

Acting Comptroller of the Currency Michael J. Hsu
Oral Statement
before the
Committee on Banking, Housing and Urban Affairs
U.S. Senate
November 15, 2022

Chairman Brown, Ranking Member Toomey, and members of the Committee, I am pleased to appear before you today to provide an update on the activities underway at the Office of the Comptroller of the Currency (OCC).

The mission of the OCC is to ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

Since my appointment, to fulfill this mission we have focused on four priorities: guarding against complacency, reducing inequality in banking, adapting to digitalization, and managing climate-related financial risks. My written statement describes the progress the OCC has made on each of these.

Here, I would like to focus on how we are helping to ensure that banks serve the needs of their communities.

First, I want to highlight the OCC's commitment to community banking. We are taking specific actions to support community banks, including revitalizing minority depository institutions (MDIs), reducing community bank assessments, promoting de novo (start up) banks, and tailoring regulation based on size and complexity.

Second, the OCC continues to encourage the banks we supervise to improve their products and services, including overdraft programs, with their customer's financial health in mind. Many of these banks, including nearly all of the largest banks, have begun reforming their overdraft programs and lowering fees. While more work needs to be done, consumers are benefiting from the efforts of national banks to reduce penalty fees and the daily number of overdrafts charged, to provide grace periods before fees are imposed, and to end nonsufficient funds fees. By some estimates, changes at the largest national banks could save consumers billions of dollars annually.

Additionally, the OCC has strengthened its supervision of compliance with fair lending laws. We recently updated our process for screening bank retail lending activities to provide a more risk-focused fair lending examination strategy to identify weaknesses or wrongdoing. Where we find evidence of potential discrimination, we refer those matters to the Department of Justice and the Department of Housing and Urban Development, as applicable. Redlining and other forms of lending discrimination are unacceptable, especially in this day and age, and we will not hesitate to take enforcement action if necessary.

The OCC – in coordination with the Federal Reserve and FDIC, as well as DOJ – is also considering updates to the framework for analyzing mergers under the Bank Merger Act. This is to ensure that resulting entities continue to meet the convenience and needs of the community, support financial stability, enhance competition, and are safe and sound. The OCC considers each merger application on its merits against these statutory factors and associated regulatory criteria. We are planning a public symposium in February to explore this important issue further.

As the digitalization of banking accelerates and bank-fintech partnerships grow, the OCC is focused on ensuring that our expertise and regulatory framework adapts, so that the safety, soundness, and fairness of banking is maintained and even strengthened. We recently announced that we will be establishing an Office of Financial Technology early next year, building upon the work and successes of the agency’s Office of Innovation, which was created in 2016. This change will enable us to engage more substantively with nonbank technology firms and to better supervise bank-fintech partnerships so that we can help ensure that consumers of banking services are treated fairly, as well as help maintain a level playing field as the industry evolves.

With regards to crypto, the OCC has adopted a “careful and cautious” approach. Last November, we issued guidance which reminds the banks we supervise that they are not permitted to engage in certain crypto activities unless they can perform those activities in a safe and sound manner. This approach helped to mitigate the risk of contagion from crypto to the federal banking system after the collapse of Terra/Luna this spring, as well as more recently with the bankruptcy of FTX.

Finally, let me say a few words on climate-related financial risks. The OCC’s approach is firmly rooted in our mandate to ensure that national banks operate in a safe and sound manner. It is

not our role to tell bankers who to bank or not to bank. We do not pick winners and losers. Rather, our focus is on risk management and making sure that banks – especially large banks – have the necessary capabilities to identify, measure, and monitor their risks. We are committed to staying in our safety and soundness lane, not on setting industrial policy. This is important to our credibility as a safety and soundness supervisor.

In closing, I remain committed to ensuring that OCC-supervised banks operate in a safe, sound, and fair manner, meet the credit needs of their communities, and comply with applicable laws and regulations. I look forward to answering your questions.