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Financial Modernization Law Strengthens Role of Primary Bank  
Regulators, Comptroller Hawke Says in Speech to New York State  
Bankers

NEW YORK -- The new financial modernization law reinforced the primary supervisory role of the Office of the Comptroller of the Currency for national banks, Comptroller John D. Hawke, Jr. said today.

The Gramm-Leach-Bliley Act (GLBA) not only continues the pattern Congress has followed for more than three decades in allocating bank supervisory functions among the federal bank regulatory agencies, but emphasizes the intent of Congress to avoid needless burdens and duplication of efforts among the agencies, Mr. Hawke said in a speech to the New York Bankers Association.

Mr. Hawke said that the bank regulatory system has worked well over the years because the agencies have learned the importance of coordination, both substantive and procedural, as well as the need to avoid inconsistencies in their policies. The system of interagency coordination was formalized by Congress in 1978 with the creation of the Federal Financial Institutions Examination Council.

Over the years, when Congress has created new regulatory responsibilities, it has routinely assigned them to the "appropriate federal banking agency" -- or AFBA, a term Congress coined in 1964 to refer to the primary federal regulator for each class of regulated depository institutions.

In Gramm-Leach-Bliley, Congress not only reinforced the role of the primary regulator, it also introduced the concept of functional regulation -- the principle that just as banking activities should be regulated by banking regulators, and holding company activities by the holding company regulator, securities activities should be regulated by securities regulators, and insurance activities by insurance regulators.

While prior law imposed no constraints on the ability of the OCC and other bank agencies to examine operations of insurance and securities affiliates of banks, the new law allows such scrutiny only under specific circumstances, such as the existence of reasonable cause to believe that a subsidiary or affiliate is engaged in activities that pose a material risk to the bank.

"Some have expressed a concern that, by limiting the authority of the OCC and our sister banking agencies to examine functionally regulated companies, GLBA will make it more difficult for us to assess the consolidated risk of banks and bank holding companies," Mr. Hawke said.

"This would be serious if it were true," he added. "But I don't

believe it is. Viewed in perspective, I believe the new law simply extends the existing multi-agency concept of financial supervision that we've been refining for nearly a century."

Because the system has worked so well, Mr. Hawke said, the odds are against those who argue in favor of wholesale regulatory restructuring.

"By carrying out our respective responsibilities with a view to minimizing duplication and maximizing coordination, and with mutual regard for our respective roles and responsibilities, we can assure that our present regulatory structure will serve us as well in the future as it has in the past," he added.

The OCC charters, regulates and examines approximately 2,400 national banks and 58 federal branches and agencies of foreign banks in the United States, accounting for 57 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.