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OCC Issues Its Semiannual Risk Perspective



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The Office of the Comptroller of the Currency (“OCC”) issued its Semiannual Risk Perspective for Spring 2022 on June 23. This was the same day the Federal Reserve released the results of its stress test for large bank holding companies, so the OCC’s Risk Perspective may have flown beneath the radar.

The OCC highlighted operational, compliance, interest rate, and credit risks among the key risks. The OCC’s stated highlights from the report include:

- Bank financial performance faces challenges from inflation, a rising interest rate environment, and other implications related to the pandemic and geopolitical events.
- Operational risk is elevated as banks respond to an evolving and increasingly complex operating environment. Cyber risk remains elevated.
- Compliance risk is heightened as banks navigate the current operational environment, regulatory changes, and policy initiatives.
- Credit risk remains moderate as banks face some areas of weakness and potential longer-term implications related to the pandemic, inflation, and direct and indirect impacts of the war in Ukraine.
- Across key risk areas, banks are experiencing challenges retaining and replacing staff with specialized experience due to increasing turnover. During this period of increasing volatility, these staffing challenges present increased risk.
- The report also highlights an OCC initiative to act on climate-related financial risks to the federal banking system.

Of note, the OCC mentioned the challenges banks face with staffing in both the operational and compliance risk sections of the report. With regard to compliance

risk, the report stated: “[t]he OCC has observed an increase in the competition for compliance subject matter experts, at both the bank management and staff levels.”
