Remarks of Jonathan V. Gould
Comptroller of the Currency
Financial Stability Oversight Council
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Thank you Secretary Bessent for convening today's meeting. It's a privilege to join you and my fellow Council members. Since our last meeting, the OCC has carried out several efforts to strengthen our supervision, restore banks to their proper role as financial intermediaries, and undo some of the counterproductive regulatory and supervisory constraints that Dodd-Frank spawned.

For too long, financial regulation has impeded our federal banking system from supporting the American economy to its full extent, in some cases pushing banking activities out of OCC-regulated banks. Capital that could have supported American businesses, home buyers, and farmers was instead left on the sidelines. Although other lenders have stepped up to fill some of these gaps – a sign of the strength and dynamism of our financial services system – banks and their supervisors often have less visibility into those arrangements and less ability to manage any associated risks, including risks to which banks are indirectly exposed.

One recent course correction we have made is the rescission of the interagency 2013 leveraged lending guidance. That guidance, which was legally suspect, became a de facto prohibition on broad categories of important lending activity. With the rescission of the leveraged lending guidance, we've restored a risk-based supervisory approach, enabling banks to make decisions consistent with safe and sound lending principles applicable to other lending activities. By reversing this guidance, we are increasing supervisory transparency and promoting financial stability.

Since our meeting in September, we have taken other important steps with our Federal banking agency colleagues. We finalized our changes to the enhanced supplementary leverage ratio, ensuring that the eSLR is a backstop to risk-based capital requirements rather than a binding constraint. This increases market resilience and lending capacity. We have also issued a proposed rule revising the community bank leverage ratio. If finalized, this will improve community banks' ability to serve local businesses, homeowners, and entrepreneurs. Lowering the threshold and extending the grace period will free eligible banks from unnecessary compliance exercises while maintaining their safety and soundness.

More generally, the OCC recognizes the outsized role that community banks play in promoting economic growth and security, and the negative impact that one-size-fits-all supervision has had on them. Accordingly, we announced a series of reforms in October and November to reduce burden and tailor examination activities for community banks. The OCC eliminated mandatory examination activities not required by statute or regulation, which represents a return to risk-based supervision. We also clarified expectations for community banks regarding model risk management, retail non-deposit investment products, and BSA/AML requirements, acknowledging the generally low levels of risk for community bank activities, and the inappropriateness of subjecting them to compliance standards designed for larger banks. We issued a proposed rule to provide expedited licensing procedures for certain community banks that support their expansionary activities. We also issued a request for information to understand better the challenges that community banks face with their core service providers and other essential third-party service providers that affect the banks' ability to remain competitive. All of these efforts are aimed at ensuring the long-term viability and relevance of the community bank business model.

We are also focused on strengthening supervision by putting it on a more firm legal foundation and refocusing it on material financial risks. This will decrease the chance that we miss obvious threats to a bank's safety and soundness, as seemingly happened with Silicon Valley Bank. To that end, we issued a joint proposal that defines unsafe or unsound practices and reforms the use of matters requiring attention. Our aim is to concentrate supervisory and bank attention on material financial risks that genuinely threaten safety and soundness, not on secondary procedural issues. We also issued a proposed rule eliminating "reputation risk" from our rules and from our supervision. The concept adds little to nothing in terms of safety and soundness and has been abused repeatedly.

Taken together, these actions represent an initial, but not sufficient, effort to undo discretionary regulatory and supervisory policy choices made after the 2008 crisis that *eroded* effective supervision and *threatened* the relevance of the banking system. I look forward to working with my colleagues on this Council and others to continue these efforts in 2026. I will also be focused on reforms to liquidity risk management and BSA / AML compliance, ensuring pathways for safe and sound innovation for all banks, continuing to reduce the burden on community banks, and – in my capacity as an FDIC board member – resolution planning and execution capabilities, and reinvigorating de novo chartering in this country. I look forward to working with state chartering authorities in states that have also suffered from nearly two decades of stagnation, and I applaud the work of the FFIEC to spread best practices on this important issue.

Thank you.