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Acting Comptroller Williams Supports Allowing
Payment of Interest on Business Checking Accounts

WASHINGTON, D.C. -- Acting Comptroller of the Currency Julie L. Williams today voiced strong support for legislation that would repeal prohibitions that prevent depository institutions from offering interest-bearing NOW accounts to businesses and from paying interest on demand deposits. These government controls on the price banks pay for business deposits "are outdated in the modern financial services environment and should be removed," she said.

In testimony before the House Banking and Financial Services subcommittee on Financial Institutions and Consumer Credit, Ms. Williams said that "the long-term effects of removing this regulatory distortion and encouraging increased competition and efficiency are likely to be beneficial to the banking industry."

The Office of the Comptroller of the Currency recommends that these changes be phased in over a period of time sufficient for banks to make the necessary adjustments in their funding sources and pricing.

Testifying on the Financial Institution Regulatory Streamlining Act of 1998, Ms. Williams supported many of the streamlining proposals, including a provision that would enable banks to have more than 25 directors, the current limit. "This would give banks more flexibility in determining the composition of its board of directors," said Ms. Williams. "Given the consolidations occurring throughout the industry today, this change will enable banks -- large and small -- to accommodate broader representation from the localities and regions served by the combined bank."

The OCC expressed opposition to provisions in the proposed legislation which would reduce the role of the public in the merger of bank affiliates. This change, Ms. Williams said, "would impede the ability of the responsible regulatory agency to review the transaction for safety and soundness, unnecessarily reduce the role of the public in the affiliate bank merger process, and hamper effective review of community-oriented issues, including compliance with the Community Reinvestment Act."

In her testimony, Ms. Williams announced release of an OCC report, Measuring the Effectiveness of the OCC's Regulatory Review Program, which noted that bankers, independent banking lawyers, community organization representatives, and OCC examiners gave the OCC's top-to-bottom regulation review program, completed in December 1996, high marks.

"They noted a reduction in regulatory burden and no

discernible negative impact on the safety and soundness of the industry or in the ability of national banks to address community needs and consumer issues," Ms. Williams said. She also noted that the total reduction in fees and assessments instituted by the OCC between 1995 and 1997 saves national banks \$88 million annually.

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of 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.