

Press Releases

November 16, 2006

OTS 06-052 - OTS Director Reich Outlines Opportunities, Challenges in Global Retail Lending

Office of Thrift Supervision

FOR RELEASE at 2:00 P.M. EDT

For further information

Thursday, November 16, 2006

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OTS 06-052

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OTS Director Reich Outlines Opportunities, Challenges in Global Retail Lending

Tokyo, Japan -- Office of Thrift Supervision (OTS) Director John Reich addressed a Special Seminar on International Banking and Finance in Tokyo, Japan, yesterday on the topic of global retail finance.

Director Reich stressed that growth in retail and consumer lending is rapidly expanding beyond developed countries to emerging markets all over the world. This trend brings with it "unparalleled opportunities for individuals to access the capital they need to improve their lives," observed Reich.

It also presents opportunities for financial institutions to expand their horizons. He noted that OTS-supervised holding companies are capitalizing on the strong growth in global retail finance. This is "creating profits for the companies involved, increased opportunities for borrowers and challenges for supervisors," Reich added.

"Given the global reach of our holding company population, we have found it in our interest to grow our understanding of the retail and consumer finance marketplace outside the United States," noted Reich. "Because many OTS-supervised companies offer these products through regulated subsidiaries in local jurisdictions, we have worked hard in recent years to build strong relationships with our supervisory counterparts in key jurisdictions around the world."

He indicated that OTS has also strengthened its supervisory program for financial conglomerates ensuring a better understanding of OTS-supervised conglomerates' overall financial condition, corporate strategy, and risk management structure.

In his speech, available at OTS's website at www.ots.treas.gov, Reich addressed challenges facing emerging markets experiencing rapid growth in retail and consumer lending, including market access to foreign firms, lack of a robust regulatory and credit-reporting infrastructure, and the need for strong underwriting standards.

Difficulties arise when the enthusiasm of consumers and lenders for loan growth gets out of sync with the economic cycle or basic underwriting standards. "This can lead to problems for all parties involved, including lenders, borrowers, and the regulators tasked with looking after the overall health of the system and protection of the consumer," Reich said.

Director Reich concluded, "Close cooperation at the regulatory level - combined with responsible and thorough governance at the firms themselves - will preserve profitability, help prevent systemic imbalances and ensure that growth in consumer finance will continue to improve lives and enhance standards of living around the world."

Remarks of Director Reich - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2006-52a.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.