

**Statement of  
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Comptroller of the Currency**

**Before the  
Committee on Banking, Housing and Urban Affairs  
United States Senate  
September 9, 2014**

Chairman Johnson, Ranking Member Crapo, and members of the Committee, I am pleased to appear here today to provide an update on the steps the OCC has recently taken to further enhance the effectiveness of our bank supervision and to provide a status report on the completed and current projects required by the Dodd-Frank Act.

However, as this might be the last time I have the pleasure of appearing at a hearing before Chairman Johnson, I'd first like to thank him for his guidance and his steady leadership over the years. I have been in public service for a long time and learned early on that when Congressman Johnson, or Senator Johnson, had something to say on a financial matter, it was worth listening to. I thank you for your years of wisdom and wish you well in your retirement.

In the four years since passage of the Dodd Frank Act, new tools have been developed and new rules have been put in place to address regulatory gaps and create a stronger financial system. For our part, we at the OCC have completed all of the Dodd Frank rulemakings for which we have sole responsibility. For those interagency rulemakings that remain to be completed, I believe we have made good progress to date and anticipate finalizing many of them in the near term.

Since the crisis, we have also seen steady improvements in the overall financial condition of the banking system. Despite the improving strength and health of banks, however, I am keenly aware of the need for supervisors to remain vigilant.

Last week I was pleased to sign a new rule that not only memorializes the heightened standards we have applied to large complex banks since 2010, but provides an enforcement mechanism to compel compliance when necessary. Requiring higher supervisory standards for the largest and most complex banks we oversee is consistent with the Dodd Frank Act's broad objective of strengthening the stability of the financial system. These heightened standards address the need for comprehensive and effective risk management; an engaged board of directors that exercises independent judgment; a more robust audit function; talent development, recruitment and succession planning; and a compensation structure that does not encourage inappropriate risk taking.

Consistent with the heightened standards we are requiring of the largest banks, we are holding ourselves accountable to supervisory improvements as well. Last year, I asked a team of international regulators to provide a broad, candid and independent assessment of our supervision of midsize and large banks. The review identified a number of areas where we perform really well, but also highlighted areas where we need to improve. The OCC has embraced the team's findings and taken steps to execute recommendations that include transformational improvements. One key improvement includes expanding our lead expert program which will allow us to better compare the operations of the institutions we regulate to identify trends, best practices and weaknesses. Another change will improve our ability to identify systemic risk by enhancing our risk monitoring processes and reporting. That fits squarely with the semi-annual public reports by our National Risk Committee. Those reports highlight emerging industry trends and identify those risk areas where we will focus our resources.

While the OCC has taken many steps to improve our supervision of large banks, we also recognize the impact of our activities on community banks. While we are focused on strong and effective supervision, we are always mindful of the need to avoid unnecessary burden on community banks. We have responded by tailoring our supervisory programs to the risk and complexity of a bank's activities. In each rulemaking, the OCC has sought and listened to the concerns of community banks. As an example, the lending limits rule provides a simpler option for small banks to use for measuring credit exposures. And the final domestic capital rules address concerns of small banks with respect to the treatment of TruPS, accumulated other comprehensive income, and residential mortgages.

My written statement includes a full status report on the many Dodd Frank Act rulemakings the OCC has been involved in and our efforts to better coordinate with other domestic and international regulators. My statement concludes with an update of our activities to shore up the industry's defenses against cyber threats, which I regard as one of the most significant emerging issues facing the industry.

Thank you again. I would be happy to answer questions.