

Press Releases

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OTS 10-048 - Bowman Looks Back and Forward for Thrift Industry

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Washington, D.C. — John E. Bowman, Acting Director of the Office of Thrift Supervision (OTS), discussed the history of the thrift industry and its prospects for the future in a speech today in Japan.

Bowman spoke in Tokyo at the 21st Special Seminar on International Finance; the theme for the seminar was Continuity and Change Management - The "New Normal" in Banking. He pointed out that the Dodd-Frank Wall Street Reform and Consumer Protection Act will spawn more than 200 new regulations, causing challenges and uncertainty for the financial services sector and its customers.

"For the thrift industry in the U.S., there is an additional layer of anxiety and uncertainty about what the future will be like without a dedicated thrift industry regulator," Bowman said, noting that the new law will eliminate the OTS and merge the agency into the Office of the Comptroller of the Currency (OCC).

The new financial services regulatory structure established by the Dodd-Frank law is not necessarily the ideal structure for the 21st Century, but is the product of compromise, Bowman said.

The OTS favored a new regulatory framework with two types of federal banking charters, one for complex commercial banks and one for community banks, with a separate regulatory approach tailored to the unique business model of community banks.

"The OTS was concerned that, if community banks were supervised by the same agency overseeing complex commercial banks, the one-size-fits-all regulator would, by necessity, pay the greatest attention to the complex commercial banks, because they posed the greatest potential risks to the financial system," Bowman said.

According to Bowman, the Dodd-Frank law eroded three chief benefits of the thrift charter, while retaining the charter's limitations on commercial lending and loans to small businesses.

"So, with the benefits of the thrift charter significantly decreased and its limitations retained, how attractive will the charter be for today's financial services enterprises?" he asked. "Only time will tell."

The full text of the speech is on the OTS website at <http://www.ots.treas.gov/?p=Speeches>.