

Statement of
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Financial Services Committee
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Chairman Neugebauer, Ranking Member Capuano, and members of the Subcommittee, my name is Tim Long and I am the Senior Deputy Comptroller and Chief National Bank Examiner at the Office of the Comptroller of the Currency. In this role, I serve as the OCC's representative on the Financial Stability Oversight Council's Deputies Committee. I appreciate the opportunity to provide the OCC's perspectives on the functions and operations of the FSOC.

Congress set forth very specific mandates regarding the role and function of FSOC, but its primary mission is threefold:

- To identify risks to the financial stability of the United States,
- To promote market discipline, and
- To respond to emerging threats to the stability of the U.S. financial system.

In some cases, the Council has the direct responsibility to make decisions and take actions. This includes designating certain nonbank financial companies to be supervised

by the Federal Reserve and subject to heightened prudential standards should the Council determine that material financial distress at such companies would pose a threat to the financial stability of the US. In other areas, the Council's role is more of an advisory body to the primary financial regulators, such as conducting studies and making recommendations to inform future agency rulemakings.

The OCC believes the varied roles and responsibilities that Congress assigned to the Council appropriately balance and reflect the desire to enhance regulatory coordination for systemically important firms and activities while preserving and respecting the independent authorities and accountability of primary supervisors.

As detailed in my written statement, and as the other witnesses have described, FSOC has taken action on a number of items, including the publication of two required studies and proposed rulemakings on the designation of systemically important nonbank financial firms and financial market utilities.

The Council and its committees are also making strides in providing a more systematic and structured framework for identifying, monitoring, and deliberating potential systemic risks to the financial stability of the United States. Briefings and discussions on potential risks and the implications of current market developments on financial stability are a key part of the closed deliberations of each Council meeting.

In summary, I believe FSOC enhances the agencies' collective ability to identify and respond to emerging systemic risks. I would, however, offer two cautionary notes.

First, I believe the Council's success ultimately will depend on the willingness and ability of its members and staff to engage in frank and candid discussions about emerging risks, issues, and institutions. These discussions are not always pleasant as they can challenge one's longstanding views or ways of approaching a problem. But being

able to voice dissenting views or assessments will be critical in ensuring that we are seeing and considering the full scope of issues. In addition, these discussions often will involve information or findings that will need further verification, that are extremely sensitive either to the operation of a given firm or market segment; or if misconstrued, could undermine public and investor confidence and thereby create or exacerbate a potentially systemic problem. As a result, I believe that it is critical that these types of deliberations – both at the Council and staff level – be conducted in a manner that assures their confidential nature.

Second, even with fullest deliberations and best data, there will continue to be unforeseen events that pose substantial risks to the system, markets or groups of institutions. Business and credit cycles will continue. We should not expect FSOC to prevent such occurrences. FSOC will, however, provide a mechanism to communicate, coordinate, and respond to such events to help contain and limit their impact.

The issues that the Council will confront in carrying out these duties are, by their nature, complex and far-reaching in terms of their potential effects on our financial markets and economy. Developing appropriate and measured responses to these issues will require thoughtful deliberation and debate among the member agencies. The OCC is committed to providing its expertise and perspectives and in helping FSOC achieve its mission.

Thank you, and I'll be happy to respond to your questions.