



# NEWS RELEASE

Comptroller of the Currency  
Administrator of National Banks

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## **Comptroller Hawke Says Independence of Bank Regulators Helped Industry Remain Strong to Support Economic Recovery**

WASHINGTON -- Comptroller of the Currency John D. Hawke, Jr. said today that the banking industry's good health -- and its ability to support the economy as it emerges from economic difficulties -- owes in part to the independence of the bank regulatory agencies.

"Because we have been able to provide not just quality supervision, but independent supervision, the U.S. banking system is strong today," Mr. Hawke said in a [speech](#) to the National Association of Business Economists.

In the late 1980s and early 1990s, he said, the OCC was encouraged to overlook weaknesses in the balance sheets of some troubled institutions in the hope that the economy would improve and those banks would return to health on their own.

"Some called this watchful waiting," Mr. Hawke said. "A better term was wishful thinking. As it turned out, we did no one any favors -- certainly not the affected banks -- by allowing problems to go uncorrected. Losses mounted, forcing us finally to take precipitous action to deal with what were by now deeply troubled, if not insolvent, banks."

The Comptroller said U.S. regulators learned from the experience of the 1980s and 1990s, adding that the industry and the economy have benefited as a result.

"Although the evidence shows that U.S. banks have gradually been raising their lending standards -- a positive development, in our opinion -- business credit is still plentiful -- much more plentiful than at any similar time since the early 1970s," he said.

"Now that loan demand is poised to pick up again, banks will be in a condition to respond, and the economy will have the capital it needs in order to resume its upward growth," the Comptroller added.

Mr. Hawke said that much of the credit for the industry's good health goes to bankers themselves, who have diversified their product lines, built capital, reduced their reliance on volatile interest income, and invested in advanced risk-management techniques.

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“The historically high levels of capital in the system today are a reflection of the experiences of a decade ago, when adequate capital -- by regulatory standards -- turned out in some cases to be wholly inadequate to cover the actual volume of loan losses,” Mr. Hawke said. “Some bankers vowed that this would never happen again.”

The importance of maintaining the independence of bank regulatory agencies has also been highlighted in other countries as well, where banks were pressured to continue lending to uncreditworthy borrowers or required to direct money to specific industries favored by the government, Mr. Hawke added.

“Nearly every crisis we examine, no matter where it occurred, provides a reminder of the dangers of politicizing the banking system and its supervision,” Mr. Hawke said.

“We make our greatest contribution to a sound economy by assuring that our banks have the capacity to extend credit when creditworthy loan opportunities are presented,” he added.

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The OCC charters, regulates and examines approximately 2,200 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 54 percent of the nation’s banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.