

Statement Of
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Comptroller of the Currency
Before the
Subcommittee On Financial Institutions and Consumer Credit
of the Committee On Banking and Financial Services
U. S. House Of Representatives
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Madam Chairwoman and members of the Subcommittee, I appreciate this opportunity to offer the views of the Office of the Comptroller of the Currency on H.R. 1585 and to discuss additional ways to reduce unnecessary regulatory burdens on the banking industry. I thank you, Madam Chairwoman, the members of the Subcommittee, and your staffs for working with the OCC and the other federal banking regulators to craft a bill that takes into account many of our concerns and suggestions for appropriate regulatory burden relief. In this bill, and in previous regulatory burden relief legislation, this Subcommittee has played a leadership role in identifying opportunities to enhance efficiencies and reduce unnecessary requirements applicable to banks -- without compromising safety and soundness or the interests of consumers.

Effective bank supervision requires a regulatory infrastructure that maintains the safety and soundness of the industry, ensures that the credit needs of the public are served, and protects the interests of banking customers. The pursuit of those goals necessarily imposes some regulatory burdens on the banking industry. Needless burdens, however, make banking more costly, inhibit the ability of banks to serve their important role in our national economy and, in the long run, undermine safety and soundness.

Recently, we initiated a review of our regulations to identify those that are particularly onerous for community banks. Today's edition of the Federal Register contains an advance notice of proposed rulemaking soliciting public comment and suggestions for addressing the regulatory burdens that community national banks bear, consistent with maintaining safety and soundness.

My written statement and attachments provide detailed comments on the bill and some recommendations for additional changes that would provide meaningful burden relief for banks. This morning, I will briefly highlight changes that would enhance the ability of banks to compete, enable national banks to organize their operations more efficiently as the industry consolidates, and remove uncertainty about the ability of national banks to branch in historically under-served parts of the country.

H.R. 1585 eliminates outdated prohibitions on the ability of banks to operate efficiently in an competitive

market for financial services. The bill removes the statutory prohibitions that prevent depository institutions from offering interest-bearing NOW accounts to businesses and paying interest on demand deposits. These provisions would eliminate the obsolete policy of restricting the rates banks pay on deposits.

The bill also contains important, burden-reducing provisions that allow banks greater flexibility in their organization and governance. In light of the ongoing restructuring and consolidation of the banking industry, it is critical to remove needless restrictions that prevent banking companies from organizing their operations efficiently. We support the bill's provisions, and offer some suggestions for additional amendments that would complement those already included in the bill.

For example, Section 203 reduces regulatory burdens by expediting the procedure by which a national bank may reorganize to become a subsidiary of a bank holding company. This will be particularly useful to community banks. Also, Section 201 would permit the OCC to give banks more flexibility in determining the size and composition of their board of directors, which would provide greater flexibility to banks involved in mergers in maintaining more local representation on their boards of directors.

We urge Congress to take steps to make sure the law does not hinder national banks that want to locate in historically under-served parts of the country. In particular, we recommend that Congress clarify the national bank branching statute to permit specifically a national bank to establish and operate branches on Indian Reservations, consistent with tribal law.

We also ask the Congress to consider removing governmentally imposed requirements that have the effect of limiting competition by insulating some parts of the financial services industry from competition. The so-called "place of 5,000" restriction on bank insurance sales is an obvious example of an out-dated restriction that limits the ability of national banks to compete fully with other sellers of insurance. It shields one sales channel from competition from another. Ultimately, consumers bear the cost of this requirement because they have fewer choices when they buy insurance. Clearly, this is an example of a regulatory burden that serves no public purpose and should be eliminated.

Finally, the OCC supports the Bank Examination Report Privilege Act, which would establish a bank supervisory privilege to protect confidential supervisory information, such as depository institution examination reports and other documents relating to the examination. These sections favorably resolve many

of the unsettled issues regarding the handling of access to supervisory information, while preserving a fair process, including judicial review, by which third parties may seek access to supervisory information.

The OCC remains committed to the reduction of unnecessary regulatory and supervisory burdens. We believe this can be done without compromising either the safety and soundness or the community and consumer responsibilities of insured depository institutions. We applaud you, Madam Chairwoman, and the Subcommittee for its efforts to reduce unnecessary regulatory burdens.