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ORAL STATEMENT OF

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before the

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

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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 testify. We all share the goal of a strong national economy. Since becoming Acting Comptroller, I have worked with staff and colleagues to promote economic growth and opportunity. I am honored to serve in this role until the Senate confirms the 31st Comptroller. During my service, the OCC will carry out its mission to maintain the strength of our federal banking system and will do so consistently with the President's Executive Order on core financial principles[1] and the recent Treasury report.[2]

Our country has the world's most respected banking system. When running well, it powers economic growth and prosperity. To run well, we must balance prudent regulations with sound opportunities for expansion. It has been 10 years since the Great Recession began. It is time again for a constructive, bipartisan conversation about how to recalibrate our regulatory framework. In doing so, we must carefully consider the cumulative effects of our actions, especially on community and midsize banks.

When I arrived at the OCC six weeks ago, I sought the views of all affected parties on the issues facing the agency and the industry. I sought ideas from our "boots on the ground" to reduce unnecessary regulatory requirements and encourage economic growth. Staff submitted more than 400 suggestions and are excited to use our collective expertise to contribute to more efficient and effective regulation.

I also sought the views of colleagues at the federal and state levels, bankers, trades, scholars, community groups, and others on what we can do to make our regulatory framework better for everyone. The response has been overwhelming. People from all sectors have

[1] Executive Order 13772 (February 3, 2017).

[2] U.S. Department of the Treasury, *A Financial System That Creates Economic Opportunities; Banks and Credit Union*." June 2017.

accumulated 10 years of experience and want to share it so that we can continue to have the strongest banking system in the world.

My testimony offers legislative options for your consideration that address two general issues that have become apparent in my canvassing of affected parties.

First, I repeatedly hear about regulatory redundancy. My support of legislative action to rationalize our regulatory framework relies on our organically developed decentralization of authority and responsibility. Independent regulators for different and unique financial sectors ensure multiple points of view and important checks and balances. But, we must be mindful that as our system has evolved, it has created unnecessary regulatory burden and overlap. The need *now* is to recalibrate roles and responsibilities to maximize efficiency and eliminate growth-inhibiting redundancy.

Second, it has become apparent that we need a right-sizing of regulation to eliminate inflexible, one-size-fits-all requirements that result in banking regulation that simultaneously under- and over-regulates bank activities.

I want to highlight four ideas from my written testimony that respond to these issues.

First, Congress could streamline the regulation of smaller, less complex bank holding companies by amending the law so that when a small depository institution constitutes the majority of its holding company's assets, the federal regulator of the depository institution would have sole examination and enforcement authority for the holding company as well.

Second, Congress could eliminate 19th century impediments for smaller, less complex national banks to operate without a holding company by allowing these banks to have the same access as state banks to the publicly traded markets.

Third, Congress could eliminate a statutory barrier to entry for new community banks by allowing *de novo* banks to obtain deposit insurance automatically when chartered by the OCC.

Finally, a bipartisan consensus is emerging that the Volcker Rule needs clarification and recalibration to eliminate burden on banks that do not engage in covered activities and do not present systemic risks. Various options exist that can be pursued at both the Congressional and agency levels. I hope that we, the agencies, can move forward on seeking public comment on this topic soon.

My testimony provides a summary of the EGRPRA report[3] as well as other ideas to consider. Today's conversation is a healthy one, and I look forward to working with the Committee as we move ahead. Thank you, and I look forward to answering your questions.

[3] See EGRPRA Joint Report to Congress. March 2017 (https://www.occ.gov/news-issuances/news-releases/2017/nr-ia-2017-33a.pdf).