

Testimony of
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Chairman Johnson, Ranking Member Shelby and members of the Committee, thank you for this opportunity to be here today to discuss the progress that the OCC and the other banking agencies have made in implementing the Dodd-Frank Act in the year since the law was passed.

Although we have weathered the worst financial crisis since the great depression, it will be years before we put all of its ill effects behind us. Dodd-Frank took important steps to strengthen the financial system and guard against future crises, and I think of all us are determined to implement those safeguards as quickly and effectively as possible.

As I've said in previous testimony, the OCC is involved in 85 individual projects stemming from Dodd-Frank, including a number of interagency rulemakings that will have a very significant impact on the financial system.

Our biggest single task has been to integrate the staff and functions of the Office of Thrift Supervision into the OCC, but we have also devoted considerable effort to the transfer of supervisory responsibilities to the new Consumer Financial Protection Bureau, and we have participated in the early work of the Financial Stability Oversight Council which has the potential to serve as an important defense against market disruptions.

Regarding OTS integration, I'm pleased to report that on Monday, 674 employees of the Office of Thrift Supervision reported for duty at the OCC in offices around the country. We have worked very hard over the past year to ensure a smooth transition, and we have now succeeded in moving to a single regulator for national banks and federal thrifts.

We will need every bit of the talent and experience of former OTS staff to help fulfill our combined supervisory mission, and the men and women joining us from OTS have been fully integrated into policy and field units where their talents can best be utilized.

We also recognized the importance of communication to the industry, so that thrift executives know what to expect from the combined agency. Among our efforts, we held 17 outreach meetings around the country, and those sessions were attended by more than 1,000 thrift executives.

As part of the transition, we have engaged in several rulemakings affecting the thrift industry. Today, we posted an interim final rule that republishes as OCC rules those OTS regulations that the OCC has authority to administer and enforce going forward, and we are continuing to review those regulations, as well as our own, to see where improvements may be in order. We also published a final rule today that addresses a number of areas important for continuity of supervision after July 21, including assessments of federal savings associations.

The rulemaking published in today's *Federal Register* also address the areas where Dodd-Frank made changes in the standards upon which the OCC's rules on preemption and visitorial powers were based. The rulemaking scales back our current rules in a number of areas: The amendments eliminate the "obstruct, impair or condition" preemption standard from our regulations; eliminate preemption for operating subsidiaries of both national banks and federally-chartered thrifts; limit federal savings associations to the same standard of "conflict preemption"

that applies to national banks; and expressly recognize the enhanced visitorial authorities of state attorneys general that are provided under Dodd-Frank.

We also implemented new procedures for future preemption decisions, including consultation with the CFPB.

Over the past year, we have provided considerable support for the standup of the CFPB, and worked to ensure cooperation between the OCC and the new consumer bureau in our complementary supervisory roles. In addition to participating in numerous informational briefings with CFPB staff, we assisted in developing the agency's procurement and personnel management processes.

To ensure the agency has the information it needs about the banks it will be supervising, we executed a memorandum of understanding that allowed us to share reports of examination, supervisory letters, information on enforcement actions, and other important confidential information.

We have also agreed to provide transitional support for other CFPB functions, including consumer complaints.

The OCC will continue to operate our Customer Assistance Group to handle consumer complaints about the large banks now under CFPB supervision while the CFPB builds its own capacity in this area.

As we discussed in our last appearance before the Committee, we have participated in the interagency effort to create an effective Financial Stability Oversight Council.

As a forum for participants to share views, perspectives, and expertise in a confidential setting on emerging risks across the financial system, the Council will be an important venue for averting and addressing future market disruptions.

Finally, Dodd-Frank also calls for a number of rulemakings, and we have proposed interagency rules to address credit risk retention, incentive compensation, and margin and capital requirements for covered swap entities among others.

Clearly, we have a great deal of work ahead in implementing the many important provisions of Dodd-Frank, but I am confident that we will get it done in a way that strengthens the financial system and protects it against the kinds of risks that led to the last financial crisis.

Thank you, and I'm happy to answer your questions.