

Press Releases

November 27, 1996

OTS 96-76 - OTS Simplifies Conflicts Rule

Office of Thrift Supervision

News Release

FOR RELEASE at 9:30 a.m. EST

For further information

Wednesday, November 27, 1996

Contact: Paul Lockwood

OTS 96-76

202/906-6693

OTS SIMPLIFIES CONFLICTS RULE

WASHINGTON, D.C., Nov. 27, 1996 -- The Office of Thrift Supervision (OTS) took another step to reduce regulatory burden on the nation's thrift industry today by adopting a slimmed down, streamlined version of its regulations covering conflicts of interest, corporate opportunity and hazard insurance.

The final rule, published in today's Federal Register and effective Jan. 1, 1997, reduces from eight to three the number of sections dealing with these subjects, cutting more than five pages from the Code of Federal Regulations.

The final rule is substantially similar to the one proposed June 14, 1996.

However, in one revision, the conflicts of interest rule has been clarified, and specific examples given about conflicts that are prohibited for directors and officers of savings associations. The regulation lists three things that a person with a potential conflict should do to avoid trouble: first, disclose the conflict to the association's board of directors; second, refrain from participating in the board's discussion of the matter; and third, refrain from participating in any board vote on the matter.

A "safe harbor" provision has been added to the section on corporate opportunity. OTS will not deem an officer or director to have taken advantage of a business opportunity with potential benefit to the savings association if disclosure is made to the board of directors, and a disinterested and independent majority of the board rejects the business opportunity for the thrift.

OTS said the final rule does not impose any new requirements, but reiterates general common law standards on the fiduciary duty officers, directors and others owe to the institutions they serve.

The final rule was drafted using plain language to improve conciseness and clarity, and it was designed to eliminate duplication and overlap in regulations. For example, OTS dropped the policy statement under which thrifts must require hazard insurance on mortgaged property, because the statement has been superseded by the Interagency Real Estate Lending Guidelines.

OTS said it is seeking to move away from regulations that micromanage thrift operations. Today's rule, OTS said, achieves the right balance by putting key safety and soundness requirements in binding regulations and placing more detailed guidance on prudent practices in the agency's Thrift Activities Regulatory Handbook.

The final rule is another important step in a broad OTS reinvention initiative that began in the spring of 1995 and will cover all rules. OTS staff reviewed each conflicts of interest, corporate opportunity and hazard insurance regulation and policy statement to determine whether it was current, clearly written and understandable, the least burdensome consistent with safety and soundness, and whether it should be in regulation form or in the handbook. OTS also received input from a thrift industry focus group.

###

The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.