

Statement of
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Consumer Credit
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Chairman Bachus, Ranking Member Sanders, and members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the challenge of reducing unnecessary regulatory burden on our nation's banking institutions. The Office of the Comptroller of the Currency welcomes your continued efforts to advance regulatory burden relief legislation. I also want to express particular appreciation to Congressman Hensarling and Congressman Moore for their commitment to this issue.

My written testimony and the appendices to that testimony describe a number of burden-reducing initiatives that the OCC supports. This morning I will touch upon just a few key points from that testimony. I also want to lay out two broader themes that I hope will guide our efforts to reduce unnecessary regulatory burden.

First, my testimony emphasizes that the regulatory burdens on our banks arise from several sources. We, as federal banking regulators, have a responsibility to look carefully at the regulations we adopt, to ensure that they are no more burdensome than is absolutely necessary to protect safety and soundness, foster the integrity of bank operations, and safeguard the interests of consumers.

In this connection I must mention the EGRPRA regulatory burden reduction initiative that is being led so capably by FDIC Vice Chairman Reich. As part of this

process, the OCC, together with the other federal banking agencies has been soliciting and reviewing public comment on our regulations and participating in banker and consumer outreach meetings around the country. Using the input gathered during the public comment and outreach process, the banking agencies are now developing specific recommendations for regulatory as well as legislative changes.

Second, we also must recognize that not all the regulatory burdens imposed on banks today come from regulations promulgated by bank regulators. Thus, we welcome the interest of the Subcommittee in issues such as implementation of Bank Secrecy Act and anti-money laundering standards and reporting requirements. I would also like to thank you, Mr. Chairman, for your continuing involvement and oversight of proposals by the Securities and Exchange Commission to implement the so-called “push-out” provisions of the Gramm-Leach-Bliley Act. This attention has been invaluable in encouraging the development of rules that are faithful to GLBA’s intent and not so burdensome as to drive traditional banking functions out of banks.

A third key source of regulatory burden is Federal legislation. Relief from some manifestations of unnecessary regulatory burden requires action by Congress. My written testimony contains a number of recommendations for legislative changes designed to modify or eliminate unnecessary requirements, provide additional flexibility, and make the overall effect of those laws less burdensome. The list includes consensus recommendations developed and agreed to in our discussions with the other banking agencies and with the industry.

Before closing, I would like to highlight two broader themes that I hope will guide us in our efforts to tackle unnecessary regulatory burdens. The first involves

consumer protection disclosure requirements. Here is an area where we have an opportunity to reduce regulatory burden and improve the effectiveness of our regulations.

Today our system imposes massive disclosure requirements – and massive costs – on financial institutions, but does not generally produce information consumers find easy to understand and often lacks the information they most want to know.

The success of the Food and Drug Administration’s “Nutrition Facts” label proves that it is possible to deliver the information that consumers need and want in a concise and streamlined form. A key to that result is consumer testing.

The Federal banking agencies have broken new ground by employing consumer testing as an essential part of the interagency project to simplify GLBA privacy notices – a project that has the potential to produce more effective and meaningful disclosures for consumers and reduced burden on institutions that generate and distribute privacy notices. We need to do more of this.

My second point goes back to basics. Why do we care about regulatory burden? Isn’t more regulation always better? We care because unnecessary regulatory burden saps the efficiency and competitiveness of American enterprise. And we particularly care because of the critical impact of regulatory burden on our nation’s community banks.

Community banks thrive on their ability to provide customer service, but the very size of community banks means that they have more limited resources available to absorb regulatory overhead expenses – without impacting the quality and delivery of their services. We need to recognize that the risks presented by certain activities undertaken by a community bank are simply not commensurate with the risks of that activity conducted on a much larger scale. One-size-fits-all may not be a risk-based – or sensible

– approach to regulation in many areas. I hope that we can do more to identify those areas where some type of distinction between banks based on the size and complexity and scope of their operations makes sense as a regulatory approach.

In conclusion, Mr. Chairman, on behalf of the OCC, thank you for holding these hearings. The OCC strongly supports initiatives that will reduce unnecessary burden on the banking industry in a responsible, safe and sound manner. We would be pleased to work with you and your staff to make that goal a reality.

I would be happy to answer any questions you may have.