February 29, 2024
OMB#: 1557-0321

Office of the Comptroller of the Currency
Chief Counsel's Office
Attn: Comment Processing **1557-0321**
400 7th Street, S.W., Suite 3E-218
Washington D.C. 20219

OMB Number: 1557-0321

Title: ***Renewal of Information Collection titled, "OCC Guidelines Establishing Heightened Standards for Certain Large Insured National Banks, Insured Federal Savings Associations, and Insured Federal Branches."***

This letter is in response to the Office of the Comptroller of the Currency's (OCC) request for comment on the renewal of information collection on OCC Guidelines Establishing Heightened Standards for Certain Large Insured National Banks, Insured Federal Savings Associations, and Insured Federal Branches (hereafter, "Heightened Standards"). The OCC seeks comments on ways to enhance the *quality, utility, and clarity* of the information to be collected. Written comments must be received by March 27, 2024. I appreciate the OCC's request for public comment.

The OCC can improve the quality, utility, and clarity of the information to be collected by updating the guidelines on Heightened Standards to set clear standards for $50+ billion-dollar banks in the modern world.

The guidelines on Heightened Standards were published on September 11, 2014 and have not been updated since then.[1] The United States' economy, financial markets, and the banking industry however have evolved considerably over the past ten years. For example, in 2014, a multi-billion-dollar liquidity run on a bank one had to occur over *many* days; today, it can happen within a *single* day.[2] In 2014, mobile banking was in its infancy, bank exposures to cryptocurrencies and blockchain technology was virtually non-existent, the OCC had not yet established its guidelines for "Recovery Planning" for banks over $250 billion, nor established its Office of Innovation. Clearly, business practices and the nature of risks banks face today are not a copy of what they were in 2014.

The current guidelines on Heightened Standard are axioms and bromides on traditional prudent risk management. Today, these axioms are applicable to banks much smaller than $50 billion in size. In 2024, investors, credit rating agencies, and regulators alike expect banks with $10 billion or more in total assets to comply with these axioms, even though they are not required to by regulation. All banks $10 billion or more must have a risk governance framework, independent risk management, data aggregation and reporting, risk limits and breach reporting, and concentration risk management.

[1] It is curious that the OCC chose to update its regulation on the Community Reinvestment Act two times over the past five years, and chose to initiate updating its business combination regulation (12 CFR 5.33) two times over the past ten years. However, the OCC has never initiated any updates to its guidelines on Heightened Standards (12 CFR 30, Appendix D) over the past 10 years.

[2] See speech by the Acting Comptroller of the Currency titled, "Building Better Brakes for a Faster Financial World," dated January 18, 2024.

Accordingly, Appendix D of 12 CFR 30 does not set higher expectations on risk-management standards for regional banks crossing over the $50 billion threshold.

I trust that, over the past 10 years of Heightened Standards, the OCC has learned important lessons on common risks and controls that large, complex financial institutions must address. Heightened Standards should be modernized to reflect newer OCC guidance on risk management of *consistently recurring risk themes*.[3] Appendix D of 12 CFR 30 should be enhanced to provide clear distinction between regulatory expectations for regional banks over $50 billion in total assets versus regional banks of $10-$50 billion in asset size.

If the OCC's Guidelines on Heightened Standards is intended to strengthen the financial system by minimizing the probability and impact of financial crises cause by complex financial institutions $50 billion or higher, then the guidelines must be refreshed every few years to keep up with evolutions in banking, risk management practices, and the marketplace.

I appreciate the opportunity to comment on the OCC's proposal. I wish the agency the best of luck.

Thank you. Sincerely,

William

[3] The OCC has reported *consistently recurring risk themes* in its "Semiannual Risk Perspective" publication over the past 10 years. These consistently recurring risk themes/concerns include: credit risk, interest rate risk, cyber risk, deposit cost/liquidity risk, and risks associated with third-party vendors. Therefore, it would seem that these risks should be clearly addressed in a modern version of Heightened Standards.