

**Acting Comptroller of the Currency Michael J. Hsu**  
**Oral Statement before the**  
**Committee on Banking, Housing and Urban Affairs,**  
**U.S. Senate**  
**May 16, 2024**

Chairman Brown, Ranking Member Scott, and Members of the Committee, I am pleased to appear today to provide an update on the activities and priorities of the Office of the Comptroller of the Currency (OCC).

The overall condition of the federal banking system is sound. OCC-supervised banks in aggregate continue to have strong levels of regulatory capital and sufficient liquidity buffers, though risks from commercial real estate and interest rate exposure continue to warrant attention. Banks and supervisors need to remain on guard against complacency, one of my top priorities for the agency. The OCC's Bank Supervision Operating Plan for 2024 highlights asset liability management, credit risk and allowance for credit losses, cybersecurity, operational risk, and consumer compliance risk as our key areas of focus.

Another priority for the OCC has been promoting fairness in banking. This April marked the one-year anniversary of OCC guidance to assist banks in managing risks associated with overdraft protection programs. Since the OCC's heightened attention on overdrafts began, the overdraft fees charged by OCC-regulated banks in aggregate have fallen over 40 percent.

Adapting to digitalization has been a third priority for the agency. We recognize, for instance, that community banks may face hurdles in risk managing their third-party relationships, including with fintechs. Earlier this month, the OCC, Federal Reserve, and FDIC published a third-party risk management guide for community banks with examples of innovative approaches to conducting due diligence and assessing new fintech companies.

The OCC supports a diverse and dynamic banking system and continues its focus on updating our bank merger analytical frameworks. We remain committed to working with our interagency peers, including the Department of Justice, on this effort. To increase transparency, on January 29, 2024, we released for comment a proposed policy statement on bank mergers. We recently extended the comment period to June 15.

My written testimony provides greater detail on these and other activities of the OCC.

As co-chair of the FDIC's Special Review Committee, I would like to address briefly the recently released independent report on harassment and misconduct at the FDIC.

The top priority for us all must be protecting the staff of the FDIC and putting people first. The harassment and misconduct detailed in the Report are totally unacceptable. The number and scope of allegations, the patterns of misconduct, and the longstanding culture revealed by the review are highly disturbing and need to be fixed.

The root causes and recommendations cited in the Report provide a clear roadmap for what needs to be done and why. That is where our attention must be focused to ensure the FDIC is a safe workplace for all of its employees.

As a member of the FDIC board, I am committed to the transformation called for in the Report. I am especially supportive of the Report's recommendation to engage an external expert and establish an independent monitor to ensure that the agency's efforts are tracked and that accountability is enforced. I also believe that Chairman Gruenberg has accepted responsibility for his and the FDIC's past failings and that he is fully committed to lead the agency in taking the actions necessary to make it a safe place for everyone to work.

Thank you, I will be happy to answer your questions.