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OTS 97-67 - OTS Updates Guidance, Training in Concert with E-Banking Proposals

Office of Thrift Supervision

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Contact: William Fulwider

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OTS UPDATES GUIDANCE, TRAINING IN CONCERT WITH E-BANKING PROPOSAL

WASHINGTON, D.C., Oct. 1, 1997 -- In concert with today's release of its proposed new rule on electronic banking, the Office of Thrift Supervision (OTS) announced that it will issue updated [examination guidance](#) and begin training its safety and soundness examiners in emerging "information technologies."

Paul Reymann, OTS supervision policy analyst, said the guidance is nearing completion and is expected to be ready for release as a regulatory bulletin by mid-October. Subsequently, the guidance will be incorporated in the Thrift Activities Handbook, replacing an existing section 341.

The guidance will put heavy emphasis on thrifts adopting a risk management program "to address unique aspects of an electronic environment," Reymann said. "Factors such as transaction speed, geographic reach and user anonymity introduce new challenges for risk management controls designed to monitor activities or trends."

He noted that thrift institutions are looking intently at the possible opportunities presented by electronic services, including the Internet and the World Wide Web as a means of enhancing their competitiveness.

"Regardless of the level of sophistication, risks are inherent in all electronic capabilities. Threats can come from both internal and external sources. Outside hackers, disgruntled employees, and inadvertent errors can adversely affect reliability," Reymann said. "It is imperative that management -- including directors, senior management and line officers -- is fully informed of the significant investment, opportunities and risks involved in deploying such technology."

Moreover, thrifts, regardless of size, should have an appropriate information technology plan that establishes the framework for their deployment and operation of technology. "Institutions should create a safe, sound and secure infrastructure that is adequate to evaluate and mitigate risks associated with electronic activities," Reymann said.

As thrifts increase their use of electronic technology in daily operations and offer new products and services, "safety and soundness examiners play a more important role in evaluating an institution's risks in the use of information technology. The rapid pace of change...calls for a risk-based approach to examinations of institutions," Reymann added.

In order to assess management's awareness of the risks associated with the use of information systems and technology and its effectiveness at managing such risks, he added, examiners will evaluate the adequacy of the institution's "strategic planning; controls, operation and user acceptance; and internal audit function."

Examiner training will commence in mid-November with a pilot program followed by a full training program starting in January 1998. The objective of the training is "to ensure that examiners have a solid foundation for the examination of a financial institution's information technology controls and electronic activities," he said. The intention is to give them "a blended perspective of business and technology benefits and the associated risks."

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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.