

Press Releases

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OTS 97-39 - OTS Issues Guidance to Thrifts on Retail On-Line PC Banking

Office of Thrift Supervision

NEWS

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OTS ISSUES GUIDANCE TO THRIFTS ON RETAIL ON-LINE PC BANKING

WASHINGTON, D.C., June 23, 1997 - Recognizing that retail on-line personal computer banking offers new business opportunities for financial institutions, the Office of Thrift Supervision (OTS) today issued a statement of guidance on the subject to all of the institutions it supervises and to its examiners.

The eight-page statement, with a cover memorandum from John Downey, executive director for supervision at OTS, focuses on the strategic, legal/regulatory and operational risks involved in offering on-line personal computer banking to customers. Of these risks, security is considered by OTS to be the "paramount issue."

In his memo, Downey encourages institutions to evaluate the risks associated with PC banking and implement sound controls. "Planning, testing, and monitoring of PC banking activities should be conducted as part of the system development methodology and risk management process."

The statement is regarded by OTS as guidance to its institutions' management and examiners. Downey urges thrift managements to share the document with their respective boards of directors. He also wants them to keep OTS informed and consult with the regulator if they are "engaging in, or contemplating PC banking."

Issuance of the statement is the latest step in a series of initiatives by OTS to increase awareness of issues associated with technological and electronic activities. The agency is currently updating its safety and soundness examination procedures and enhancing training

programs to help examiners better evaluate an institution's planning, administration, internal controls and policies and procedures with respect to these matters.

OTS also is assessing comment letters received in response to an advance notice of proposed rulemaking dealing with electronic banking. OTS issued the notice on April 2 inviting comment on how OTS should update its rules in view of the advances in electronic banking, smart cards and the like. OTS is looking toward the fall of this year to issue its proposal on what course it plans to take on e-banking rulemaking.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services.

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