

Press Releases

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OTS 98-89 - OTS Updates Electronic Operations Rule to Help Thrifts Better Compete

Office of Thrift Supervision

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OTS Updates Electronic Operations Rule To Help Thrifts Better Compete

WASHINGTON, D.C., Nov. 30, 1998 - Federal thrifts may provide electronically, including via the Internet, the same services as they now do by traditional means so long as they operate in a safe and sound manner and abide by regulations governing all operations, including consumer protection rules, the Office of Thrift Supervision (OTS) said today in a new regulation.

Both federally and state-chartered institutions, however, will be required to notify OTS 30 days before they establish a transactional web site. Except for this prior notification, thrifts will have broad authority to utilize emerging technologies in their operations without prior approval.

OTS said its updated electronic operations final rule will help thrift institutions keep pace with rapidly changing banking technology to serve their customers better and be more competitive in the financial services market place.

The final rule is designed to facilitate safe, sound and prudent innovation in the use of such electronic facilities as automated teller machines (ATMs), automated loan machines (ALMs), personal computers, the Internet, the World Wide Web, and telephones to deliver banking products and services. For example, the rule eliminates restrictions that currently prevent customer use of remote service units, such as ATMs and ALMs, to open a savings or checking account or take out a loan.

"In modernizing the rule, we did not want to impede thrifts' use of technology, but rather to give them the opportunity to use emerging technologies without a lot of regulatory impediments," said OTS Director Ellen Seidman. "We also want to make certain that thrifts continue to operate on a sound financial footing and abide by all applicable laws and regulations when adopting electronic delivery systems."

Although the rule provides greater flexibility for thrifts to use technology, it also requires both federally and state-chartered thrifts to notify OTS before establishing a transactional web site, defined as a site that would enable users to access an account, obtain an account balance, transfer funds, pay bills, open an account, or apply for a loan.

"Transactional web sites can present special concerns that we want to closely monitor. As thrifts develop transactional sites we want to ensure they have an adequate security program, including firewalls to thwart hackers. We want to ensure the privacy and confidentiality of customer information and the proper disclosure of required information to customers," Ms. Seidman said.

The notification requirement will give OTS information on the extent of transactional web sites, assist the agency in effectively monitoring and supervising them, and thus help thrifts identify and address their risks. The notification requirement does not apply to a thrift's informational web site that simply provides information about the institution and its products and services, including rates.

Other than for transactional web sites, no prior notice to OTS is required for the use of electronic means and facilities, although OTS may impose restrictions on a case-by-case basis to address safety and soundness concerns.

Thrifts using new electronic technologies must do so within the framework of interagency Community Reinvestment Act (CRA) regulations and interpretations.

The regulation, published in today's Federal Register and effective Jan. 1, 1999, contains only minor changes from the proposed regulation published Oct. 3, 1997, and the supplemental notice of proposed rulemaking published Aug. 13, 1998. Under the final rule, a federal thrift may use, either by itself or with others, electronic means or facilities "...to perform any function, or provide any product or service, as part of an authorized activity." To optimize the use of its resources, a federal thrift may also market and sell, on its own or with others, electronic capacities and by-products if they were acquired in good faith as part of providing financial services. All electronic activities authorized under regulations that are replaced continue to be authorized by the new rule.

The final rule drops a proposed provision that would have required third parties who participate with federal thrifts in the use of electronic means or facilities to agree to be subject to OTS examination. Such agreements are no longer necessary because OTS now has that examination authority under the Examination Parity and Year 2000 Readiness for Financial Institutions Act, enacted in March 1998.

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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. 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.

