



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

NR 2001- 23

FOR IMMEDIATE RELEASE
March 5, 2001

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Comptroller Hawke Outlines the Global Challenges of Internet Banking

WASHINGTON -- Comptroller of the Currency John D. Hawke, Jr. addressed the cross-border and international challenges of Internet banking for bankers and bank supervisors in a speech today to the Institute of International Bankers.

“Our fundamental belief is that the responsibility for effective supervision of Internet banking -- even more than for brick-and-mortar banking -- rests with the home country supervisor,” Mr. Hawke said. “Home supervisors need to make certain that their banks understand the risks posed by Internet banking and how to manage these risks effectively.”

These risks will be outlined in a report for public comment by the Basel Committee on Banking Supervision’s Electronic Banking Group, chaired by Mr. Hawke, later this month. “The theme of this report is that e-banking should be conducted with no less attention to the fundamentals of safety and soundness than banking activities conducted through traditional delivery channels,” Mr. Hawke said.

The EBG will also address principles for cross-border cooperation among bank supervisors. “In a study now underway, we’re looking more specifically into the practical difficulties of applying the existing Basel cross-border framework in the Internet environment, how home countries should go about supervising Internet banks, how host countries can be affected, how differing supervisory standards for Internet banks can be reconciled, and how home- and host-country supervision of these ‘virtual banks’ might work,” Mr. Hawke said.

Internet banking raises particular challenges for host countries which the EBG is addressing. “While Internet banking certainly poses difficulties for the host country, the EBG is developing a progressive framework for host country supervisors to use if, for example, they become concerned about the legality or prudential nature of a foreign bank’s Internet banking activities.”

Mr. Hawke addressed the need for action now. “Because most e-finance activities are still in their infancy, the risks those activities present are not great at this time,” Mr. Hawke said. “What is urgent, however, is that we come to terms with the supervisory issues they present and build on the existing framework of international cooperation to address them.”

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The OCC charters, regulates and examines approximately 2,200 national banks and 56 federal branches of foreign banks in the U.S., accounting for more than 55 percent of the nation’s banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.

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