

Oral Statement of
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Acting Comptroller of the Currency
before the
Committee on Financial Resources
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Chairwoman Waters, Ranking Member McHenry, members of the Committee, thank you for the opportunity to testify today.

I am honored by Secretary Yellen's confidence to appoint me to this post of Acting Comptroller of the Currency. I am a career public servant and a bank supervisor at my core. My 19 years of experience at multiple agencies have spanned periods of growth, crisis, reform, and recovery. I have seen the benefits that financial innovation and competition can bring, as well as the harm that excessive risk taking can inflict on families, businesses, and the economy.

My written testimony shares in more detail my priorities and the review of key regulatory actions that I initiated upon taking office. I see four urgent problems requiring immediate attention: (1) guarding against complacency, (2) reducing inequality, (3) adapting to digitalization, and (4) acting on climate change. Let me briefly describe each.

First, I believe the banking system is at risk of becoming complacent, especially the large banks. Banks deserve credit for weathering the pandemic well. I am concerned, however, that as the economy recovers and pressure to grow returns, over-confidence leading to complacency is a risk—when prudent risk management is set aside in pursuit of profit. I see the losses related to Archegos primarily through this lens, as reflective of the broader environment. This risk requires bank leaders, boards of directors, and us, as supervisors, to be especially vigilant.

Second, reducing inequality must be a national priority. As the recently-published SHED report from the Federal Reserve shows, the pandemic has had a disproportionate impact on vulnerable groups, especially minority households and businesses. The recovery threatens to leave them and rural communities even further behind. Historically, many low-income individuals have been treated by banks as either credits to be avoided or credits to be exploited. The OCC can help address that problem. We must work to *strengthen* regulations implementing the Community Reinvestment Act (CRA). I have asked staff to review the OCC's 2020 final rule. All options are under consideration, including rescinding or substantially revising it and working with the Federal Reserve and FDIC on a joint proposal. We must also use all our supervisory tools to ensure banks

comply with fair lending and anti-discrimination laws. Predatory lending has no place in our national banking system. Finally, we have an opportunity to expand Project REACH, an OCC-sponsored effort that brings together leaders of banks, civil rights and community groups, tech companies, and businesses to solve problems like credit invisibility, the homeownership gap, and access to capital for minority-owned businesses.

Third, we—financial regulators—must *collectively* adapt to the digitalization of banking and finance. I am concerned that the regulatory community is taking a fragmented agency-by-agency approach to the technology-driven changes taking place today. At the OCC, the focus has been on encouraging responsible innovation. For instance, we updated the framework for chartering national banks and trust companies and interpreted crypto custody services as part of the business of banking. I have asked staff to review these actions. With regards to charters, some are concerned that providing charters to fintechs will convey the benefits of banking without its responsibilities. Others are concerned that refusing to charter fintechs will encourage growth of another shadow banking system outside the reach of regulators. I share these concerns. Recognizing the OCC's unique authority to grant charters, we must find a way to consider how fintechs and payment platforms fit into the banking system, and we must do it in coordination with the FDIC, Federal Reserve, and the states.

Finally, we must act on climate change. I believe the OCC can help most if it adopts a two-pronged approach. First, we must engage with and learn from others. I have asked staff to explore joining the Network for Greening the Financial System (NGFS), a group of central banks and supervisors from across the globe who share best practices. Second, we must support the development and adoption of effective climate risk management practices at banks. The OCC's approach to date has been focused on monitoring. I have asked staff to develop options for taking more concrete actions. We will be proactive in this space and act with a sense of urgency.

Finally, my testimony outlines the review of key regulatory standards and pending matters that I initiated upon becoming Acting Comptroller. Those items include the 2020 CRA final rule, interpretive letters and guidance related to cryptocurrencies and digital assets, and pending licensing decisions. In all stages of the review, I will keep an open mind. I expect the review to conclude this summer when we will evaluate findings and determine our next steps.

Thank you again for this opportunity and I look forward to your questions.