

**STATEMENT OF
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**Before the
COMMITTEE ON FINANCIAL SERVICES
of the
UNITED STATES HOUSE OF REPRESENTATIVES**

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Thank you, Mr. Chairman, and members of the Committee. I welcome this opportunity to appear before you today to discuss the OCC's supervisory and enforcement authorities and process. The OCC vigorously uses its authorities to protect the safety and soundness of national banks and Federal savings associations and to ensure fair treatment of customers. The OCC and the other Federal banking agencies have a broad range of supervisory and enforcement tools to achieve this purpose. My written statement today covers the OCC's activities and perspectives on enforcement in three areas.

The first is our overall approach to enforcement. The OCC's enforcement process is intertwined with our supervision of the institutions we regulate. These institutions are subject to comprehensive, ongoing supervision that, when it works best, enables examiners to identify problems early and obtain corrective action quickly. Once problems or weaknesses are identified, we expect management and the board of directors to correct them promptly. And institutions usually take the corrective steps necessary to address problems or weaknesses before

they develop into more serious issues that adversely affect their financial condition or their responsibilities to their customers.

That is not always true, however, and in some cases, the seriousness of the problem requires a heightened enforcement response. In those circumstances, we have a range of enforcement tools at our disposal, from informal enforcement actions, such as a commitment letter or memorandum of understanding, to formal enforcement actions, such as a formal agreement, cease and desist order, or removal and prohibition order. We use all of these tools, depending on the circumstances, to swiftly and forcefully require correction of unsafe or unsound practices and violations of law. These include actions taken to address a wide range of issues, including capital adequacy, managerial competency, asset quality, earnings, and fair treatment of customers.

The second part of my testimony describes the process we employ to initiate and resolve enforcement actions. When circumstances warrant enforcement action, it is important that the OCC take such actions as soon as practical. Prompt and effective action is critical to ensuring that institutions take immediate corrective and remedial measures to ensure safety and soundness and protect depositors and consumers. The OCC follows a well-established process for initiating and resolving enforcement actions that promotes its supervisory goals.

In resolving cease and desist, civil money penalty, and removal and prohibition actions, it is the OCC's long-standing practice to present the action in the form of a proposed order, or a proposed order and stipulation in the case of C&Ds. The proposed order or stipulation includes the Comptroller's findings supporting the action and a statement that the institution or individual neither admits nor denies wrongdoing. In the vast majority of cases, OCC enforcement actions are resolved by consent. However, in those relatively rare cases where a negotiated settlement

cannot be reached, the OCC will initiate an administrative proceeding by serving a notice of charges on the institution or individual.

Permitting the institution or individual to settle the case without admitting or denying wrongdoing facilitates the imposition of an enforceable order at a point where, in many instances, the problems are still manageable and can be corrected. If the OCC were to insist on an admission of wrongdoing, it would prolong settlement negotiations and increase the number of respondents who choose to litigate the merits of the action. Even if the OCC is successful in litigation, it could be several years before an order is issued. In the meantime, the institution's condition could continue to worsen and the institution might ultimately fail if the institution continues to engage in unsafe or unsound practices. Or, in a consumer protection case, restitution owed to victims could be substantially delayed while new victims arise each day that the violation goes uncorrected. In either case, resources of an institution that could have been used to fix the problem are instead diverted to financing the litigation.

The third part of my statement describes how the OCC coordinates with State and Federal regulatory agencies and with law enforcement agencies in enforcement cases. As further explained in my statement, the OCC coordinates closely with many Federal agencies and regularly shares information with State and Federal regulatory agencies pursuant to interagency information-sharing agreements.

Thank you very much. I will be happy to answer questions.