Office of the
Comptroller of the Currency

Remarks of Jonathan V. Gould
Comptroller of the Currency
Financial Stability Oversight Council
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At the OCC, we are focused on resetting the risk tolerance for the federal banking system and, by extension, the banking system as a whole. Following the 2008 financial crisis, we implemented a regulatory and supervisory framework that sought to micromanage bank balance sheets and activities, and to reduce much of the examination process to a compliance exercise focused on procedural box-checking. This low risk tolerance raises the specter of a stagnant and increasingly irrelevant banking system. This has implications for our financial stability.

Likewise, we often pursued risk elimination rather than risk management strategies. But risk elimination presupposes control over a closed system. Regulators are not omnipotent, nor is the banking system closed. On the contrary, confronted with this risk-intolerant regulatory posture, many activities and exposures have flowed out of the banking sector since 2008 and into the larger financial services system. The risk did not go away, and the banking sector grew weaker and less dynamic.

We were offered the false choice between economic growth and financial stability. We delivered neither. To the contrary, financial stability depends upon economic growth, as Deputy Assistant Secretary Skinner has discussed.

The federal banking system comprises almost two-thirds of total U.S. commercial banking assets. As its administrator, it is my job to set a risk tolerance through chartering, regulation, and supervision that allows the federal banking system to remain relevant and fulfill its function. In doing so, I take an eyes-wide-open approach to risk management that extends beyond the immediate time horizon and recognizes that the banking system is one part of a dynamic financial whole.

To that end, the OCC is reviewing the entire post-2008 chartering, regulatory, and supervisory framework. We will be making adjustments where Congress has given us the discretion to do so consistent with the views I have just expressed.

To address each of our functions in turn:

- On chartering, I have recently elevated the stature of our chartering and licensing function within the agency to reflect its strategic importance as gatekeeper of the federal banking system. This will allow me to ensure policy is set at the senior most levels of the agency and decisions are made quickly – including on de novo charters and bank mergers and acquisitions, where we will no longer have a de facto "no" policy. I will set policy in this area to ensure our federal banking system is no longer stagnant and remains diverse in nature and dynamic in scope of activities. As announced earlier this week, we are also using our licensing process as a means to scrutinize and address debanking issues consistent with the President's executive order.

- On regulation, we will be focusing on capital and liquidity reforms with the other banking agencies. Our current approaches are far too complex and opaque, which frustrates accountability and impedes action in a crisis, such as what we encountered in March 2020. We will also be moving to address the regulatory framework for national banks specifically, including reassessing the need for things like recovery planning and heightened standards. Wherever possible, we will look to tailor regulations consistent with the letter and spirit of the 2018 Economic Growth Act. We will focus first on community banks, including making changes to the community bank leverage ratio framework and raising applicable regulatory asset thresholds where we have discretion to do so. We are also engaged in efforts with other banking agencies to eliminate the use of reputation risk and define key supervisory concepts, like unsafe and unsound practices, in regulation. This will have the benefit of putting bank supervision on a firmer legal foundation and refocusing it on material financial risks. And our efforts to implement the GENIUS Act are ongoing. That is an important priority for us, and we are acutely focused on the statutory deadlines that Congress has set.

- Finally, on supervision, we will tailor bank supervision to reflect our tailored regulatory framework. We will prioritize reforms aimed at community banks. Next week, I will be spending several days on site with our examiners as they wrap up a community bank examination and deliver feedback to management. This experience will inform ongoing efforts at the OCC to revise our examination approaches to community banks for certain areas like fair lending, capital, liquidity, the Community Reinvestment Act, and third-party risk management, with an eye to adjusting such approaches to reflect the low risks posed by community banking activities. More generally, we have begun reviewing supervisory strategies across banks of all sizes with the goal of eliminating ongoing or targeted examination activities that are not related to material financial risks, thus shrinking the burden on banks posed by our exam activities, document information requests, and the like. This will also help ensure we do not miss the things that really matter to a bank's financial condition, as was the case with the failures in bank supervision at Silicon Valley Bank. We will also be raising concerns of redundant supervision with the other federal banking agencies, whether around specific topics like cyber or where other agencies are not appropriately deferring to functional regulators as required by law.

I look forward to working with my colleagues at Treasury under the leadership of Secretary Bessent and with the other agencies represented around this table to deliver much-needed reforms to our financial services system, all working to support the President's vision and agenda. In this way, I hope the OCC will contribute to the financial stability goals of this Council and the economic growth that is its prerequisite.