

For Release Upon Delivery

10:00 a.m., May 16, 2019

ORAL STATEMENT OF

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COMPTROLLER OF THE CURRENCY

before the

COMMITTEE ON FINANCIAL SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

May 16, 2019

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.

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, I am honored to be here to share my perspective on the condition of our nation's banking system and our efforts to ensure banks serve their customers and promote economic opportunity for all, while still operating in a safe, sound, and fair manner.

The nation's banking system financial performance improved in 2018 and early 2019, driven primarily by strong operating performance. Capital and liquidity remain near historic highs. Return on equity is near pre-crisis levels, and OCC-supervised banks reported healthy revenue in 2018. Net income increased 25 percent for banks with less than \$1 billion in assets, and nearly 50 percent for the federal banking system as a whole. Asset quality, as measured by traditional metrics such as delinquencies, nonperforming assets, and losses, is strong and stable.

While the condition of the federal banking system is strong, the OCC monitors risks to the system on a continuous basis and summarizes those risks in our *Semiannual Risk Perspective*. Key risks highlighted in the most recent report include credit, operational, compliance, and interest rate.

These areas continue to evolve in the context of changing economic, technological, and bank operating developments. Examiners will be paying close attention to these risks in the supervisory strategies for the banks they supervise. Maintaining the vitality of the nation's economy depends, in part, on the ability of financial institutions, particularly community and mid-size banks and savings associations, to operate efficiently, effectively, and without unnecessary regulatory burden. The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 provided a common sense, bipartisan framework to reduce regulatory burden for small and mid-size banks while safeguarding the financial system and protecting consumers.

The Act exclusively tasked the OCC with implementing regulatory changes that afford federal savings associations under \$20 billion in assets greater business flexibility without the burden of changing charters. In September 2018, the OCC proposed a rule to implement this provision of the law. We plan to issue a final rule in the near future. In addition to this exclusive responsibility, the OCC is working with other regulators to implement additional common sense reforms, most will be completed by the third quarter and all by year's end.

In addition to rules required by the Economic Growth Act, the OCC has acted to promote economic opportunity and eliminate unnecessary burden by working to modernize Community Reinvestment Act regulations to increase investments in communities that need it most, make Bank Secrecy Act compliance more efficient and effective, promote responsible short-term small-dollar lending, and support responsible innovation that provides more choices to consumers and businesses.

The OCC has been a leader in recognizing the significant contributions our diverse workforce has made in achieving our goals. Toward this end, we work to enhance diversity within every level of our agency and among the institutions we regulate. The OCC has had a diversity strategy for more than 10 years and regularly aligns its diversity goals with its strategic plan. Our recruiting efforts include Hispanic Serving Institutions, Historically Black Colleges and Universities, and outreach to minority student organizations to develop relationships and gain access to diverse applicant pools. We offer paid intern programs to minority students at the college and high school levels this year that provide exposure and opportunity in financial regulation and federal service.

The OCC has a number of Employee Network Groups that promote diversity, including PRIDE, dedicated to the LGBT community; the Coalition of African-American Regulatory

Employees; Hispanic Organization for Leadership and Advancement; the Women's Network; the Veterans Employee Network; the Network for Asian Pacific Americans; and Generational Crossroads, which fosters communication across generations in the workplace. The OCC is equally committed to including minority- and women-owned businesses at all levels of the agency's business activities. Payments to minority- or women-owned businesses represented 43.2 percent of the OCC's contractor payments in 2018.

OCC actions to promote diversity among the banks it regulates include regular technical assistance opportunities for minority depository institutions and convening a Minority Depository Institutions Advisory Committee to advise the OCC on the condition of MDIs and steps that support their vitality. Additionally, the OCC encourages MDI directors to attend agency workshops on risk governance, credit risk, compliance risk, and other important banking issues by waiving their participation fees.

My written testimony provides additional detail on all of these topics. Thank you for this opportunity to discuss these important issues and I look forward to answering your questions.