

**Acting Comptroller of the Currency Michael J. Hsu**  
**Oral Statement Before the**  
**Committee on Financial Services**  
**November 20, 2024**

Chairman McHenry, Ranking Member Waters, and Members of the Committee, I am pleased to appear today to discuss the activities of the OCC.

My written testimony provides an update on the condition of the banking system and other matters. I would like to use this time to reflect on the last three-and-one-half years.

Banking rests on trust. Trust enables growth and opportunity for individuals and communities and allows the economic pie to grow. Bank regulators serve as guardians of this trust. When I became Acting Comptroller in 2021, I identified four priorities for the OCC, each anchored in fostering trust in banking.

The first priority was guarding against complacency. In 2021, the economic outlook was surprisingly positive given the Covid pandemic. Coordinated actions by the government and banks had been effective in preventing economic collapse. Credit performance was historically strong, businesses were growing, and innovation was taking off, especially in crypto and amongst fintechs.

Those conditions felt familiar and ripe for complacency. In response, I prioritized strong risk management and encouraged bankers and supervisors to be vigilant. This proved prudent. In the following years, crypto lost over \$2 trillion in value and many platforms failed, inflation and interest rates rose rapidly stressing parts of the banking system, and commercial real estate concerns grabbed market headlines. Throughout this period, OCC-supervised banks stood strong. Customers and counterparties to national banks and federal savings associations were able to have peace of mind despite the volatility and uncertainty. That was not luck. It was due, in part, to our persistent emphasis on strong risk management and guarding against complacency.

The second priority was elevating fairness. Since 2021, the OCC has strengthened

and modernized the CRA, reformed overdraft practices, updated our fair lending screens and examinations, and expanded financial inclusion through Project REACH.

This past year, we increased our focus on consumer financial health, in particular on its measurement. Building on the idea that “what gets measured, gets managed,” the OCC published a report in June that defined financial health and identified three potential “vital sign” metrics that can be used to gauge the financial health of individuals in real-time. Our work with consumer advocates, research organizations, and banks will further develop and test these ideas.

The third priority was adapting to digitalization. Banking services are no longer provided by just banks. The digitalization of banking has allowed nonbank fintechs and big techs to offer payment, lending, and deposit-taking services to their users.

While this evolution has fostered greater competition and innovation in digital banking, it has also confused consumers, diffused accountability, and created an unlevel playing field. Since 2021, the OCC has been highlighting these challenges and working to address them.

Last year, the federal banking agencies issued interagency guidance on third party risk management. This past July, we issued a focused RFI on bank-fintech arrangements and effective risk management practices. We are currently considering the feedback received.

I am a strong supporter of responsible innovation and am guided by the maxim: the better a car’s brakes, the faster you can drive it safely. In February, the OCC hosted a symposium on the tokenization of real world assets and liabilities. It focused on how to build the proper legal and risk management foundations for faster, cheaper, and lower risk settlement.

The fourth priority was managing climate-related financial risks. The OCC has taken a deliberative, safety and soundness-focused, common-sense approach to climate-related financial risks, focusing on large banks with over \$100 billion in assets.

In addition to these priorities, fostering trust requires balanced and active outreach to all stakeholders. I’ve prioritized meetings with community banks, hosted regular

gatherings with community advocates and civil rights groups, engaged academics, and visited local communities across the country from Midland, Texas to Polson, Montana. Directly engaging a wide range of stakeholders, meeting them in their communities, and actively listening has helped keep me and the agency grounded in what we do and how we approach issues. Most importantly, it has fostered trust.

Finally, I would like to recognize the staff of the OCC who are true unsung heroes. Their work is invisible to most, yet their impact is huge. I am proud to have been a part of this agency and to have joined such dedicated public servants in a mission focused on ensuring the safety, soundness, and fairness of the federal banking system. I know OCC employees will remain committed to the agency's mission and ensuring that the federal banking system remains a source of strength to the U.S. economy.