

Joint Release

Office of the Comptroller of the Currency
Securities and Exchange Commission

FOR IMMEDIATE RELEASE

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OCC AND SEC ANNOUNCE AGREEMENT ON JOINT
EXAMINATIONS

The Office of the Comptroller of the Currency (OCC) and the Securities and Exchange Commission (SEC) today released the provisions of an agreement to conduct joint examinations of certain entities in which both agencies have regulatory and supervisory interests. These entities are mutual funds advised by national banks or their subsidiaries and national banks and national bank subsidiaries providing advisory and other investment services to mutual funds.

Under this arrangement, the OCC and SEC agreed that the joint examinations should evaluate the following areas of common interest:

Systems of internal control used to assure compliance with regulatory requirements including disclosures to investors;

Risk management systems used by the adviser to monitor and control the risks in light of the fund's objectives;

Management of conflicts of interest between the adviser and the advised funds or other advisory clients and the advised funds including use of brokers, soft-dollar arrangements, acquisition of new clients, allocation of orders, and personal securities transactions;

Revenues, expenses, and financial statements related to investment advisory activities; and,

Nature of services provided to the fund by the bank itself.

The scope and staffing of particular examinations will be determined by both agencies on a case-by-case basis. Documents prepared or obtained by either agency in connection with a joint examination will be treated as confidential.

Comptroller of the Currency Eugene A. Ludwig said, "By coordinating these examinations, both agencies can reduce the regulatory burden on banks involved in mutual funds activities. This will minimize government intrusion into bank operations, while, at the same time, it will protect the interests of bank depositors and investors. Chairman Levitt and the SEC staff have worked hard to find a common ground that serves as the basis for

this agreement."

SEC Chairman Arthur Levitt said, "This agreement advances the SEC's commitment to investor protection and shows how investors can benefit when regulators work together. I hope that our joint examinations will serve as a prototype for future joint endeavors between the SEC and the bank regulatory agencies. Comptroller Ludwig, the staffs of both agencies, and especially SEC Commissioner Steve Wallman are to be commended for their hard work on reaching and formalizing this agreement."

SEC Commissioner Wallman said, "The principles of reinventing government -- or government working better, smarter and more cooperatively -- are embodied in the terms of this agreement. I am pleased we were able to move this joint effort to the implementation stage."

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