Statement Of

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Implementing The Dodd-Frank
Wall Street Reform And Consumer Protection Act

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Chairman Dodd, Senator Shelby, and members of the Committee, it is an honor to testify before the Committee where I used to work as staff to Senator John Heinz, and a privilege to testify before Chairman Dodd on this important legislation that bears his name, as his service in the Senate draws to a close.

The Committee asked me to discuss our progress in implementing the Dodd-Frank Act, our plans for integrating the OTS staff and functions into the OCC, our plans for identifying employees to transfer to the CFPB, and our views about how Basel III furthers the objectives of the Act. My written statement also describes a few challenges we have encountered thus far in implementing the Act that may benefit from legislative clarification.

To meet the law's objectives, the OCC is drafting a number of new rules, some jointly with other agencies, and some on a coordinated basis. The rules cover a broad range of issues, including regulatory capital, proprietary trading, derivatives margin requirements, and appraisals. The law also requires us to revise many of our existing regulations.

And as the Office of Thrift Supervision is integrated into the OCC, we are charged with reviewing and republishing all OTS rules. We have worked quickly to identify each of our rulemaking obligations, and have established teams of agency experts to lead our work and coordinate with interagency efforts as appropriate.

A group of senior managers is directing and coordinating this mammoth effort. My written statement also details specific tasks we have initiated, including support we have provided to the Financial Stability Oversight Council, and an advance notice of proposed rulemaking we have issued on the requirement to end reliance on credit ratings.

We have begun work on an interagency basis to implement risk retention requirements for securitizations, and to limit excessive or inappropriate compensation, among other projects. We are still in the early stages of work on these projects, and we have encountered some challenges.

One of the most important tasks ahead for the OCC involves the transfer of most functions from the Office of Thrift Supervision. The OCC will take on the task of supervising federal thrifts and writing rules for all savings associations, while responsibility for state-chartered thrifts and thrift holding companies will go to the FDIC and the Federal Reserve respectively.

Most OTS employees will transfer to the OCC, and we are focused on ensuring the orderly and effective transfer of these functions and staff. The OTS employees transferring to the OCC have essential skills and knowledge of the thrift industry that will be important to the OCC in carrying out this new mission.

I believe they will find the OCC a supportive and rewarding place to continue their careers, and we are looking forward to welcoming them to our agency. We are mindful of the importance of communicating about the transition process, both with OTS employees and the thrifts they supervise. I recently wrote to all federal thrift chief executive officers about the transition, and I plan to continue reaching out to the industry.

We are participating in industry events that provide opportunities to interact with thrift executives, and we are developing an outreach program to provide information directly to thrift executives about the OCC's approach to supervision and regulation.

We also have an obligation to work with Treasury to identify OCC employees who have the skills to support the rulemaking, supervision and examination functions that will transfer to the CFPB, and who are interested in working for the new agency. We have been participating in planning for the new bureau, and as the CFPB organization takes shape, we are committed to providing support to that organization.

Finally, with respect to Basel III, we believe these capital and liquidity reforms, which seek to improve the ability of banks to absorb shocks from economic stress, advances the objectives of the Act. The Dodd-Frank Act addresses many of the same issues as Basel III, which seeks improvements to quality of capital, addresses systemic risk concerns, mitigates procyclicality, limits excessive leverage in the banking system, and establishes minimum liquidity standards. We think the Basel III framework strikes an appropriate balance by setting requirements for higher quality capital and liquidity, while allowing the banking system to continue to perform its essential function of providing credit to households and businesses. Further, the extended transition period minimizes any short-term disruptions in financial services while the economy recovers.

Thank you for the opportunity to testify today. I would be happy to answer any questions.