Remarks by

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Good morning. Thank you, Craig, for the introduction and the invitation to speak here at the FDIC's 10th Annual Accounting and Auditing Conference. Many of you know me: I've been an FDIC Director since 2004, and the agency has been part of my professional life since I was a state banking official in Massachusetts over 30 years ago.

This morning, I want to share another perspective and talk a little about the value of collaboration among regulatory agencies. Over the course of my professional career, I have found that collaboration and a positive attitude about collaboration provides many benefits. So rather than talk about the latest policy initiative or emerging risk, I want to share some first-hand lessons about interagency collaboration, learned—sometimes the hard way—over more than three decades of experience at every level of government—as Comptroller of the Currency, FDIC Board Member, and Massachusetts Bank Commissioner.

What, exactly, do I mean by "collaboration"? I certainly do not mean "traitorous cooperation with the enemy," as in that devilish collaborator Benedict Arnold. Rather I mean the inclusive practice of diverse groups with different interests working together to achieve a common goal. Collaboration goes beyond the *act* of sharing work to the *spirit* of sharing a purpose. In that way, collaboration is a deeply human activity—part action, part attitude. It can be easier with fancy tools and technology, but, the *spirit* of collaboration must precede the work to succeed.

In the context of our interagency experience, many times laws and agreements require us to work together. That's not always easy or even welcome. After all, *we* have our own jurisdictions and priorities to think about. Working with *those* people will only slow *me* down. Sure, we buckle down and work through it, but I don't believe that's collaboration. Collaboration comes when we *believe* that we produce a better outcome because we bring unique and complementary views, skills, and knowledge to the challenge, and each contribution is valued.

Collaboration takes different forms. It can be informal—a phone call between regulators, or two examiners bouncing ideas off of each other. Also, informal interagency forums between CFOs, CROs, federal banking agency principals, compliance principals and general counsels, occur on a regular basis. It can occur during a standing interagency working group, or an ad hoc group formed to tackle a specific topic. What it requires, above all, is awareness of its power and an open mind.

Interpersonal relationships are the bedrock of collaboration. It takes some courage to pick up the phone or send an e-mail to a colleague outside of your work group—much less outside of your agency—and ask for input. It helps when you know that the person you are reaching out to will listen and take the time to understand what you're asking. In other words, it takes trust.

To be most effective, collaboration must be part of the culture. To me, the best way to foster collaboration *among* agencies is to foster it *within* our agencies. At the OCC, my leadership team and I are working hard on this. We established collaboration as one of the OCC's Core Values, and we spend a great deal of effort to develop a more collaborative environment. We have taken steps to break down silos and take on new work through teams made up of people from across business units, who share a strong mandate to act.

The example at the OCC that really demonstrates what I am talking about is the International Peer Review. The peer review was a project in which the OCC opened itself to international regulators for their opinions regarding our large and midsize bank supervision programs. Not surprisingly, there were skeptics, and I understood why. For starters, we already had a highly experienced, capable group of bank examiners and professional support staff. What were these *outsiders* going to tell us? Why should *we* air our dirty laundry? In announcing the initiative, even I acknowledged that honest self-evaluation can be uncomfortable. That effort could have gone horribly wrong if we approached it with closed minds. I am proud that the OCC team embraced the project and demonstrated that world-class organizations seek outside opinions, work to improve, and value collaboration.

As a result, the peer review turned out even better than expected. Our team has remade many important aspects of the agency's supervision and risk management. We reduced the percentage of examiners who reside in large banks full time, while expanding the use of horizontal teams and lead experts. We expanded the use of rotational assignments to bring fresh perspectives to our work and boosted the staff of our National Risk Committee.

We made internal changes as well. We established an Office of Strategic Management to ensure we focus on the right priorities to achieve our strategic goals. We brought a new approach to annual planning that integrates strategy, budget, and workforce planning to assure we have sufficient resources and people aligned to our greatest opportunities. And, we developed an Enterprise Risk Management program that assessed risks to the agency, published a risk appetite statement so employees and external stakeholders better understand our risk tolerance, and implemented a process for managing our efforts to mitigate risks that fall outside those limits. All of this work was accomplished through collaborative teams and began by asking someone outside of our agency, "what do you think?"

But you can't just hope collaboration flourishes. You have to nurture it and reward it when it works. That's why we created the OCC's annual Shared Purpose Award. The award recognizes successful teams that include members from multiple units or whose work is intended to make another unit more effective. Just as important as the award itself is the fact that employees can nominate projects and teams for the recognition.

While collaboration has helped the OCC become more effective, we also recognize that it can actually help banks and thrifts, particularly community banks, thrive. That's why we published a paper in early 2015 detailing how community banks could work together to unlock opportunities, pool resources, reduce costs, and leverage specialized experience.[1]

So far, I've shared what I think collaboration is, and examples of how it works within the OCC and within industry, but the real reason for talking about it today is to discuss how we can leverage collaboration to make the interagency process more effective in overseeing our nation's banks, thrifts, and financial service providers.

I don't need to spend a lot of time talking to *this* audience about the complexity of the financial services industry or its regulatory regime. That complexity makes collaboration all the more critical. It can allow us to do much more with the limited number of people and resources we have and come together in ways that are truly greater than the sum of the parts.

I've seen collaboration work among regulators, and now more than ever, we are building it into how we do business. The Federal Financial Institutions Examination Council has long

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[1] See *An Opportunity for Community Banks: Working Together Collaboratively*. January 2015 (https://occ.gov/news-issuances/news-releases/2015/nr-occ-2015-1.html).

been an example of where financial regulators shared insight and produced better supervision results than we would on our own. The work done through the FFIEC on products like the *Bank Secrecy Act/Anti-Money Laundering Examination Manual*[2] and the Cybersecurity Assessment Tool[3] have made supervisory expectations more consistent across the industry.

New forums are also bringing together broader groups of agencies at the national and international levels. The Financial Stability Oversight Council has helped ensure that systemic risks are identified and mitigated by fostering more inclusive and frequent communication of issues facing the nation's financial system. Where information and data may have been seen in one corner of the government before the crisis, the FSOC and expanded communication channels allow that information to reach the regulator who can best act to reduce that risk. The more collaborative environment *accelerates* the recognition of and response to risk.

A final example of interagency coordination that I want to share is one that I am particularly proud of—*the Coordination Principles between the Office of the Comptroller of the Currency (OCC) and the Consumer Financial Protection Bureau (CFPB)*. When CFPB Director Rich Cordray and I introduced these principles during a joint conference call to employees of both agencies earlier this year, it was the first time I could remember two agency heads conducting such a call. That uniqueness was intentional, because these principles are, I think, extraordinary.

Looking at it now, it may seem obvious that the OCC and CFPB are a good fit for such an agreement. Our agencies have clearly distinct jurisdictions, but each agency's success depends on the other. As the agencies' relationship has matured since the establishment of the CFPB, we can now recognize that viewing our work competitively at any level is

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[2] See https://www.ffiec.gov/bsa_aml_infobase/default.htm.
[3] See https://www.ffiec.gov/cyberassessmenttool.htm.

counterproductive and that we can fully accomplish the work in front of both agencies by embracing a set of core principles to guide our interaction and collaboration. So, Director Cordray and I and our staffs got to work. The principles we came up with recognize that the shared part of our missions succeeds best when we work in good faith with one another, communicating openly with respect of each other's goals and responsibilities. The principles help keep financial institutions' focus where it belongs—on improving how they serve consumers while maintaining safe and sound banking practices.

We kept the principles short—fewer than 500 words—because real collaboration grows from sharing values and ideals, not from being compelled through a long, detailed document. Clearly articulated principles serve as a touchstone for future decisions and actions because they are easy to understand and ring true to one's experience. Shared principles establish trust.

Of course, there is a difference between collaboration and consensus at all costs. Regulators will need to act alone at times, and must have the will to do so. If an independent agency believes strongly in a particular course of action and has the authority to act, it should not hold off, if doing so would threaten an institution, result in consumer harm, or weaken our financial system. We have independence for a reason. In fact, independence is what allows each of us to bring a unique perspective to the larger discussion.

In closing, I appreciate the opportunity to talk with this group today because you put into practice the principle and spirit of collaboration every day—whether that's through multidisciplinary workgroups within your agencies or in participating on the all-important interagency efforts. In a complex world of limited resources, collaboration just makes sense, whether through formal agreements such as coordination principles, or simply by colleagues from different agencies breaking down *unnecessary* barriers to ask, "What do you think?"

Thanks very much for your time and continued work overseeing our nation’s financial institutions. I would be happy to take a few questions.