

NR 99-43
FOR IMMEDIATE RELEASE
May 11, 1999

Contact: Sam Eskenazi (202) 874-5770

OCC Seeks Ways To Reduce Regulatory Burden For Community-sized National Banks

WASHINGTON -- The Office of the Comptroller of the Currency (OCC) announced today that it is seeking public comment on ways to reduce unnecessary regulatory burdens on community banks under its supervision.

This initiative is in furtherance of the promise made by Comptroller of the Currency John D. Hawke, Jr. to the Independent Community Bankers Association earlier this spring to "do everything in our power while I am Comptroller to ensure that OCC supervision is responsive to your needs as community bankers."

In the advance notice of proposed rulemaking scheduled for publication in the May 12 Federal Register, the OCC identifies four areas of regulations that might be addressed to give community banks new opportunities to become more competitive. "If there are other rules that raise concerns for community banks, the OCC would welcome comments on steps we might take to address those concerns," Mr. Hawke added. "Of course, any changes we might make would have to be consistent with bank safety and soundness."

The OCC also announced that it is seeking a candidate to serve as the agency's first director of community bank activities. "The community bank activities director will coordinate the OCC's efforts to provide outreach to community banks, to identify community bank issues and to recommend courses of action to deal with those issues," Mr. Hawke said. "I see the actions that we're announcing today as only the first step in our renewed commitment to be more responsive to the needs of community-sized national banks."

The four areas of regulation for which the OCC is seeking comment in advance of proposing rule changes are:

- Corporate activities and transactions -- The OCC asks whether it should change its Corporate Activity rule, known as Part 5, to expand the list of operating subsidiary activities eligible for expedited filings or after-the-fact notices to include additional low-risk activities commonly engaged in by community banks. The OCC also asks

for comments about streamlining rules for community banks to open or relocate new branches.

- Lending limits -- The OCC is asking banks whether its limits on loans to one borrower are restricting community banks from extending credit, particularly compared to other lenders in the same market. The OCC asked in its advanced notice of proposed rule making for comments on how lending limits could be modified without affecting safety and soundness. The agency added that changes to lending limits would have to be approached with great care because the avoidance of undue credit concentrations is so fundamental to safety and soundness.
- Corporate governance -- While the OCC revised the corporate governance portion of its Part 7 regulations in 1996 to permit a range of choices when banks choose their corporate governance procedures, the agency wants to know if there are new or additional ways of improving flexibility in this area.
- Capital requirements -- The nation's current capital adequacy standards for banks are based on the international 1988 Basle Accord and may be more complex than necessary to supervise community banks' capital adequacy. The OCC is asking for comments about whether a new, simpler capital standard would be appropriate for community banks and whether the differences between large and community banks warrant a different approach to supervising capital adequacy. Changes in bank capital rules would be done in consultation with the other federal banking agencies.

For each area, the OCC would like to know if existing rules require an inefficient allocation of the bank's resources or impose undue burdens on the bank's staff, what community bank lines of business or operations are affected by the rule it wants changed, and which rules require the bank to obtain outside experts.

Comments on proposed rule changes for community banks must be received at the OCC by July 12, 1999.

#

The OCC charters, regulates and examines approximately 2,600 national banks and 66 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.