

Oral Statement of
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Acting Comptroller of the Currency
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Chairman Brown, Ranking Member Toomey, members of the Committee, thank you for the opportunity to testify today.

I am honored by Secretary Yellen's confidence to appoint me to this post of Acting Comptroller of the Currency. I am a career public servant and a bank supervisor at my core. My 19 years of experience at multiple agencies have spanned periods of growth, crisis, reform, and recovery.

My written testimony shares in more detail my priorities. I see four urgent problems requiring immediate attention: (1) guarding against complacency, (2) reducing inequality, (3) adapting to digitalization, and (4) acting on climate change. Let me briefly describe each.

First, I believe the banking system is at risk of becoming complacent. Banks deserve credit for weathering the pandemic well thus far. I am concerned, however, that as the economy recovers and pressure to grow returns, over-confidence leading to complacency is a risk—when prudent risk management is set aside in pursuit of profit. I see the losses related to Archegos, the froth in SPACs and crypto, and the recent buzz around buy now, pay later as potential warning flags. Today, bank leaders, boards of directors, and we supervisors must be especially vigilant.

Second, reducing inequality must be a national priority, as reflected by the theme of this hearing. The pandemic has had a disproportionate impact on vulnerable groups, and the recovery threatens to leave them even further behind. Historically, many low-income individuals have been treated by banks as either credits to be avoided or credits to be exploited. I am committed to changing this, starting with strengthening the Community Reinvestment Act, or CRA. Last month, I announced that the OCC would propose rescinding the agency's 2020 rule and commit to working with the Federal Reserve and FDIC to put forward a *joint* rulemaking that strengthens and modernizes the CRA. In doing so, we will make sure to seek public

comment on any changes so that all voices are heard and considered. In addition, I recently encouraged participants in the OCC's Project REACH to aim higher in addressing barriers to financial inclusion, such as using alternative data to help bring those without credit scores into the financial mainstream.

Preventing predatory lending is just as important as increasing financial inclusion. Following Congress' repeal of the True Lender rule, I instructed staff to gather and analyze data on bank-fintech partnerships in order to explore how we can identify and differentiate between harmful rent-a-charter arrangements and healthy partnerships that expand access to credit. That analysis will inform the development of future options to protect consumers and expand financial inclusion.

Third, we—financial regulators—must *collectively* adapt to the digitalization of banking and finance and determine how fintechs, payment platforms, and digital assets fit into the regulated system. When I took office, I paused approvals of novel charters pending an internal review of the OCC's licensing framework and of recent interpretive letters. In June, the OCC, FDIC, and Federal Reserve established a "sprint team" to provide greater clarity and collaboration around digital assets and cryptocurrencies. In July, we were excited to join the President's Working Group in evaluating the risks of stablecoins and developing policy recommendations. These efforts seek to adapt to a rapidly changing landscape, in a coordinated manner across agencies, to facilitate responsible innovation while limiting regulatory arbitrage and races to the bottom.

Fourth, we must recognize that climate change is a safety and soundness issue and we must act accordingly. Banks, especially large banks, are exposed to both physical and transition risks from climate change. Identifying, measuring, and managing these risks is challenging. The OCC is taking a two-pronged approach. First, we must engage with and learn from others. The OCC recently joined the Network for Greening the Financial System (NGFS), a group of central banks and supervisors from across the globe who share best practices. Second, we must support the development and adoption of effective climate change risk management practices at banks. I have asked staff to review and evaluate the current range of practices, with an eye towards identifying best practices and laggards. The OCC recently appointed a Climate Change Risk Officer to lead this effort and to expand the agency's capacity to collaborate with stakeholders.

Finally, my testimony reiterates the OCC's commitment to fostering well-managed

community banks and allowing them to grow and thrive. We are mindful of the importance of tailoring our regulatory requirements and mitigating the burden our examination process can have on smaller institutions. We are leveraging technology and blending our onsite and offsite work, and studying ways to further reduce community bank fees in order to level the playing field with state-chartered and unregulated competitors.

Thank you again for this opportunity to testify and I look forward to your questions.