Statement of

Thomas J. Curry
Comptroller of the Currency

Before the

Committee on Banking, Housing and Urban Affairs
United States Senate

February 6, 2014

Chairman Johnson, Ranking Member Crapo, and members of the Committee, thank you for the opportunity to appear before you today. Your invitation asked for our thoughts on a range of important issues, and my written testimony covers those matters in detail. In the time I have now, I would like to speak briefly about what the OCC is doing to improve the security of consumer financial information held by banks, implement the Dodd-Frank Act, and improve our own supervisory processes.

First, let me say that there are few issues of greater concern to me or to the OCC than the increasing risk of cyber attacks. The data breaches at Target and Neiman Marcus, as well as recent denial of service attacks on some large banks, are more than just an inconvenience for banks and their customers. The affected customers pay a price in terms of the time lost monitoring accounts, as well as the very real expense incurred in restoring their credit information, even though they are generally protected against fraudulent charges by their financial institutions. Banks bear the expense of replacing cards, providing credit monitoring services, and reimbursing customers for fraud losses. Moreover, every data breach raises questions about the security of our retail payment systems, which can diminish public confidence. Further, I am concerned that these cyberattacks are becoming increasingly sophisticated and may impair our financial sector's critical infrastructure.

The banking sector is highly regulated and subject to stringent information security requirements. Banks and their service providers must protect both their own systems and their customers' data and respond promptly when any breach of customer information occurs. Moreover, the OCC regularly updates our supervisory practices and industry guidance to keep pace with the rapidly changing nature of cyber threats. For example, we recently issued updated guidance on third-party vendors to stress our expectation that banks have appropriate risk management practices in place for these relationships. We also engage in ongoing outreach to bankers to share information on emerging threats.

One of my first initiatives as chairman of the Federal Financial Institutions Examination Council was to establish a working group on cybersecurity issues. This group has already met with intelligence, law enforcement, and homeland security officials to share information, and is exploring additional actions we can take to ensure that banks of all sizes have the ability to safeguard their systems.

We have also made great progress in implementing the Dodd-Frank Act and in strengthening the resiliency of the banking system by requiring enhanced capital, reserves and liquidity. For example, we finalized a rule requiring that an institution's lending limit calculation account for credit exposure arising from derivatives and securities financing transactions.

Last year, the OCC, along with the other rulemaking agencies, adopted final regulations implementing the Volcker Rule, which bars banks from engaging in proprietary trading and limits their ability to invest in or sponsor hedge funds or private equity funds. Throughout this interagency rulemaking, the OCC worked to minimize the compliance burden on community banks engaged in limited activities, while ensuring that the largest banks are subject to robust compliance and reporting requirements.

But while Congress gave us a number of important tools to help preserve the stability of the banking and financial system, it would be a mistake to overlook the important role of supervision to the health of the banking industry. Since the crisis, the OCC has taken a number of steps to help ensure the future strength of the industry.

For example, we developed a set of heightened standards for large bank management and boards of directors. We expect banks to meet the highest standards for risk management and corporate governance. We have proposed to include these standards as enforceable guidelines in our Part 30 regulation, which will improve our ability to enforce them.

At the same time, we also have taken a hard look at our supervision. Last year, I asked a team of senior international supervisors to provide a frank and independent assessment of the way we supervise large institutions. Their thoughtful report notes strengths in our program and identifies areas in which we can improve. We are evaluating how best to implement their recommendations. This is not an easy thing for an agency to do, and I've been impressed with the willingness of OCC staff to embrace every opportunity to improve. That attitude is the mark of a healthy organization, and it is one of the reasons I believe the OCC continues to be ready to meet the challenges of supervising a rapidly changing industry.

Thank you and I look forward to your questions.