

Remarks

By

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Good afternoon. It is a pleasure to be here with the Institute of International Bankers again as Comptroller of the Currency for the United States. It is an honor to be included in such distinguished company.

Banking constantly changes. Economic cycles ebb and flow, new technologies and business models shake up the status quo, and shifting priorities give birth to new rules and regulations. We're seeing some of those factors at work today.

It has been 10 years since the crisis ignited. Since then, we have been fortunate to enjoy relative stability and modest growth, for an extended period. In a recovery as long as the one here in the United States, it is natural to discuss the necessity of maintaining certain safeguards and high standards, as well as what can be done to accelerate economic expansion. Some will suggest easing safeguards. A few will even suggest eliminating them. Others will remember that the worst loans are made in the best of times and urge continued vigilance to build capital and liquidity so that it is available when the tide turns. This is a reasonable policy discussion to have domestically and internationally and is a debate as old as banking itself.

During times like these, I think it is helpful to stress two things that remain constant in financial regulation: the importance of international collaboration and the value of effective supervision.

In times of change and uncertainty, collaboration among domestic and international supervisors provides perhaps its greatest value, because it takes the best from each one of us to create something greater than any one of us individually. As head of the Office of the Comptroller of the Currency (OCC), I have made collaboration a strategic priority and core value for the agency.

Collaboration is a powerful word. For me, collaboration involves including diverse groups with different interests working together to achieve a common goal. It goes beyond the act of sharing work to the spirit of sharing a purpose. In the context of our interagency and international experience, many times laws and agreements require us to work together. That's not always easy. After all, we have our own jurisdictions, priorities, and responsibilities to think about. Collaboration succeeds 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. For me, collaboration is simply how we get things done.

There are ample examples where collaborating internationally is important, and I want to highlight a few of those for you today. Since 1989, when the heads of state of the G-7 countries recognized the importance of international cooperation to address threats to our global financial system, the bank supervisors from the member countries of the Financial Action Task Force (FATF) have been collaborating in the fight against terrorism and money laundering. By monitoring international progress in implementing effective safeguards against money laundering and terrorist financing, the FATF works to identify national-level vulnerabilities with

the aim of protecting the international financial system as a whole from misuse. As an active member of the U.S. FATF delegation, the OCC works closely with its international counterparts to promote the implementation of the FATF 40 Recommendations. Our work in the FATF is complemented by the OCC's representation on the Anti-Money Laundering Expert Group (AMLEG) of the Basel Committee on Banking Supervision. Our AMLEG membership enables us to collaborate with other bank supervisors from around the globe in the interpretation and implementation of the FATF standards in our respective jurisdictions. This collaboration promotes consistency in supervisory expectations across the many jurisdictions in which our banks operate and their customers do business.

Our international collaboration among supervisors also helps enhance cybersecurity of our international financial system and promote the resiliency of that system. We are reminded almost daily of the importance of cybersecurity. Succeeding in the fight against cyber risks requires international collaboration, and open communication across our borders, so that our defenses are equally strong. Fighting hackers and criminals requires that we do that job well, every day, whereas the hacker only has to be lucky once to succeed.

The OCC believes we have the responsibility to share our expertise and knowledge where it can benefit regulators of other countries as well. That's why, since 2004, we've conducted the OCC's Foreign Supervisors AML schools. These schools help foreign bank supervisors to better understand how the United States implements the international anti-money laundering (AML) standards and to apply this knowledge in strengthening supervisory oversight functions and enforcing compliance with national laws and regulations in effect in their home countries. The OCC organizes two schools each year; one in Washington and another outside of the United States. Over the years, our week-long sessions have included participants from more than 50

countries. Last fall, we organized a school in Panama in coordination with the Association of Supervisors of Banks of the Americas (ASBA). Raising regulator awareness and expertise through programs like the OCC's Foreign Supervisors AML School can help strengthen our collective defenses.

Where collaborating through the FATF helps defend our financial system from being misused by criminals, the Senior Supervisors Group (SSG) is an example of collaboration focused on enhancing bank supervision in a wide variety of areas including cross border supervision and coordination. Made up of senior executives from the bank supervisory authorities of its 10 member countries, the SSG leverages the relationships among bank supervision leaders to share information and insight. It also provides a forum to engage with the financial services industry to better understand new challenges and emerging risks that systemically important institutions face. It has become a vehicle for sharing supervisory approaches to cybersecurity issues.

The *mission* of the SSG fundamentally *is* to collaborate. Its members provide a rich perspective that cuts across borders and industry boundaries. Its role is not to write new rules or supervisory expectations; rather, it is to proffer information and insight in a structured, informative, and timely way to help standard setters and supervisors internationally and within individual countries.

Such relationships and open communication can be exceedingly valuable. For instance, in 2013, the OCC recognized the value that our international peers could provide in our own efforts to improve how we supervise large, complex banks. That year, I invited a group of senior regulators from several countries to assess our approach to supervising large and midsize banks and make recommendations on how we could do better. We gave our counterparts all-access

passes and did not hold back. We made the team's recommendations, and our responses, public. That transparency along with such open collaboration proved powerful.

As a result, OCC employees made changes that went far beyond the international peer group's recommendations and reshaped a great deal of how we supervise large and midsize banks today. We formalized our strategic planning process. We enhanced how we identify, measure, and communicate risks to the industry, and how we confront risks facing the agency. We expanded the use of lead experts and mandatory rotational assignments so that examiner perspectives remain fresh and benefit from the unique industry-wide view the agency has. The list of important changes goes on.

After three years of work, we invited our peers back to check our progress. I am happy to report that they noted real improvement in our supervision, and were struck by how much we had accomplished in a relatively short amount of time. Asking our international peers for their assistance made us a better agency and a more effective bank supervisor.

The value of supervision is the second topic I want to focus on during times like these. The reason that times of change and uncertainty highlight the importance of supervision is quite simple—supervision is the most effective means to anticipate risk and affect change at the individual institution level. Where policies and prudential rules stop, there are trained, professional bank examiners armed with experience and judgment who can adapt to ambiguity and interact with bankers and other regulators in more meaningful ways than simply relying on lagging statistics. Examiners who are engaged with bank leadership have a unique view of what is actually happening within an institution or across a system. Often that interaction also helps them understand the direction a bank is heading.

Examiners have the training, talent, and experience to assess the health of institutions and evaluate the adequacy of their risk management, capital, and liquidity. Professional examiners—supported by experts in economics, law, policy, and accounting, among others—are well equipped to analyze what lies behind a spreadsheet suggesting all is well. Rigorous, regular examination results in better run banks that are more resilient and better positioned to succeed. OCC examiners drive banks to operate in a safe and sound manner, *and* ensure that banks provide fair access and treat customers fairly, because no business plan can succeed if it leaves the bank’s customers open to abuse.

Examiners need clear standards, explicit procedures, and good communication skills to succeed. They need the right training, and modern tools and systems to excel. And, they need a culture of excellence and professionalism that supports them. It has been my priority to ensure that all of those things are in place at the OCC so our examiners can focus on their important jobs. They also need to be open to new ideas and new ways to achieve our objectives. This is a driving force behind the OCC’s “Responsible Innovation” initiative. Senior bank supervisors around the world face similar challenges and responsibilities in creating and maintaining an environment that supports effective supervision. Examiners conduct reviews on-site and off-site, and use remote access to systems and data to make the wheels of regulation roll. That does not change from season to season, just as the fundamentals of banking do not change.

And, that brings me to the final point I want to leave you with—a reminder that the fundamentals of banking remain the same—strong capital, ample liquidity, controlled leverage, and limited concentrations. These are lessons we remember during a crisis, but sometimes forget during extended periods of good times. The safeguards implemented since the crisis of 2008 restored confidence in the system by focusing on these basic principles of sound banking. As a

result, banks are growing in the United States, and have returned to profitability. They are lending and serving as the engines of growth they are intended to be. At the same time, they are better equipped to weather a downturn than at any time in my professional memory. And that's a good thing, because as professional risk managers and bankers, we know that sooner or later that downturn will come. When it does, the work we have done since 2008 will soften the blow. We must not forget the lessons of the past crisis. There is exceptional value in strong supervision—value that, regrettably, sometimes only becomes clear in its absence. We cannot let our guard down.

Thank you for your time and attention. I appreciate the importance of groups like these that foster such open communication. I would be happy to take a few questions.