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Acting Comptroller Williams Addresses Issues Raised in Recent Merger Proposals

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency has already begun taking steps to deal with issues raised by the large mergers that have been proposed in recent weeks, acting Comptroller Julie L. Williams said today.

The OCC is preparing to issue an updated Large Bank Supervision Handbook to guide the work of examiners who will supervise these institutions, and OCC's resident staff at each of the banks involved in the mergers have begun to coordinate supervisory strategies and to identify the strengths and weaknesses of each organization. The OCC also plans to consult examiners most experienced in big bank mergers to identify "best practices" followed by banks that successfully handled issues raised in earlier large mergers.

Moreover, Ms. Williams said in a speech to Women in Housing and Finance, the OCC's "supervision by risk" approach, which has been developed over the last five years, gives the agency the tools it needs to oversee the very large institutions contemplated in recent merger announcements.

"The new organizations will be larger and more complex, posing novel risk management and operational challenges," she said of the institutions that will result from the mergers. "Risk management systems must identify risks to the bank in the resulting business, as well as take into account how the bank is impacted by the activities of nonbank affiliates."

Ms. Williams said the proposed mergers should be kept in perspective "so that we react not just to the breathtaking scale of some of these transactions, but to the real issues they raise."

In some respects, she said, "these transactions raise issues very similar to what we have seen before in the hundreds of other mergers that have preceded them in recent years. But they also present some new challenges."

Issues of personal privacy may become more sensitive or significant, Ms. Williams said, adding that questions may arise as to "whether big financial companies will share our personal financial information among their various affiliates and subsidiaries in ways that we didn't anticipate." Some consumers may view large banks as impersonal and indifferent to their financial needs. And others will worry about the impact upon their communities as banks move their headquarters out of town.

"Yet the United States has always had and -- even after the announced mergers -- still will have the most decentralized banking system among the advanced nations of the world," she said.

Ms. Williams also noted that large institutions offer some benefits both to consumers and the financial system.

"For example, larger banks are more likely to have the resources to provide increasingly sophisticated customers with a full range of the products and services they want and to make those products and services conveniently available through advanced technology," she said.

"Larger banks will also tend to be more geographically diverse and thus more resistant to the ups and downs affecting regional economies," she added. "They also have more scope to diversify their activities, which can also enhance their safety and soundness."

However, Ms. Williams said the scale of the proposed transactions presents a number of new challenges and warned that regulators cannot be complacent.

"We will need to be vigorous in our approach to supervision and very sensitive to the emergence of any familiar and certainly any novel supervisory issues," she said. "Given the size of the organizations being formed, problems must not be allowed to fester."

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The OCC charters, regulates and supervises approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the U.S., accounting for more than 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.