



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Comptroller Explains the Structure of U.S. Bank Supervision

BEIJING -- Comptroller of the Currency John D. Hawke, Jr. [outlined](#) the complexity and rationale of the structure of U.S. bank supervision before an audience Monday at the People's Bank of China.

Mr. Hawke pointed out that Americans have over the years supported the framework of the U.S. regulatory system, despite its complexity.

“Americans didn't necessarily see regulatory complexity as a bad thing. It was viewed instead as a safeguard against the dangers of regulatory hegemony and abuse – and as an incentive to regulatory responsiveness and efficiency.”

Three federal agencies and the states provide a balance in the U.S. scheme.

“Dividing regulatory authority between the federal government and states – and then dividing it again, over a period of years, among three separate federal agencies – ensured that no single agency would be able to gain meaningful dominance,” Mr. Hawke said.

Mr. Hawke underscored the benefit of multiple agencies.

“Competition can be as productive in the public sector as in the private,” the Comptroller said. “In the case of bank supervision, the assumption has been that the agencies would each do their jobs better with bureaucratic competitors in the mix, challenging them to excel. Whether or not this was Congress's rationale, most agree that it has been the happy result.”

Mr. Hawke also reflected on why the unwieldy structure of U.S. bank supervision survives.

“There has never been a clear and compelling consensus for change. The U.S. banking industry and other interest groups have learned to live with – and take advantage of – our existing system. For them, change would be unwelcome,” Mr. Hawke said.

“Even those groups that might be expected to support supervisory rationalization – consumer and public interest groups, for example – have not expressed that support in any consistent or unified way. And the regulatory agencies themselves have never been enthusiastic about proposals to

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simplify supervision – especially when simplification would occur at their expense,” Mr. Hawke added.

“A second reason why our structure has remained in place is that the U.S. regulatory agencies, through trial and error, have learned to work effectively within it,” Mr. Hawke said.

Competition among the agencies is the strength of the system.

“I believe that the relationships that exist among U.S. supervisors validate the concept that lies at the heart of our structure – that competition among regulatory agencies can enhance the quality of supervision and help prevent it from becoming unduly burdensome for financial institutions,” Mr. Hawke said.

Ultimately, Mr. Hawke said, the U.S. system reflects America. Other nations follow their own paths.

“The final and perhaps most important reason why our regulatory structure works is that it is an authentic reflection of our country’s habits of mind and practice,” he said. “While international experience suggests certain core principles of effective bank supervision – independence being chief among them – every country must find its own way of implementing those principles, in a manner consistent with its own culture and institutions.”

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