

Crapo Statement at Hearing with Financial Regulators

May 15, 2019

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a hearing entitled: “Oversight of the Financial Regulators.”

The text of Chairman Crapo’s remarks, as prepared, is below.

“Today we will receive testimony from Randy Quarles, Federal Reserve Vice Chairman for Supervision; Joseph Otting, OCC Comptroller of the Currency; Jelena McWilliams, Chairman of the FDIC; and Rodney Hood, Chairman of the NCUA.

“This hearing provides the Committee an opportunity to examine the current state of and recent activities related to prudential regulation and supervision.

“The Fed’s most recent report on Supervision and Regulation reports that the performance of the economy over the last five years has contributed to the robust financial performance of the U.S. banking system, and that over the past five years, the banking system has expanded loans by nearly 30 percent – an encouraging development.

“It has been nearly a year since the enactment of S. 2155, the Economic Growth, Regulatory Relief and Consumer Protection Act, and each one of your agencies has taken additional steps to implement key provisions of the bill.

“I appreciate your agencies’ continued diligence to get these and other rulemakings out quickly.

“However, there are aspects of some recent proposals that merit further attention, including:

- The Community Bank Leverage Ratio (CBLR). Senator Moran and I wrote to most of you recently encouraging you to establish the CBLR at 8 percent and ensure that the proposed Prompt Corrective Action framework for the CBLR would not unintentionally deter community banks from utilizing the CBLR framework;
- Simplifying the Volcker Rule, including by eliminating the proposed accounting prong and revising the “covered funds” definition’s overly-broad application to venture capital, other long-term investments and loan creation;
- Harmonizing margin requirements for inter-affiliate swaps with treatment by the CFTC;
- Indexing any dollar-based thresholds in the tailoring proposals to grow over time generally in line with growth in the financial system; and
- Continuing to examine whether the regulations that apply to the U.S. operations of foreign banks are tailored to the risk profile of the relevant institutions and consider the existence of home country regulations that apply on a global basis.

“Turning to guidance and supervision, the Banking Committee held a hearing last month on Guidance, Supervisory Expectations and the Rule of Law.

“During that hearing, the Committee examined situations where the federal banking agencies have enacted guidance or other policy statements that are being enforced as rules and therefore comply with neither notice-and-comment rulemaking processes nor with the Congressional Review Act (CRA).

“I urge each of your agencies to continue to follow the CRA and submit all rules to Congress, even if they have not gone through formal notice-and-comment rulemaking and continue to provide more clarity about the applicability of guidance.

“More can be done within your agencies to educate and ensure that supervisors know how guidance should be treated and that they do not use the discretion provided to them by Congress in inappropriate ways.

“I was encouraged that Vice Chairman Quarles last week recognized that it is incumbent on the Federal Reserve and on financial regulatory agencies to think very carefully through what the agencies mean by supervision and what they mean by regulation, and how to use each appropriately.

“I was also encouraged that the Fed recently issued a notice of proposed rulemaking to revise its ‘control’ rules under the Bank Holding Company Act.

“Vice Chairman Quarles, you noted that the ‘control framework has developed over time through a Delphic and hermetic process that has generally not benefited from public comment,’ and that ‘this proposal ... allow[s] public comment on those positions to improve their content and consistency.’

“I urge the Fed to thoughtfully consider the severe restrictions on ‘business relationships’ and whether business relationships should apply to expenses of the investee and investor.

“Finally, while I have you all here, I would stress the importance of agencies remaining neutral, un-biased and non-political, especially when it comes to reviewing bank mergers and applications, as your agencies have done successfully for many years.

“I appreciate each of you taking the time to testify today, and I look forward to hearing more about your respective agencies’ priorities for the rest of 2019.”

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