Statement of

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At the Interagency Outreach Meeting on
The Economic Growth and Regulatory Paperwork Reduction Act

Washington, DC
December 2, 2015

Good Morning.

I'd like to thank each of you for being here today to join in this discussion about how we can reduce unnecessary regulatory burden on community banks. As you probably know, this is the sixth in a series of meetings we have held under the Economic Growth and Regulatory Paperwork Reduction Act, or EGRPRA. The first took place exactly one year ago today, on December 2, 2014, in Los Angeles. The discussion generated at that meeting and at those that followed was quite vigorous and very informative. Today's meeting is the final session in this process, and I'm hoping for a discussion that is every bit as lively as the first five.

As you know, we are working on this project on an interagency basis, as well as through the offices of the Federal Financial Institutions Examination Council, or FFIEC, which brings together the banking agencies, the National Credit Union Administration, and the state supervisory agencies. The FFIEC participation is especially appropriate, since we have been making increasing use of it to provide support to community banks, particularly in resource-intensive areas like cybersecurity.

Smaller banks and thrifts don't have the same kind of resources that large institutions can bring to bear on regulatory compliance, and if we can eliminate unnecessary rules and streamline others, we can make it easier for these institutions to serve the economic needs of their communities.

Of course, it's true that regulations by their nature carry at least some burden. Most provide public benefits that outweigh the burden they impose. But what worries me is the way that the regulatory rulebook builds up over time, adding layer after layer of requirements that can be quite onerous for small banks. So we at the OCC are taking this process very seriously. I'm very interested in hearing from the panelists and members of the audience about specific regulations that are either outdated, unnecessary, or needlessly burdensome, as well as your ideas for areas of improvement.

If you don't get a chance to speak today, I would encourage you to submit a written comment. You can use one of the comment forms we have here or send us a text if you are viewing this meeting online. You also can respond to our upcoming *Federal Register* notice. We will consider carefully all of the comments received today, and a summary will be published on the regulations.gov Web site and included in our report to Congress.

While this process will unfold over some time, I can assure you that we at the OCC and our colleagues at the FDIC and Fed will not wait until it is over to make changes when a solid case has been made for reform. If it is clear that a regulation is unduly burdensome, and if we have authority to make changes to eliminate that burden, we will act. Already the banking agencies, acting through the FFIEC, are seeking comment on proposals to eliminate or revise several call report items. Among the other proposals we are looking at is one that would create a streamlined version of the call report for community banks. These call report initiatives are consistent with the early feedback the OCC, FDIC, and Federal Reserve have received in this EGRPRA review.

However, many regulatory requirements are rooted in laws passed by Congress, and changes may require legislative action. In those cases, we will work with Congress to remove unnecessary burdens.

The OCC has advanced specific legislative proposals to eliminate regulatory burden. Let me briefly talk about two of them. First, we think a greater number of healthy, well-managed community institutions ought to qualify for the 18-month examination cycle. That would not only reduce the burden on those well-managed institutions, it would allow the federal banking agencies to focus our supervisory resources on those banks and thrifts that present capital, managerial, or other issues of significant supervisory concern. I'm pleased that the House voted in October to raise the asset-threshold to $1 billion, and that the proposal has been included in another funding measure that is likely to be signed by the President. The Congressional Budget Office says that as many as 600 additional banks would qualify for the 18-month cycle under the higher threshold.

Second, we've developed a proposal to provide federal savings associations with greater flexibility to expand their business model without changing their governance structure. It's important that federal savings associations, like other businesses, have the flexibility to adapt to changing economic and business environments to meet the needs of their communities, and they shouldn't have to bear the expense of changing charters in order to do so. We have recommended authorizing a basic set of powers that both federal savings associations and national banks can exercise, regardless of their charter, so that savings associations can change business strategies without moving to a different charter. I'm pleased to tell you that this proposal recently passed the House Financial Services Committee and I'm hopeful the full House will consider it soon.

I think these legislative proposals are meaningful steps which could help a great number of smaller institutions. But we shouldn't stop there. We should be looking at every approach that might help community banks thrive in the modern financial world.

One especially promising approach involves collaboration, which was the subject of a paper we issued recently. By pooling resources, smaller institutions can trim costs and serve customers that might otherwise lie beyond their reach.

At the OCC, we've seen a number of examples of successful collaborative efforts. For example, several community banks formed an alliance through a loan participation agreement to bid on larger loan projects in competition with larger financial institutions. Elsewhere, a group of banks pooled their resources to finance community development activities through multi-bank community development corporations, loan pools, and loan consortia.

And I hope community banks won't stop with those projects. There are opportunities to save money by collaborating on accounting, clerical support, data processing, employee benefit planning, health insurance, IT/cybersecurity—and the list goes on.

Speaking only for the federal banking system, federal law and OCC regulations facilitate collaborative arrangements through operating subsidiaries, service companies, and other structures.

I would encourage you to take a look at our paper on the subject, which is titled, "An Opportunity for Community Banks: Working Together Collaboratively." You can find it on our Web site, at OCC-dot-gov.

Let me finish by saying that while much has been done since that first meeting in Los Angeles, we have much work ahead of us. I can tell you, though, that all of us here are committed to making this process work and to doing everything possible to eliminate unnecessary regulatory burden.

Thank you all for being with us today. I look forward to hearing from you.