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OCC Issues Latest Semiannual Risk Perspective



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The Office of the Comptroller of the Currency (“OCC”) issued its [Semiannual Risk Perspective for Spring 2023](#) (“SARP”) yesterday. The OCC highlighted liquidity, operational, credit, and compliance risks, among the key risk themes in the report.

The OCC’s stated highlights from the report include:

- Liquidity levels have been strengthened in response to the failures of several banks and to investment portfolio depreciation. Rising long-term rates caused significant depreciation in investment portfolios, focusing attention on banks’ liquidity risk profiles.
- Credit risk remains moderate in aggregate, but signs of stress are increasing – for instance, in certain segments of commercial real estate. Overall, credit markets and loan portfolios remain resilient, and problem loan levels remain manageable. The persistent drag from high inflation and rising interest rates, however, is causing credit conditions to deteriorate.
- Operational risk is elevated. Cyber threats persist. Digitalization of banking products and services is expanding, especially as banks increase use of third parties. This expansion presents both opportunities and risks.
- Compliance risk is elevated. Banks continue to operate in a dynamic environment in which compliance management systems are challenged to keep pace with changing products, services, and delivery channel offerings developed in response to customer needs and preferences.

Acting Comptroller of the Currency Michael Hsu issued a [statement](#) to accompany the release of the SARP. In it, he noted: “[s]ince March, the OCC has been closely monitoring the conditions of the institutions we supervise. The federal banking system is sound, and deposits are safe. Notably, national banks and federal savings associations (banks) have strengthened their liquidity to cover potential deposit

withdrawals.” He also noted a familiar theme of guarding against complacency and said he “expects banks to ‘be on the balls of their feet’ with regards to risk management, just as our examiners are.”
