

Oral Statement
of
Joseph M. Otting
Comptroller of the Currency
Before the
Senate Committee on Banking, Housing, and Urban Affairs
October 2, 2018

Chairman Crapo, Ranking Member Brown, and members of the Committee, thank you for the opportunity to discuss implementation of the Economic Growth, Regulatory Relief, and Consumer Protection Act. I am honored to be here with my regulatory colleagues to update you on our progress implementing the Economic Growth Act. Over the 10 months that I have served as Comptroller, a strong working relationship has developed among regulatory agencies, based on open and frequent dialogue and valuing each other's opinion and viewpoint.

I want to begin by congratulating the Chairman and the Committee on passing bipartisan, common sense reforms that ease the unnecessary regulatory burden on small and midsize banks across the country. By lifting that burden, we help small banks survive to be vital parts of their communities, serve their customers better, and promote economic opportunity. The reforms included in the law are important steps toward rationalizing our regulatory framework while ensuring our financial system continues to operate in a safe and sound manner, provides fair access to financial services, and treats customers fairly.

The Office of the Comptroller of the Currency recognizes the importance of this effort and is committed to implementing the law as quickly as possible. We have dedicated the necessary resources to accomplish this task in a prompt and efficient manner. The Act authorizes

the OCC to issue one regulation on its own and to jointly issue 10 others with fellow safety and soundness regulators. Separately, we will consult with the Bureau of Consumer Financial Protection on a variety of consumer protection requirements included in the Act.

The one regulation tasked individually to the OCC affords federal savings associations greater business flexibility without the burden and cost of changing charters. The OCC has advocated for greater flexibility for federal savings associations since becoming their federal regulator in July 2011. I commend Senators Moran and Heitcamp for taking the lead on this issue. On September 10, the agency published a notice of proposed rulemaking to implement this provision and allow federal savings associations with \$20 billion or less in assets on December 31, 2017, to elect to operate with national bank powers. Federal savings associations that make the election generally would have the same rights and privileges as a national bank and be subject to the same duties, restrictions, penalties, liabilities, and limitations. Comments on the proposed rule are due in November. Following review of the comments, I expect to issue a final rule in January 2019.

In August, the OCC joined the Federal Reserve and the FDIC to issue two interim final rules. On August 22, the Agencies issued an interim final rule amending the agencies' liquidity rules to treat certain municipal securities as high-quality liquid assets. The next day, the Agencies issued interim final rules to expand the number of community banks eligible for an 18-month examination cycle to effect changes sponsored by Senators Heller and Donnelly. The rule allows qualifying entities with less than \$3 billion in total assets to benefit from an extended examination cycle, greatly reducing their regulatory burden.

Most recently, on September 18, the agencies published a notice of proposed rulemaking to revise the definition of high volatility commercial real estate, or HVCRE, subjected to heightened capital requirements as supported by Senators Cotton and Jones.

Work on the remaining interagency regulations is well underway, and we will issue notices of proposed rulemakings to simplify capital requirements applicable to eligible community banks and reduce call reporting requirements later this fall. While we work expeditiously to complete those additional regulations, the OCC joined the Federal Reserve and the FDIC in July to issue a statement clarifying that the agencies intend to supervise institutions consistent with the intent of the law. In doing so, the agencies will, among other things, not enforce requirements on banks that the Economic Growth Act intends to eliminate, including with respect to amendments to the stress-testing requirements imposed by the Dodd-Frank Act, and exempting institutions with assets of less than \$10 billion from the Volcker Rule.

I appreciate the opportunity to update the Committee on the implementation of the Economic Growth Act and progress the OCC has made in other areas to reduce unnecessary regulatory burden and promote economic opportunity and job growth. That additional work includes encouraging banks to re-enter the small-dollar lending market, issuing an advance notice of public rulemaking to begin public dialogue modernizing Community Reinvestment Act regulations, moving forward on accepting special purpose national bank charters for fintechs engaged in the business of banking, making compliance with the Bank Secrecy Act and anti-money laundering regulations more effective and efficient, and improving the efficiency and effectiveness of OCC operations. My written testimony provides additional detail on these efforts. I believe that consumers, businesses, and communities alike will benefit from the reforms included in the Economic Growth Act and the agency's other work for many years to come. The

OCC will keep the Committee apprised of our work, and I look forward to answering your questions.