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COMPTROLLER LUDWIG WELCOMES INTERNATIONAL REPORT
ON THE SUPERVISION OF FINANCIAL CONGLOMERATES

Statement by Eugene A. Ludwig, Comptroller of the Currency

I welcome the report by the Tripartite Group released today which explores a variety of safety and soundness issues faced by international banking, insurance and securities supervisors. Of special note is the finding that financial conglomerates, whether dominated by a holding company or a banking, insurance or securities company, can be supervised by flexible and coordinated agreements among their supervisory and regulatory agencies.

The report, entitled The Supervision of Financial Conglomerates, represents the first time that international supervisors of banking, insurance and securities companies from major economic nations have come together to identify significant concerns. The quality of their analysis is superb, and we can learn a great deal from their experience in supervising financial conglomerates.

The report identifies a variety of conglomerate structures in the different countries studied, and concludes that there are approaches that adequately address supervisory concerns for most of these corporate structures. Because of the growing presence of financial conglomerates, this report will further the discussion of how to supervise these entities which play a crucial role in our economy.

BACKGROUND:

The Tripartite Group is composed of members of the Basle Committee on Banking Supervision, the International Organization of Securities Commissions and the International Association of Insurance Supervisors.

Among the options it lays out, the Tripartite Group endorses the continued supervision of the individual components of a financial conglomerate while the coordination among the supervisors could be facilitated by the supervisor of the conglomerate's lead component. For example, if a bank had an insurance and a securities component, the bank regulator would take the lead in coordinating its own bank examination and would also coordinate insurance and securities examinations by separate regulatory agencies. If the dominant company was an insurance company, the insurance regulator would take the lead.

The report says that it is essential that supervisors have access to prudential information on those parts of a conglomerate that they do not supervise, including the parent holding company. This could be accomplished through informal information sharing or, in the case of complex multinational financial conglomerates, through formal memoranda of

understanding between individual supervising agencies.

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