Statement of

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Comptroller of the Currency

On the Supplementary Leverage Ratio

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Thank you Chairman Gruenberg.

First, I'd like to thank the staff at all three agencies for the very hard work that's gone into developing and finalizing the enhanced supplementary leverage ratio standards for the largest and most interconnected banks. The issues involved were complex and difficult, and it took everyone's best effort – and a strong spirit of collegiality and collaboration – to develop the rule we are voting on today. I signed the rule this morning on behalf of the Office of the Comptroller of the Currency, and so I will vote in favor of the FDIC's rule, which contains identical text.

I also support publishing for comment a proposed interagency rule that would revise the denominator for the supplementary leverage ratio. This revision would more closely align the U.S. banking rules with international leverage ratio standards and more appropriately capture the risk to which a bank is exposed. For example, the proposal would incorporate the effective notional amount of written credit derivatives and similar instruments in the calculation. The OCC will also be publishing and seeking comment on the proposal.

The financial crisis made plain that all institutions need stronger and higher quality capital, but it also showed that there are important differences between our largest banks and the rest of the industry. It's clear that the very largest banks can have an outsized impact on the entire system, so it makes sense to require that they hold higher levels of capital.

The enhanced supplementary leverage ratio rule that we are finalizing today would do just that. It doubles the leverage ratio for covered depository institutions, to a total of six percent. The leverage ratio, along with changes the agencies made last year to the risk-based capital standards, will improve the resilience of our largest financial institutions and help maintain public confidence in their ability to weather future financial shocks. Importantly, it also places an additional cushion between those banks and both the FDIC insurance fund and the resolution mechanisms of the federal government.

I believe that other regulations we have adopted, through the capital process as well as through our implementation of the Dodd-Frank Act, will go a long ways toward preventing future systemic breakdowns of the type that triggered the last financial crisis. This new leverage capital rule will not only strengthen our largest and most systemically important financial institutions, but will serve to reassure markets in times of stress.

While we can’t entirely prevent future disruptions, we can preserve confidence in the financial system by ensuring that our large banks are well-capitalized. This rule is an important step in that direction, and it will go a long way toward helping us weather financial storms in the years to come.