

Press Releases

July 14, 1997

OTS 97-44 - OTS Approves Internet Bank to Provide Range of Services

Office of Thrift Supervision

NEWS

FOR RELEASE at 11:30 a.m. EDT
Monday, July 14, 1997
OTS 97-44

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OTS APPROVES INTERNET BANK TO PROVIDE RANGE OF SERVICES

WASHINGTON, D.C., July 14, 1997 -- The Office of Thrift Supervision (OTS) said today it has approved an application that allows a South Carolina thrift institution to operate as an all-Internet bank. The institution, named Atlanta Internet Bank (AIB), will be based in Columbia, S.C., but much of its operations will be handled out of its Atlanta office.

It is the second Internet institution approved by OTS in two years. In May 1995, OTS approved the first Internet bank, Security First Network Bank, which also currently operates out of Atlanta.

In approving the AIB operation, OTS specified a number of conditions that must be met by the institution. One of the most significant stipulations is that AIB must have an independent review of its Internet operation "to document that the security measures set forth in the design and implementation phases have been adequately implemented," and that they are operating "as required and have been tested by various means to measure their effectiveness."

Further, OTS requires that the review be performed by independent computer security specialists and involve attempts to gain unauthorized and/or undetected access to its operations. AIB must attest in writing that the computer system "does not allow unauthorized or undetected access to customer accounts, with reasonable certainty." OTS stipulated that AIB must file the review report not later than Aug. 21, 1997.

In addition, AIB is required to adhere to guidelines contained in OTS' June 23 "Statement on Retail On-Line Personal Computer Banking," which, among other things, noted that the

security of electronic banking systems is of "paramount" importance. The guidelines are considered by the agency to be an interim step in the process of reviewing and updating its regulations governing electronic banking.

OTS Director Nicolas Retsinas said the conditions included in the approval "are in line with the agency's view that regulators should not impede the progress of technology, but must be cognizant of the importance of protecting the depositors and users of Internet banking systems."

AIB will operate 24 hours a day seven days a week over the Internet, and by the third quarter of operations plans to market loans, brokerage services and other products to its depositors. AIB is beginning its operations with a minimum of \$25 million in capital.

The application to OTS was filed by Net.B@nk, Inc., of Roswell, Ga., and involved the acquisition of Premier Bank, FSB, Acworth, GA., from First Alliance Bancorp. Inc. Net.B@nk, on behalf of Premier, acquired certain assets and assumed certain liabilities of Carolina First Bank, Greenville, S.C. Following OTS' approval, Premier will change its name to Atlanta Internet Bank with headquarters in Columbia.

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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.