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Statement By Comptroller of the Currency Eugene A. Ludwig

Today, the Department of the Treasury presented to Congress its Financial Modernization proposal which would repeal the antiquated provisions in the Glass-Steagall Act of 1933 and modernize the financial activities permitted for bank holding company affiliates and bank subsidiaries. The Treasury proposal is a significant and positive step forward in the debate on financial services reform. If enacted as proposed, this legislation would enable our financial services industry to modernize its outdated structure and to compete effectively.

The Treasury proposal has five key features. First, it permits financial institutions to conduct diversified financial activities in the organizational structure that best meets the financial institution's business needs. New financial activities would be permitted in either holding company affiliates or bank subsidiaries. Avoiding artificial restraints on the ability of a financial institution to choose how it will conduct its operations is crucial to long term safety and soundness and broad access to credit. Second, this structural flexibility maximizes the availability of banking resources for CRA and other community development activities. Third, in the area of insurance, Treasury's proposal modernizes national bank insurance agency powers and incorporates the judicial preemption standards that were ratified by the Supreme Court in the Barnett case. Fourth, consistent with safety and soundness, the proposal does not force well capitalized banks to push out to an affiliate currently authorized banking activities. Fifth, it minimizes overlapping and duplicative regulation and unnecessary regulatory burden by defining key functions for the National Council on Financial Services and appropriate roles for regulators of the components of a financial services holding company.

These five elements are critical to financial modernization legislation that truly modernizes the financial services industry and enables it to serve American consumers and the economy in the next century.

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The OCC charters, regulates and supervises approximately 2,800 national banks and 66 federal branches and agencies of foreign banks in the U.S., accounting for more than half 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.