**$(25,950)**

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 2024, the OCC recorded a reduction to its contingent liability balance by $1,595,852 related to two different contingent liabilities. The first one in the amount of $450,852, was established in FY 2022, resolved during FY 2024, and removed from the OCC's financial records. The second one in the amount of $1,145,000, was established in FY 2023, reclassified by the OCC's legal counsel from "probable" to "reasonably possible"; consequently, in accordance with SFFAS No. 5 (as amended by SFFAS No. 12), the OCC removed the liability and disclosed it. In FY 2023 the OCC increased the contingent liability balance by $4,650,852 for two new legal cases.

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 (Dollars in Thousands)

UNDELIVERED ORDERS PAID AT THE END OF THE PERIOD	FY 2024	FY 2023
Intragovernmental	$39	$30
With the public	103	34
Total undelivered orders paid at the end of the period	$142	$64
UNDELIVERED ORDERS UNPAID AT THE END OF THE PERIOD	**FY 2024**	**FY 2023**
Intragovernmental	$9,070	$5,024
With the public	146,584	148,853
Total undelivered orders unpaid at the end of the period	$155,654	$153,877
Total	**$155,796**	**$153,941**

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 Treasury. The change in FY 2024 is due to an increase in the penalties assessed against regulated institutions.

Subsequent to September 30, 2024, the OCC collected a Civil Money Penalty from a national bank in the amount of $450 million.

TABLE 27: Custodial Revenue for the Year Ended September 2024 (Dollars in Thousands)

COMPONENT	TAX YEAR 2024	TAX YEAR 2023	TAX YEAR 2022	TAX YEAR PRE-2022	2024 COLLECTIONS
Fines and penalties, nontax related	$405,461	$0	$16	$43	$405,520

TABLE 28: Custodial Revenue for the Year Ended September 2023 (Dollars in Thousands)

COMPONENT	TAX YEAR 2023	TAX YEAR 2022	TAX YEAR 2021	TAX YEAR PRE-2021	2023 COLLECTIONS
Fines and penalties, nontax related	$107,042	$30	$32	$123	$107,227

Independent Auditor's Report

Acting Inspector General
U.S. Department of the Treasury

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Office of the Comptroller of the Currency (OCC), which comprise the balance sheets as of September 30, 2024 and 2023, and the related statements of net costs, changes in net position, budgetary resources and custodial activity for the years then ended, and the related notes to the financial statements, hereinafter referred to as the "financial statements."

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OCC as of September 30, 2024 and 2023, and its net costs, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*.

Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the OCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Notes 1 and 6 to the financial statements, the OCC changed accounting policies related to leases by adopting Statements of Federal Financial Accounting Standards (SFFAS) No. 54, Leases, on October 1, 2023. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Changes in Net Position.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 OCC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Financial Management Discussion and Analysis section be presented to supplement the basic financial statements referred to in the first paragraph of this report. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information in the About the OCC, Comptroller's Viewpoint, Condition of the Federal Banking System, Supervision, OCC Leadership, and Other Information sections, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2024, we considered the OCC's internal control over financial reporting (internal control) as a basis for designing the 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. Accordingly, we do not express an opinion on the effectiveness of the OCC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, 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 *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCC's financial statements as of and for the year ended September 30, 2024, are free from material misstatement, we performed tests of the OCC's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the OCC's internal control or on compliance. This section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OCC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GKA, P.C.

Washington, DC
October 31, 2024

OTHER INFORMATION

KEY PERFORMANCE MEASURES AND RESULTS

The OCC's FY 2024 performance measures, workload indicators, customer service standards, and results are presented in table 29. 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 supports four out of five Treasury Department FY 2022–2026 strategic goals: boost U.S. economic growth, promote financial stability, enhance national security, and achieve operational excellence.

TABLE 29: Performance Measures, Workload Indicators, Customer Service Standards, and Results

CATEGORY	PERFORMANCE MEASURES, WORKLOAD INDICATORS, AND CUSTOMER SERVICE STANDARDS	FY 2021	FY 2022	FY 2023	FY 2024 TARGET	FY 2024 ACTUAL
Supervise and regulate programs	Percentage of banks with composite capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk (CAMELS) rating of 1 or 2	99%	96%	95%	90%	92%
Supervise and regulate programs	Percentage of banks that are well capitalized	99%	99%	99%	95%	99%
Supervise and regulate programs	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.	98%	98%	98%	94%	97%
Charter program	Percentage of licensing applications and notices completed within established time frames	98%	98%	99%	95%	99%
Agency-wide	Total OCC costs relative to every $100,000 in assets regulated	$6.79	$6.78	$7.04	$7.86	$7.45

Note: A bank's composite rating, or CAMELS, under the Uniform Financial Institutions Rating System integrates ratings from six component areas: capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk.

PAYMENT INTEGRITY

The OCC follows the Treasury Department's implementation guidance for OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," Appendix C, "Requirements for Payment Integrity Improvement." According to the guidance, low-risk programs are placed on a three-year risk assessment cycle. The following OCC programs were assessed as low risk in FY 2023.

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

There are no changes to the risk rating in FY 2024. 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; 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 Treasury pay file reviews and Do Not Pay (DNP) continuous monitoring efforts. The OCC ensures effective controls are in place to prevent 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 2024, the OCC reported information on identified overpayments to OMB through Treasury.

Office of the
Comptroller of the Currency

MEMORANDUM

To: Janet Yellen
Secretary of the Treasury

From: Michael J. Hsu
Acting Comptroller of the Currency

Michael J. Hsu Digitally signed by Michael J. Hsu
Date: 2024.10.16 09:25:10 -04'00'

Date: October 16, 2024

Subject: Final FY 2024 Unmodified Statement of Assurance for Achievement of Management Control Objectives

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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 appendices, 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 our 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 the internal controls over strategic, operational, reporting, and compliance objectives were operating effectively as of September 30, 2024.

In addition, the OCC conducted an assessment of our financial management systems in accordance with OMB Circular A-123, Appendix D, Management of Financial Management Systems – Risk and Compliance. Based on the results of this assessment, our financial management systems substantially comply with FFMIA Section 803(a) as of September 30, 2024.

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

ABBREVIATIONS

ADU	accessory dwelling unit
AI	artificial intelligence
AML/CFT	anti-money laundering and countering of the financing of terrorism
ASC	Accounting Standards Codification
AVM	automated valuation model
BNPL	buy now, pay later
BSA	Bank Secrecy Act
CBS	Committee on Bank Supervision
CFPB	Consumer Financial Protection Bureau
CMP	civil money penalty
CRA	Community Reinvestment Act
CSRS	Civil Service Retirement System
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FBWT	Fund Balance with Treasury
FDIC	Federal Deposit Insurance Corporation
FERS	Federal Employees Retirement System
FFIEC	Federal Financial Institutions Examination Council
FHFA	Federal Housing Finance Agency
FOIA	Freedom of Information Act
FSA	federal savings association
FSOC	Financial Stability Oversight Council
FY	fiscal year
GAAP	generally accepted accounting principles
MCBS	Midsize and Community Bank Supervision
MDI	minority depository institution
NCUA	National Credit Union Administration
NPR	notice of proposed rulemaking
NRC	National Risk Committee
OCC	Office of the Comptroller of the Currency
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PP&E	property, plant, and equipment
REACh	Roundtable for Economic Access and Change
ROV	reconsideration of value
SARP	*Semiannual Risk Perspective*
SEC	Securities and Exchange Commission
SFFAS	Statements of Federal Financial Accounting Standards
TSP	Thrift Savings Plan

OCC HEADQUARTERS

400 7th St. SW
Washington, DC 20219

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REPORT WASTE, FRAUD, AND ABUSE

Submit a complaint regarding Treasury OIG Treasury Programs and Operations using our online form: https://oig.treasury.gov/report-fraud-waste-and-abuse

TREASURY OIG WEBSITE

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