



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

NR 2000-71

FOR IMMEDIATE RELEASE
September 17, 2000

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Comptroller Hawke Tells Bankers OCC is Using Technology To Improve Bank Supervision and Reduce Regulatory Burden

WASHINGTON -- Comptroller of the Currency John D. Hawke, Jr. told bankers today that the OCC is using technology in innovative ways to reduce the burdens and maximize the benefits of supervision.

“The OCC has been a government leader in automating its procedures, helping our examiners to work more effectively,” Mr. Hawke said in a speech to the annual convention of the American Bankers Association. “But only recently have we been able to exploit the promise of the technology revolution in a way that provides material benefits for bankers.”

National BankNet, a secure web site available only to national banks, has been upgraded substantially since its introduction last year, and promises to drastically cut regulatory paperwork, Mr. Hawke said.

“Early next year, all national banks will be able to prepare branch and relocation applications on-line, and submit them electronically,” Mr. Hawke said, adding that other applications will become available for electronic submission during the year.

“Not only will national banks save countless hours in the filing process, it will lead to significant economies and ensure greater consistency and responsiveness in our licensing decisions,” he added.

The Comptroller said he expects that the majority of routine transactions between the OCC and its banks will be handled electronically over National BankNet in the next few years. For example, examiners will exchange pre- and post-exam information and quarterly data with banks on-line and assessments and fees will be billed and remitted on-line. And the future holds still greater promise, he said.

“The day is near when I and other OCC officials will be meeting with national bankers on-line -- to update you on regulatory developments, explain our policies, and answer your questions,” he said. “As national bankers, you’ll have access to our on-line staff directory, to help you identify the individual responsible for your area of concern. And when you have concerns -- with an

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application, a ruling, or an interpretation -- or when you need help picking your way through the regulatory thicket -- we'll be available, with a few keystrokes, to provide help and advice."

The Comptroller also described two other OCC initiatives that use technology to improve the bank supervision process.

Project Canary is a package of tools that the OCC is using to identify emerging risks at individual banks. Its most innovative component is a system of benchmarks that serve as an early warning tripwire.

The benchmarks consist of 15 risk ratios and measures pertaining to credit risk, interest rate risk and liquidity. Extrapolating from the OCC's supervisory experience, thresholds were established for each measure that represent the point at which risk tends to rise. For example, the OCC has learned that there is a marked increase in credit quality problems when a bank's loan-to-asset ratio exceeds 70 percent.

"Canary gives us what no bank supervisor has ever had available before: a focused, concise, and technologically advanced early warning system that will allow us to zero in on those banks that have the greatest amount of financial risk and the greatest possibility of problems," said Mr. Hawke.

Another initiative begun by Mr. Hawke is the OCC's 21st century project, an initiative that looks to the day when examiners will have on-line, real-time access to all the information they need to supervise effectively.

Many legal and technical issues will have to be resolved, Mr. Hawke said. "But I believe that the vision of on-line, real time access to bank information holds the potential to further transform the supervisory process -- to reduce the burdens on you and to ensure that the time of our examiners is spent productively and well," he added.

The Comptroller emphasized that neither Project Canary nor BankNet were intended to replace the bank examiner or the bank examination process.

"These systems are meant to augment, rather than replace, the work that OCC's highly skilled examiners do day in and day out at each and every national bank," he said. "Although we're dedicated to continuous refinement of state-of-the-art technology to enhance the value of our supervision, our commitment to the support and development of the best bank examiners in the world is first and foremost."

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The OCC charters, regulates and examines approximately 2,400 national banks and 58 federal branches of foreign banks in the U.S., accounting for more than 57 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.

