



# NEWS RELEASE

Comptroller of the Currency  
Administrator of National Banks

NR 2002-16

FOR IMMEDIATE RELEASE  
March 4, 2002

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## **OCC Reduces Regulatory Burden for Well-Managed Federal Branches**

WASHINGTON -- The Office of the Comptroller of the Currency announced today that it is implementing more flexible capital equivalency requirements for federal branches of foreign banks to reduce costs for institutions that present low levels of risk.

“The changes we are implementing follow in the pattern of our supervision-by-risk approach,” said Comptroller of the Currency John D. Hawke, Jr. “Institutions that present lower levels of risk and require less supervisory time should be allowed to operate with lower capital equivalency requirements than high-risk institutions.”

Under U.S. law, federal branches of foreign banks maintain a Capital Equivalency Deposit (CED) equal to 5 percent of their liabilities in trust accounts at other banks. The funds in those accounts, which are intended to serve as a cushion against losses, cannot be withdrawn without permission from the OCC.

The OCC is implementing two changes:

- Administrative burdens will be reduced for low risk branches, so that they will be able to withdraw excess deposits without seeking prior OCC approval.
- The liability base over which the CEDs are calculated has been redefined to exclude liabilities booked on a federal branch’s International Banking Facility, or IBF. An IBF may only accept deposits and extend credits to foreign companies and individuals and to other IBFs.

The OCC has determined that 37 of the federal branches the agency supervises will qualify for the more flexible treatment. Those institutions will benefit from a release of \$1.6 billion in assets that previously have been set aside for the CED requirements. Other savings will result from reduction in administrative burden associated with the accounts.

A number of safeguards are being maintained under the new approach. The OCC will continue to require a CED agreement with a foreign bank, and the assets in the account must be free from liens or claims other than those of the OCC. The OCC will continue to have rights to the CED in the event the federal branch goes into receivership and the five- percent requirement remains in

effect. In addition, every federal branch must maintain a CED of at least \$1 million, even if that amount is more than 5 percent of liabilities.

All federal branches are being notified of these changes and of their eligibility to take advantage of the more flexible treatment.

The OCC has recommended legislation that would give the Comptroller the same flexibility that states now have to adjust the 5 per cent CED requirement to take account of the particular circumstances of an individual institution.

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The OCC charters, regulates and examines approximately 2,200 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 54 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.