

Testimony of
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Chairman Johnson, Ranking Member Shelby, and Members of the Committee, I appreciate the opportunity to report on the OCC's progress in implementing the Dodd-Frank Act. Since I last testified before this Committee on July 21, 2011, the integration of OTS staff has been successfully completed and the supervision of federal savings associations has been integrated into our bank supervision operations. We also have continued our work to support the CFPB and the FSOC, as well as our efforts to strengthen risk-based capital, leverage and liquidity requirements. Finally, we have made significant progress on key regulations to implement the Dodd Frank Act. This morning, I'd like to highlight a few of the items that are detailed in my written statement.

In operational terms, the integration of the OTS into the OCC has been successfully completed, but we are continuing to participate in a variety of outreach activities to maintain an active dialogue with federal savings associations, including expansion of the former OTS advisory committees on mutual savings associations and minority institutions. Our integration efforts are now focused on coordinating and consolidating the various rules and policies that apply to federal savings associations and

national banks. As part of this effort, we aim to eliminate duplication and reduce unnecessary regulatory burden.

Our dealings with the CFPB over the last several months have focused on consumer complaints and policy and exam coordination. The OCC has continued to provide significant OCC staff and infrastructure support to process consumer complaints on the CFPB's behalf. With respect to its rulemaking authority, the CFPB is required to consult with the prudential regulators prior to proposing a rule and during the rulemaking process. The CFPB currently has in process several rulemakings where interagency consultation will be critical, and we are working on a consultation agreement that will provide the prudential regulators with reasonable time to review, discuss, and comment on CFPB rulemakings.

Another area of focus is the coordination of supervisory activities among the CFPB and prudential regulators. The Dodd-Frank Act requires the CFPB to consult with the prudential regulators regarding respective schedules for examination, to conduct their respective examinations simultaneously, and to share and comment on the resulting draft reports of examination. Some of these requirements do not mesh well with how bank examination activities are actually conducted, so the OCC and other prudential regulators are working with the CFPB to develop an MOU to implement a practical approach to coordination that avoids unnecessary regulatory burden on insured depository institutions – which we believe to have been the Congressional intent.

The OCC continues to be an active participant in the activities of the FSOC. Since July, the Council issued its 2011 Annual Report to Congress, and has held additional meetings and conference calls to discuss current market and regulatory

developments that could have potential systemic risk implications for the U.S. financial sector and broader economy. Facilitating candid, confidential exchanges of information regarding risk to the financial system is one of the principal benefits of the FSOC.

A clear lesson of the financial crisis was the need to bolster the quality and quantity of capital held by financial institutions. Harmonizing Dodd-Frank capital requirements with the revised Basel standards is one of the principal challenges the OCC and the other federal banking agencies face, and we are working with the other agencies to ensure the reforms are carried out in a coordinated, mutually reinforcing manner.

Finally, since the July hearing, the OCC has issued a number of proposed rules required under the Dodd-Frank Act on Credit Risk Retention, Margin and Capital Requirements for Covered Swap Entities, and Incentive Compensation. OCC and agency staff are carefully evaluating the thousands of comments received on these three proposed rulemakings and are now actively engaged in considering the many issues raised as we determine how best to proceed toward final rules. More recently, and after months of intensive study and analysis, the banking agencies and the SEC jointly published the Volcker Rule, which is open for public comment through January 13, 2012.

In summary, since July, much has been accomplished and we will continue to move forward to complete the many projects underway. I look forward to keeping the Committee advised of our progress and I am happy to answer your questions.