

NR 98-76  
July 24, 1998

OCC Expresses Concerns About Changing  
Derivatives Activity Regulatory Structure

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency told a House banking panel today that it does "not see a need for significant changes to the regulation of derivatives markets."

The concept release recently issued by the Commodity Futures Trading Commission (CFTC) "invites uncertainty regarding the legal status of certain derivatives transactions", said Mike Brosnan, Deputy Comptroller for Risk Evaluation.

"If such a change in the regulatory regime were to take place, it might well have the effect of driving derivatives transactions outside the United States and diminishing the competitiveness of U.S. banks while lessening the influence of U.S. regulatory supervision -- clearly an undesirable outcome," Mr. Brosnan said.

Testifying before the House Banking and Financial Services Committee, Mr. Brosnan said that the far reaching changes proposed by the CFTC "should not be undertaken lightly." The OCC believes that the President's Working Group on Financial Markets, a multi-agency body that includes the OCC, Treasury Department, Federal Reserve Board, Securities and Exchange Commission and other federal agencies, is the appropriate forum for the discussion of the CFTC proposal, which cuts across markets and regulatory jurisdictions.

Mr. Brosnan testified that the OCC has worked to create "a consistent, predictable, and responsive environment in which banks can operate without excessive regulatory burden and which is conducive to the safety and soundness of the banking system." As of March 31, the notional amount of derivatives activities at the 451 commercial banks that have these contracts stood at \$26 trillion.

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The OCC charters, regulates and examines approximately 2,600 national banks and 62 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.