

Statement of

Amy S. Friend
Senior Deputy Comptroller and Chief Counsel
Office of the Comptroller of the Currency

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Chairman Hensarling, Ranking Member Waters, and members of the Committee, thank you for the opportunity to appear before you today to discuss our bank supervision, enforcement, and regulatory programs.

The OCC supervises more than 1,700 national banks and federal savings associations, ranging in size from community banks, with less than \$100 million in assets, to large, complex financial institutions with more than \$1 trillion in total assets. Since the financial crisis, the banks we supervise have made great strides in repairing their balance sheets through stronger capital, improved liquidity, and the timely recognition and resolution of problem loans.

We have a robust process for developing regulations and guidance that serves our safety and soundness mission and also seeks to minimize the compliance burdens on supervised institutions, particularly community national banks and federal savings associations. We believe it is important to tailor all rules and guidance to the size of the institution and the complexity of its activities whenever possible.

Community banks have different business models and more limited resources than larger banks. Therefore, we consider those differences as we write rules and guidance. For example, in a number of recent rulemakings, such as our lending limits rule and the interagency Volcker

rulemaking, we streamlined compliance requirements for community institutions. We now also specifically highlight the key aspects of each new rule or piece of guidance that applies to community banks and thrifts. This highlight, in the form of a text box in the bulletin that accompanies each new issuance, notifies community institutions whether they even need to read that issuance. And, in the case of more complex rulemakings, we have provided summary materials. For the new domestic capital rule, for example, we provided a concise two-page summary that gave community banks and thrifts the information they needed in a manageable form. Since the financial crisis, along with strengthening the overall national banking and federal thrift system, our priority has been to minimize burden to community banks so they can devote more of their time to serving their customers.

We take seriously the effect of our issuances on the public and private sectors and the economy. Toward this end, the OCC assesses the economic impact of our proposed and final rules. When our analysis indicates that a rule will have an economically significant impact, we also prepare a more detailed economic assessment. That assessment includes a comparison to a baseline and consideration of one or more alternative approaches.

In addition to these analyses, the OCC and the other federal banking agencies are currently engaged in a wide-scale review to identify outdated or otherwise unnecessary regulations. The Economic Growth and Regulatory Paperwork Reduction Act, requires this review every 10 years. As chair of the Legal Advisory Group of the FFIEC, I have been tasked with coordinating this joint regulatory review. The review provides the FFIEC, the agencies, and the public with an opportunity to identify and target regulatory changes to reduce burden on community institutions. We expect to publish the first EGRPRA notice in the very near future, and we will specifically ask the public to consider this issue.

While we are mindful of the challenges facing banks today, we also recognize that businesses and consumers need access to credit through a variety of products. Although the OCC does not determine the specific types or terms of consumer products or services that banks offer, we expect the institutions we supervise to carefully evaluate the risks their products may pose, both to the banks and to their customers.

From time to time, we have identified products that present substantial safety and soundness or consumer protection issues, and we have issued guidance to address those concerns. On the other hand, we have seen a variety of properly structured products that provide consumers a safe and affordable means of meeting their financial objectives, and we support innovation by the industry to develop and make those products available.

Thank you again for the opportunity to appear. I will be happy to answer questions.

