Remarks of Jonathan V. Gould

Comptroller of the Currency

Arizona Bankers Association

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Thank you, Secretary Bessent, for your leadership and for your remarks today. And thank you to the Arizona Bankers Association for hosting us.

There are few better places to have this discussion than Arizona.

This is a state defined by growth, entrepreneurship, and strong local communities. Community banks are essential to each of them. They finance small businesses, local employers, farms, and ranches. They help families purchase homes, build wealth, and create opportunity for the next generation.

Community banks hold only a fraction of the banking industry's assets but account for an outsized share of small business and agricultural lending. President Trump's economic agenda and Secretary Bessent's vision of Parallel Prosperity depend on a strong community banking system. A Main Street comeback requires a community bank comeback.

Washington has subjected community banks to a regulatory and supervisory framework built for the largest and most complex financial institutions. The result since the Dodd-Frank Act has been that more than half of the community banks in the United States have disappeared.

At the OCC, we have refocused supervision on material financial risk. That means spending less time on activities that do not improve safety and soundness and more time on the risks that actually matter.

We eliminated examination activities that were not required by statute or regulation. That gives our examiners greater flexibility to use their judgment based on the bank's size and risk profile.

We have also worked with our fellow banking regulators to reduce compliance burden by expanding the scope of banks eligible for the Community Bank Leverage Ratio. And we reduced the cost of OCC supervision by lowering assessment rates.

Working with the FDIC, we finalized our Reputation Risk Rule, making clear that banks should be free to engage in lawful banking activities and serve lawful customers without regulators relying on subjective notions of reputational risk.

Earlier this week, we proposed changes to our Confidential Supervisory Information regulations that would allow banks to share information more easily in routine business matters without prior OCC approval. The current requirement creates unnecessary bureaucracy without a corresponding supervisory benefit.

Regulation should be proportionate to risk. We should impose no more burden than necessary to maintain a safe and sound banking system, while keeping our focus on the risks that actually threaten it.

That approach also guides our implementation of President Trump's Executive Order, *Restoring Integrity to America's Financial System*.

Arizona understands why that matters. As a border state, it has seen how the consequences of open-border policies can extend beyond immigration and affect local communities, the economy, and ultimately the financial system.

As Secretary Bessent has said, economic security is national security.

Banks have an important role to play. They need to know their customers, understand the risks they face, and make sound decisions based on the facts of each relationship.

That is why FinCEN recently issued an advisory reinforcing banks' longstanding know-your-customer responsibilities. KYC is a core part of effective risk management. Banks should understand who their customers are, how they expect to use their accounts, and whether their activity is consistent with the information the banks have collected. When a bank detects unusual activity, it should investigate and, when appropriate, report suspicious activity.

Last month, we released guidance with the FDIC and NCUA, reminding banks of the risks associated with banking and issuing loans to non-work-authorized illegal aliens. Our focus on credit risk is nothing new. It is a basic principle of safe and sound banking.

If a borrower is not legally authorized to work in the United States, that may present elevated credit risk because of the borrower’s inability to generate income. Banks should assess the source of repayment, the borrower’s repayment capacity, and, where relevant, collateral and other factors that bear on credit risk. They should make those determinations based on the facts and circumstances of each borrower and consistent with applicable consumer protection laws and regulations.

Our job is not to eliminate risk from the financial system: taking risks is inherent to the business of banking. Our job is to ensure banks identify and understand the risks they’re taking, manage them responsibly, and make informed decisions. Our guidance reaffirms longstanding principles of safe and sound banking while providing additional clarity on how those principles should be applied today.

Economic security is not an abstract concept in the communities you serve. It is a young family walking into a bank hoping to become the first in their family to own a home. It is a couple who spent forty years working and saving now sitting down with their banker to discuss retirement plans. It is a small business owner taking a risk and creating jobs in the town on the streets he walked every day growing up.

These are the Americans our financial system exists to serve. They work hard and play by the rules. They want to build something that lasts for their children and their children's children. Under President Trump and Secretary Bessent's leadership, we are protecting our financial system from those who would abuse it and strengthening it for the Americans who depend on it. And community banks are essential to building it.

The goal of our reform of community bank regulation is straightforward. We want you to spend less time navigating unnecessary processes imposed by Washington and more time serving your customers, financing local businesses, supporting employers, and strengthening your communities.

That is good for community banks. It is good for Main Street. And it is good for the American economy.

And now, I look forward to hearing directly from the bankers on the front lines here in Arizona about what you are seeing and how we can better support your work.

Thank you.