

Remarks by

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It's always a delight to attend the IBAA Annual Convention. I've long felt an affinity for the type of institutions you represent and the communities you serve. Like many of you, I grew up in a small town. In our town, the bank was the center of commerce and finance, the primary provider of capital and opportunity, the source of values like thrift and saving, and a major contributor to civic well being. And so I feel privileged to join you once again as Comptroller of the Currency, because I know that my office's supervision and support of your banks have positive repercussions in towns and communities across the country.

For the past three years, the Office of the Comptroller of the Currency has been focused on four key priorities:

- o Improving the safety and soundness of the banking system
- o Increasing the OCC's efficiency and effectiveness to reduce burden
- o Enhancing the ability of banks to compete in the financial services marketplace
- o Ensuring equal access to credit and other banking services for all Americans.

I want to use my opening remarks today to discuss two of those priorities: competitiveness and burden reduction. Then, I'll be happy to address any questions you have in the areas of safety and soundness and equal access to credit, or anything else on your minds.

Bankers of all sizes operate in a challenging environment in the 1990s. Your traditional deposit and credit business is under siege from the capital markets, and from a host of competitors such as credit unions. These increasingly aggressive competitors are not restricted or regulated like banks. And all of this is made more difficult by the march of technology. In this competitive, quickly-changing environment, fee income from a broad range of business opportunities is critical to the continued safety and soundness of your banks and the banking system as a whole.

That is why since my first days as Comptroller, I've been telling anyone who will listen -- and even some who won't -- that it makes absolutely no sense to deny banks the opportunity to sell insurance.

Allowing banks to sell insurance promotes safety and soundness in the banking system. As the banking industry grows ever more competitive, many banks are looking for low-risk, profitable activities. If our legal system precludes banks from engaging in safe and sound activities like selling insurance, and limits them instead to rather narrow -- and, I would add, eroding -- lines of business, the inevitable result is that America's banks will take on more risk than would otherwise be the case. That result is obviously counter to the banking system's best interests and contrary to the safety and soundness of the system. Selling insurance isn't risky business, but the issue has proved to be dicey politics.

However, when you scratch beneath the veneer of politics and get to the essence of this debate, it's really about the free market and its ability to provide goods and services in the most efficient way possible. I feel strongly, as I believe most Americans do, that the free market, like other American freedoms, should be restrained only where there is a compelling public policy reason to do so. Wherever we constrain the market, our economy becomes less efficient, innovation is stifled -- and businesses and consumers suffer.

Most Americans still cannot take full advantage of the banking industry's financial expertise and convenience to buy insurance. And there is good reason to believe Americans want the opportunity to buy insurance from banks. In fact, the Consumer Federation of America is on record stating that bank participation in selling insurance could be a "boon" to consumers.

It defies logic. Here we have an industry -- the American banking industry -- that has met high standards of integrity, safety and soundness. It is an industry that -- to ensure these standards -- is carefully regulated. Further, the banking industry is composed of institutions that have repeatedly been there for their communities, stepping up to the plate to support local needs time and time again. It is even an industry that is now being asked to pay for the past troubles of its competitors.

And how are you thanked? You're denied business opportunities -- business opportunities that are safe and sound. And restricting you from these opportunities runs counter to the best interests of the economy and the American consumer.

Now, as many of you know, the Supreme Court heard the Barnett case a few weeks ago. This case involves a bank in Florida that bought an insurance agency in a town of less than 5,000 residents -- permissible under the National Bank Act. Last January, an appeals court in Florida ruled that under the McCarran-Ferguson Act, state law supersedes federal banking law and upheld a Florida law that prohibits insurance agencies from affiliating with banks. We expect the Supreme Court to rule on this issue in the near future, deciding whether state or federal law applies to sales of insurance by national banks.

I am quite confident that this decision will come out favorably for banking, but you can never be absolutely certain. Regardless of the outcome, however, many national banks already do business in states that permit them to sell insurance.

And for that reason, we have a responsibility to ensure that this business is conducted in a safe and sound manner. I want to assure those of you who already sell insurance -- as well as those of you who hope to enter this business -- that the OCC has no intention of imposing a new regime of regulatory burden on your institutions. That is why the OCC has been conducting a series of meetings -- beginning late last year -- with bank trade associations, consumer groups, and state insurance commissioners to discuss guidance on bank insurance sales. These meetings were a forum to discuss topics such as sales practices and market conduct -- the nuts and bolts of how insurance business should be done properly.

The IBAA Washington staff -- lead by Ken Guenther and Karen Thomas -- effectively presented the concerns of many small banks about increased burden.

We are currently preparing a policy statement on insurance guidance that will be made available to the IBAA and other trade groups for comment in the next few weeks. We are making every effort to address the concerns your representatives have raised.

Those of you who have heard me speak at your annual convention in the past know how committed the OCC is to reducing burden. You've heard me talk about our commitment to more efficient supervision and the fact that the OCC was the first agency to institute an ombudsman program. I'm proud to say that our office was recently a model for legislation mandating an ombudsman for other federal banking supervisors. The ombudsman's office has received invaluable feedback from you on burden reduction and issues of equity and efficiency.

I've also used this forum to discuss the OCC's regulatory review project, a comprehensive review of our entire set of rules with the goal of relieving unnecessary burden and

streamlining regulatory requirements. You're already taking advantage of the revised lending limit and capital calculations. As of January first this year, we have either proposed or issued in final form all rules over which OCC has jurisdiction.

Just a few weeks ago, we -- along with the other banking agencies -- finalized the rule that reduces the burden of duplicative filings of reports of crimes and suspicious activities. Now, you only need to send a single form to a single agency -- the Financial Crimes Enforcement Network of the Treasury Department.

No question -- regulatory relief is important to me and the OCC.

And even if you haven't heard my past speeches, hopefully you've seen the results of our efforts in action.

Over 1700 national banks with assets under \$1 billion are eligible for our non-complex bank examinations. Feedback from those bankers examined under these procedures has been extremely positive. And already, we have reviewed 80 small banks using our new performance-based CRA exam procedures. Again, the reaction has been favorable. CRA exams are being done in substantially less time than they used to take and are substantially more useful. We expect this time to continue to be reduced as examiners gain more experience with the new procedures.

It isn't surprising that small bankers are finding these new examinations more useful. They offer a more accurate barometer of what community bankers have always done -- and, indeed, must do. Because the very nature of your business is serving the credit and banking needs of your communities -- and measuring paperwork and assessing process didn't begin to demonstrate your true record of service.

In sum, our commitment to creating a better business environment for the banking industry through reducing burden and enhancing your competitiveness has been reflected -- not only in words -- but in significant deeds. Ours has been a long-running, on-going commitment ... a commitment from day one, not just a one-time event ... a commitment that has continued -- and will continue in the future. And let me assure you here today that we will stay the course. There is certainly much more we can do to help this nation's community banks compete.

In fulfilling those commitments, we have sought not only to talk to you, but to learn from you. Indeed, the success we've achieved in Washington is only possible because we have worked to get beyond the Beltway to hear what's on your mind.

I realized when I became Comptroller of the Currency -- and understand even more today -- that I cannot do this job from a desk in Washington. We have a responsibility to learn as much as we can about the day-to-day operations of banks and what it takes to provide effective bank supervision and support the continued evolution of the banking industry.

So we began an extensive effort to build a dialogue with the banking industry. There are a lot of pieces to that effort.

Many of you have probably been to one of the Meet the Comptroller sessions that we've held in cities all across the country. Or perhaps you've been to one of our district outreach sessions. Or maybe you're one of the many bankers who have taken me up on my invitation to phone or e-mail me, and let me know how you think we're doing -- what you like, but especially where we need to improve.

I'm proud of the dialogue we've established with the banking industry, and believe the OCC is a better supervisor today because of these efforts. So I would like to spend the remainder of my time continuing that dialogue by listening to what's on your mind. I appreciate the opportunity to talk with you, and I will be happy to answer any questions you want to send my way.

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The OCC charters, regulates and examines approximately 3,000 national banks and 70 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 the safety and soundness of the national banking system.