NR 97-34
March 24, 1997

Study Finds U.S. Restrictions on Bank Activities Out of Step With Other Leading Economic Powers

WASHINGTON, D.C. -- A study of 16 European countries, plus Canada, Japan, and the United States, found that almost all countries allow their banks, directly or through bank subsidiaries, to offer a wide range of financial services, including underwriting, and dealing and brokering in both securities and insurance.

The study released today found that the United States and Japan were notable exceptions to this pattern. "Indeed," the study said, "the U.S. and Japan are the most restrictive of all the countries in providing banks with the opportunity to engage, if they so choose, in a broad range of activities demanded in the world's financial marketplace."

The study, Commercial Banking Structure, Regulation, and Performance: An International Comparison, was prepared by James R. Barth, Auburn University, Daniel E. Nolle, senior financial economist at the Office of the Comptroller of the Currency (OCC), and Tara N. Rice, OCC. It provides detailed information on banking structure, permissible banking activities, regulatory structure, deposit insurance schemes, and supervisory practices in each of the 15 European Union countries, as well as in Canada, Japan, Switzerland, and the United States.

Preliminary analysis of data gathered for this study revealed no empirical evidence that allowing banks to conduct securities, insurance, and real estate activities in subsidiaries adversely affects bank performance.

Comparisons across the countries included in the study also show a wide range of supervisory practices. The study showed a roughly equal division between those countries that rely on the central bank as the chief banking supervisor and those that do not. All of the countries have deposit insurance programs, although those programs vary.

Comptroller of the Currency Eugene A. Ludwig commended the study to policy makers engaged in efforts to modernize the financial banking structure of the United States. "If we want U.S. banks to continue providing financial support for the nation's economic growth in the 21st century," he said, "they must not be saddled with unnecessary restrictions that are not imposed on their global competitors."

"Consumers and businesses in many communities would benefit if banks were allowed to engage in a wider range of activities," Mr. Ludwig said. "Yet, today, the ability of banks to satisfy a customer's changing financial needs is limited. Customers are deprived of the benefits of price and product competition from banks that would otherwise seek their business. Forcing U.S. banks to operate within an inefficient structure impedes their ability to compete both domestically and internationally."

A copy of Commercial Banking Structure, Regulation, and Performance: An International Comparison may be obtained by writing to Comptroller of the Currency, Public Reference Room (Mail Stop 1-5), Washington, DC 20219; faxing a request to (202) 874-4448; ordering by phone (202) 874-5043; or visiting the OCC's Public reference Room at 250 E Street, S.W. in Washington, D.C. (9 a.m.- noon and 1 - 3 p.m., Monday-Friday). The document is available on the OCC's web page at http://www.occ.treas.gov.

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NOTE TO EDITORS: The attached table summarizes key findings of the study.