

Press Releases

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OTS 97-18 - Electronic Banking Proposed Rulemaking

Office of Thrift Supervision

NEWS

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THRIFTS' ELECTRONIC BANKING REGULATIONS SET FOR UPDATING

WASHINGTON, D.C., March 31, 1997 -- The Office of Thrift Supervision (OTS) today asked for input on whether its existing regulations impede savings associations' appropriate use of advancing electronic banking technology.

"Technology is revolutionizing the financial services industry," said OTS Director Nicolas Retsinas. "Our rules must be flexible to accommodate technological changes in the marketplace. Most importantly, we want to ensure that thrifts use technology in a safe and sound manner."

Although OTS approved the nation's first Internet bank nearly two years ago, its data processing regulations date from the days when thrifts used computers simply to process and store data.

"The landscape has changed dramatically," Retsinas said, "and further profound changes are under way." Today, computers can, through credit scoring programs, make decisions on whether to grant a customer a loan, raising questions as to whether OTS regulations adequately address the reality of machines processing risk assessments.

Some current regulations may be too restrictive. For example, current OTS regulations limit a thrift's selling of its services, software and excess computing capacity. The restrictions may no longer be necessary.

While OTS is asking for input on what regulations need to be changed and how to change them, it is also looking at issues that are currently not specifically addressed by any OTS regulations. Smart cards, or stored-value cards, are one example. Smart cards store "money" in the card's chip or magnetic strip. Money can be added to the card at any time or subtracted from the card when paying for goods or services. Regulators may need to address the legal issues that apply to issuers, users and others.

"We don't want to impose unnecessary regulatory burden on depository institutions by enacting regulations that aren't necessary," Retsinas said. "But we also have the responsibility to see that these new services are carried out in a safe and sound manner."

The advance notice of proposed rulemaking is scheduled to be published in the Wednesday, April 2, 1997, edition of the Federal Register. Comments will be accepted for 60 days following publication, including comments by electronic mail. The e-mail address is: public.info@ots.treas.gov. Those commenting by e-mail should include their name and telephone number.

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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.

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