

## Press Releases

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OTS 97-66 - OTS Plan Would Expedite Thrifts Use of Electronic Technologies

# Office of Thrift Supervision

# NEWS

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For further information

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### **OTS PLAN WOULD EXPEDITE THRIFTS' USE OF ELECTRONIC TECHNOLOGIES**

WASHINGTON, D.C., Oct. 1, 1997 -- Opting for maximum flexibility over micro-regulation, the Office of Thrift Supervision (OTS) today issued a proposed electronic banking rule that would allow federal savings associations to take full advantage of this emerging technology.

"We are proposing the least burdensome approach to regulation for our institutions, in line with safety and soundness, and one that will allow them to use the new technology to enhance their competitiveness," said OTS Director Nicolas Retsinas. In short, the proposed regulation would permit federally chartered savings associations to engage in any activity through electronic means that they are authorized to conduct through more traditional mechanisms.

"Customers will benefit, and the thrift industry will be able to compete better and remain a vital part of the financial services industry," Retsinas said.

At the same time, he emphasized, OTS is updating guidance to both the thrifts and its examiner force to ensure that institutions prudently and safely utilize the new technology and that examiners are fully equipped to see that they do.

The proposed rule would remove regulatory roadblocks to full use of automated teller machines (ATMs), automated loan machines (ALMs), personal computers, the Internet, the World Wide Web, telephones, stored value cards or other electronic devices to deliver services to customers.

Specifically, the rule would eliminate restrictions that currently prevent the use of remote service units, such as ATMs and ALMs, to open a savings or checking account or take out a loan. It also would clarify that such electronic facilities do not constitute a branch office.

The agency said the sweeping changes to its electronic operations rules, the first since the early 1980s, are needed to keep pace with rapidly changing banking technology. The proposed rule builds on the responses received to OTS' April 2, 1997, advance notice of proposed rulemaking.

"By taking a flexible approach to regulation, we do not expect to have to repeatedly amend our rules to keep pace with rapidly changing technology," Retsinas said. He noted that specific guidance to the industry and OTS examiners, which can be changed easily as technology develops, is being issued in a revised examination handbook section, in addition to the advice to the industry on PC retail banking issued June 23, 1997. Training of examiners has begun to help them make sure savings associations use electronic technology prudently, within the general OTS safety and soundness requirements.

The proposed regulation provides that thrifts that develop electronic capacities for their own customers could sell excess capacity to third parties. Thrifts could also join with third parties to develop electronic delivery mechanisms, but the third party would have to agree to be examined by OTS and pay for any examination costs.

OTS expects its regulated thrifts to establish security measures that keep up with industry standards. Extensive testing of security measures was a condition of approval for the two Internet banks operating under OTS charter.

The agency said new electronic technologies must develop within the framework of interagency Community Reinvestment Act regulations and interpretations.

The notice of proposed rulemaking is scheduled to be published in the Oct. 3, 1997, edition of the Federal Register. OTS invites public comment on the proposal for 60 days following publication.

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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.**