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Opening Statement on Final Rules to Tailor Enhanced Prudential Standards
and Resolution Plan Requirements for Large Domestic and Foreign Banks
by Vice Chair Randal K. Quarles

Good afternoon, and thank you for joining us today as we consider the final rules on tailoring prudential requirements and resolution plan requirements for domestic and foreign banks, as well as the companion stress testing and assessments rules. I would like to begin, first, by thanking our staff and the staffs of the Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC) for their hard work and efficiency.

I am pleased that, in developing the final rules, we were able to maintain our objective from the proposals: developing a regulatory framework that more closely ties regulatory requirements to underlying risks, in a way that does not compromise the strong resiliency gains we have made since the financial crisis. It would not have been possible to produce such high quality work if it were not for the open exchange of ideas and openness to feedback that have been evident over the past year. In particular, I would like to focus today on three reasons why I believe this feedback was necessary to our success.

First, as I noted, the final rules that the Board is considering today were made stronger by the fact that we collaborated closely with the FDIC and OCC. This close collaboration allowed us to benefit from additional expertise on topics such as regulatory capital and liquidity requirements, as well as the special expertise that we have jointly developed with the FDIC in the area of resolution planning. These interagency conversations improved the quality of both the initial proposals that we issued for public comment, as well as the final rules before us today.

This feedback, at both the staff and the principal levels, facilitated the frank conversations that were necessary for us to stay on course and produce timely rules.

The second, vital source of feedback is the feedback we receive through the public comment process. Because of the breadth and importance of our responsibilities, and the fact that the Board is an independent agency, we have a special obligation to be transparent and accountable to the public, including the banks that we supervise. Our first line of defense is the notice we give to the public through the rulemaking process, before we make the consequential decision to impose or remove a regulatory burden. It is equally important that we provide an adequate justification for our proposed actions with the rules. Above and beyond our legal obligation to provide this justification, providing a clear rationale for our actions fosters transparency and accountability.

In addition to written comments, our staffs made an extra effort to meet with all interested members of the public including those that would be directly affected by the rules. These exchanges are valuable because they allow parties to expand on ideas in their written comments and hear firsthand from our staff how we think about the proposals. By my count, we held over 20 meetings with the public during the tailoring rulemaking process. We post a summary of these meetings, including the names of the staff who participated, the names of the outside parties, and a description of the issues that were addressed, to our public website. This practice helps to facilitate transparency and reassure the public that, quite literally, their voices are being heard.

The third source of valuable feedback in this rulemaking process has been from our peer regulators and supervisors. They are wrestling with many of the same difficult questions that were presented by the tailoring proposals, as we all try to strike the correct balance in calibrating

the stringency of our local capital and liquidity requirements, giving due regard to national treatment and competitive equity. As Chair of the Financial Stability Board, I feel a special obligation to ensure that we are listening carefully to this feedback and taking steps to build a consensus around our prudential standards. We all benefit when there are clear and consistent standards promulgated by all prudential regulators.

In that regard, we will be focusing our attention in the coming months on the question of branch liquidity requirements. We received helpful public feedback on this issue in response to the questions in the tailoring proposals. I've also received direct feedback on this issue from our peer bank supervisors in other jurisdictions, who were grateful that we didn't rush to judgment about the correct course of action. I look forward to continuing the dialogue at the international level.

Let me end by noting another area where I believe greater focus on process can help us improve our outcomes. That is in the area of bank supervision. We have recently taken a number of steps to improve the transparency of our bank supervision practices, such as by publishing a semiannual report on bank supervision and by providing greater transparency around the models we use in stress testing. Just as we did with the tailoring proposals, I am eager to identify other process improvements to our supervisory framework that would not sacrifice the important strides we have made in resilience since the crisis.