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Comptroller Says Congress and Supervisory Agencies
Can Do More to Reduce Regulatory Burden

WASHINGTON -- Comptroller of the Currency John D. Hawke, Jr. told a House subcommittee today that while the steps that Congress and supervisory agencies have taken to reduce the regulatory burden on the banking industry have made a difference, "there is still an opportunity to do more."

Mr. Hawke acknowledged that effective supervision -- which maintains the safety and soundness of the industry, ensures that the credit needs of the public are served, and protects the interests of bank customers -- inevitably imposes some regulatory requirements on banks.

"Needless burdens, however, make banking more costly, inhibit the ability of banks to serve their important role in our national economy and, in the long run, undermine safety and soundness," he said in testimony to the financial institutions and consumer credit subcommittee of the House Committee on Banking and Financial Services.

He informed the subcommittee of a new OCC initiative to review to identify those regulations that are particularly onerous for community banks. "Today's edition of the Federal Register contains an advance notice of proposed rulemaking soliciting public comment and suggestions for addressing the regulatory burdens that community national banks bear, consistent with maintaining safety and soundness," Mr. Hawke said.

The Comptroller stated that "regulatory burden reduction is applicable to banks of all sizes." He asked Congress to consider removing governmentally imposed requirements that have the effect of limiting competition by insulating some parts of the financial services industry. Mr. Hawke cited the "place-of-5,000" restriction on bank insurance sales as an example of an out-dated restriction that limits the ability of the national banks to compete fully with the other sellers of insurance.

"It shields one sales channel from competition from another," Mr. Hawke said. "Ultimately, consumers bear the cost of this requirement because they have fewer choices when they buy insurance."

He urged Congress to take steps to make sure the law does not hinder national banks that want to locate in underserved parts of the country. "In particular, we recommend that Congress clarify the national bank branching statute to permit specifically a national bank to establish and operate branches on reservations, consistent with tribal law," he said.

Mr. Hawke voiced his support for H.R. 1585 as it eliminates outdated prohibitions on the ability of banks to operate efficiently in an increasingly competitive market for financial services. The bill removes the statutory prohibitions that prevent depository institutions from offering interest-bearing NOW accounts to business and paying interest on demand deposits. These provisions would eliminate the obsolete policy of restricting the rates banks pay on deposits.

The bill also contains important burden-reducing provisions that allow banks greater flexibility in their organization and governance. "In light of the ongoing restructuring and consolidation of the banking industry, it is critical to remove needless restrictions that prevent banking companies from organizing their operations efficiently," the Comptroller added.

Mr. Hawke applauded the Subcommittee for its efforts to reduced unnecessary regulatory burdens. He said the OCC remains committed to the reduction of unnecessary regulatory and supervisory burden, and that it can be done without compromising either the safety and soundness or the community and consumer responsibilities of insured depository institutions.

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches 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 and sound and competitive national banking system that supports the citizens, communities and economy of the United States.