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ORAL STATEMENT OF

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COMPTROLLER OF THE CURRENCY

before the

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

June 14, 2018

Statement Required by 12 U.S.C. § 250:

The views expressed herein are those of the Office of the Comptroller of the Currency and do not necessarily represent the views of the President.

Chairman Crapo, Ranking Member Brown, and members of the Committee, thank you for the opportunity to share my priorities as Comptroller of the Currency and my views on reducing unnecessary regulatory burden and promoting economic opportunity. The Office of the Comptroller of the Currency's mission is to ensure our federal banking system operates in a safe and sound manner, provides fair access, treats their customers fairly, and complies with applicable laws and regulations. We can accomplish that mission *and* rationalize our regulatory framework so that the system can help create more jobs and economic opportunity.

My written testimony details the condition of the federal banking system, risks facing that system, and my priorities. Those priorities include modernizing the Community Reinvestment Act to increase lending, investment, and financial education to where it is needed most; and encouraging banks to meet short-term small-dollar credit needs to provide consumers with additional safe, affordable credit choices. My priorities also include enhancing Bank Secrecy Act and Anti-Money Laundering compliance so that banks provide a more effective means to support law enforcement and comply with statutory and regulatory requirements more efficiently. I also support simplifying regulatory capital requirements, recalibrating the Volcker Rule, and ensuring the agency operates effectively and efficiently.

Today, I also want to discuss the importance and quality of the work accomplished at the OCC. Since becoming Comptroller, I have been struck by the professionalism and caliber of the agency's staff. The agency's 4,000 employees serve our nation by performing the important task of supervising more than 1,300 national banks, federal savings associations, and federal branches of foreign banks. While the vast majority of the institutions we oversee are small community banks, the system also includes the largest, most globally active banks in our country. Successful supervision requires a corps of professional examiners, supported by lawyers, economists,

information technology specialists, policy experts, and others. Few Americans know the OCC, but the majority of them have a relationship with at least one of the banks we supervise. It is not an overstatement to say our nation's banking system is the most respected in the world—due in large part to the quality of supervision the OCC provides.

The OCC is unique among federal banking regulators. It is the sole regulator exclusively dedicated to prudential supervision. Undistracted by multiple mandates, we maintain a laser focus on bank safety, soundness, and compliance. The agency takes a risk-based approach to supervision, tailoring its oversight to the risks and business models of each bank. At the same time, its broad national perspective provides value in identifying risks and concerns that may face similar banks or the broader system. Our risk-based approach allows us to adapt to the changing environment and to prioritize our regulatory resources on the risks with the greatest potential to disrupt the industry and harm its customers. Our approach may mean lower-level risks receive less attention compared with more immediate concerns, but also allows the agency to adapt quickly as risks evolve. History demonstrates the value of an agency with such singular focus and mature capabilities regarding regulation and supervision.

Following the crisis of 2008, our country's banking system recovered faster than the rest of the world's because regulators and bankers together recognized losses and worked through troubled assets more quickly than our international counterparts. U.S. banks recapitalized faster and established stable liquidity, while other global economies lagged. Our economic recovery has been steady. We are now in the second longest period of expansion in our nation's history and banks have been part of that success. Our banks have capital and liquidity approaching historic highs. Credit and asset quality are near pre-crisis quality. And, bank risk management is better than at any point in my 35-year career. That is a testament to good supervision as well as

sound bank management. That strength helps banks realize their potential of being engines of job growth and economic opportunity.

I congratulate the Chairman and this Committee on passing the Economic Growth, Regulatory Relief, and Consumer Protection Act. The act achieves common sense, bipartisan reforms that eliminate unnecessary burden, promote economic opportunity, and continue core safeguards necessary to protect the safety and soundness of our financial system and prevent consumer abuse. I am fully committed to implementing the changes in the law as quickly as possible. I will work with my fellow regulators on a collaborative interagency basis where appropriate. Where existing rules may conflict with the Economic Growth Act, where the statute provides transition periods, or where the law requires agency rulemaking for implementation, the OCC plans to supervise institutions consistent with the intent of the law, including with respect to amendments to the stress-testing requirements, and will not enforce requirements on banks that the bill intends to eliminate.

As a bank executive, I relied heavily on the judgment, experience, and counsel of OCC examiners. They helped me identify issues and address them effectively before the concerns became serious problems. I felt OCC examiners understood what we as bankers were trying to achieve and how we worked to meet the financial needs of our customers. I slept better knowing that the OCC supervised my bank, and you can sleep better knowing the men and women of the OCC are on the job overseeing the nation's federal banking system.

In closing, I want to congratulate you, Chairman Crapo, on your leadership of this committee, and thank you for allowing me to share my perspective as Comptroller. I look forward to answering your questions.