



# NEWS RELEASE

Comptroller of the Currency  
Administrator of National Banks

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## **Comptroller Hawke Urges Senate to End Inequitable Treatment of National Banks**

WASHINGTON -- Comptroller of the Currency John D. Hawke, Jr. told a Senate panel today that Congress should address the unfair disparity in the fees paid by national and state chartered banks as part of any legislation on deposit insurance reform.

While all banks have paid premiums into the fund, he said in testimony before the Senate Committee on Banking, Housing and Urban Affairs, the Federal Deposit Insurance Corporation each year diverts resources from the funds to pay for the supervision of one group of institutions -- state-chartered banks that are not members of the Federal Reserve System. The Fed also provides supervision at no cost to the banks it supervises.

Together, the Fed and the FDIC spent \$900 million last year on the supervision of state banks, without charge to those institutions. Although state banks pay modest assessments to their state regulators, the states handle only a small part of the supervision of state banks. The state agencies together spend only about \$237 million a year on supervision.

By contrast, national banks pay for 100 percent of the cost of their supervision -- in addition to funding a major share of the supervision of the banks supervised by the FDIC.

“As a result of the decisions by the Fed and the FDIC to absorb their costs of supervising state banks, there is a continuing incentive for national banks to convert to state charters to realize the lower costs that are thus made available,” Mr. Hawke said. “Indeed, state supervisors aggressively proselytize for such conversions, heavily exploiting fee disparity as a major part of their sales pitch to national banks.”

The Comptroller noted that some proposals for deposit insurance reform have held out the prospect of rebates to banks after the funds achieve a certain size.

“We believe that any consideration of rebates or credits must take into account the long-standing inequity that national banks have suffered by reason of the present use of the funds to finance the costs of state bank supervision by the FDIC,” he added.

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One way to address the inequity in the current system would be to use the FDIC's earnings to cover the costs of both state and national bank supervision, Mr. Hawke said. The \$2.5 billion the FDIC earns annually on the \$42 billion in the insurance funds would more than cover the supervisory costs of the OCC, the FDIC, the Fed and the 50 state supervisory agencies.

"Ending this anomaly is not just a matter of fairness to national banks," Mr. Hawke said. "It is a necessary component of allocating the costs and benefits of deposit insurance in an equitable and efficient manner among insured banks -- and we respectfully submit that this issue should be considered in the context of any legislation that would bear on the determination of how large the fund should be and how rebates and credits are calculated

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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.