

**Testimony on Interagency Regulatory Information Sharing
before the
Committee on Financial Services
Subcommittee on Oversight and Investigations
Subcommittee on Financial Institutions and Consumer Credit
United States House of Representatives
March 6, 2001**

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Office of Thrift Supervision**

I. INTRODUCTION

Good afternoon, Chairman Oxley, Chairwoman Kelly, Chairman Bachus, Ranking Member LaFalce and Members of the Subcommittees. Thank you for the opportunity to discuss the interagency regulatory information sharing systems we have in place at the Office of Thrift Supervision (OTS). We support the efforts of this Committee to improve information sharing among the financial regulators. Safeguarding thrifts from fraudulent activities and from individuals and entities responsible for financial fraud is of paramount concern to OTS. We have spent considerable time and effort, particularly over the last several years with the increase in insurance and securities affiliations in the thrift industry, to improve our ability to access the most recent and useful information on fraud in all sectors of the financial services industry.

We also appreciate the attention that has been directed at—and urge the Committee to continue to be mindful of—the need to protect sensitive database information in attempting to craft an interagency database network. Finally, we support efforts to include confidentiality and liability protections for all shared information so that financial

regulators do not compromise existing legal privileges when sharing database information with other financial regulators and law enforcement organizations.

II. RECENT THRIFT APPLICANTS AND OTS REGULATORY RELATIONSHIPS

Since 1997, 43 insurance groups and 15 securities firms have acquired or affiliated with an OTS-regulated savings association (see attached lists). For all applications, OTS is required by statute to review and evaluate the financial and managerial resources of the applicant. This process is intended to identify, to the extent practicable, the extent to which an acquisition or affiliation poses risks to the safety and soundness of the thrift institution. As you may surmise, this can be a daunting task, particularly if the applicant has financial affiliates throughout the country and in various businesses of the financial services sector.

It is not uncommon for us to consider applications in which an applicant or its affiliates has a significant presence in almost all of the 50 states, as well as U.S. territorial and foreign business operations. Assuming for example that the applicant is engaged in the business of insurance, we may have to contact the state insurance commissioner in each state in which the applicant or its affiliates conduct business. Where an applicant has both securities and insurance operations, the relevant information trail may lead to the Securities and Exchange Commission (SEC), the National Association of Securities Dealers (NASD), and the office of many state securities commissioners.

Pursuant to our statutory standards of review, OTS has been sharing information with various state and federal regulators for some years. Our information sharing arrangements are both formal and informal. We work closely with other federal banking agencies and state bank regulators, both through the Federal Financial Institutions Examination Council (FFIEC) and individually, where appropriate, to identify emerging issues in the financial institutions industry and to coordinate supervisory activities. In some cases, we have written agreements to share information with state banking agencies, and in other instances our relationship is more informal. We have a longstanding working relationship with the SEC and, in 1995, we developed and signed a formal written information sharing agreement with NASD (see attached).

The influx of insurance company applicants for thrift charters during the late 1990s prompted us several years ago to develop a close working relationship with the National Association of Insurance Commissioners (NAIC). This led to development of a model agreement that is the basis for written information sharing agreements between OTS and 41 states, including the District of Columbia (see model agreement and list of states, attached). These joint agreements extend significantly beyond the sharing of consumer complaint data and include the sharing of financial and enforcement information, including prior notification regarding enforcement action taken against a commonly regulated entity. We hope, ultimately, to have agreements in place with every state insurance commissioner, as well as with the insurance commissioner of every U.S. territory. Three states—Rhode Island, Ohio and Oregon—have told us that they need to

change their states' laws to allow for such information sharing, which we understand they plan to do this year.

Our ability to share confidential information with the NAIC itself is limited, since it is not a governmental entity. Because the NAIC plays a significant role in the work that is done by and for the state insurance regulators, it would be beneficial for OTS to be able to exchange information with the NAIC.

III. OTS INFORMATION DATABASES

OTS maintains or contributes to three separate databases that include information on individuals and entities that have participated in illegal conduct. Each database serves a different function.

The first database lists public enforcement actions taken by OTS since 1989. The list, which is updated monthly, gives the name of the individual or entity subject to the enforcement action, the name of the institution, and the type of order issued. We have posted on our website OTS orders removing or prohibiting individuals from insured depository institutions. The list is searchable by the name of the individual, company or savings association. We will be expanding the list to include other types of OTS orders, such as cease and desist orders and civil money penalty assessments, and to post actual copies of the orders to the website.

The second database is our Confidential Individual Information System (CIIS). These records contain information concerning individuals who have filed notices of intent to acquire control of savings associations; individuals who have applied to become senior officers or directors of savings associations (where such review is required); individuals who have a history of professional ethics, licensing, or similar disciplinary problems, or have been the subject of an agency enforcement action; and individuals involved in a significant business transaction with an institution. These records identify the individual involved and his or her relationship to the savings association, service corporation or holding company, and describe the event causing the entry of information into the CIIS database. These records are confidential under the Privacy Act of 1974. Consistent with the limitations under the Privacy Act, OTS shares this information, upon request, with other governmental and self-regulatory organizations, such as the SEC, Commodities Futures Trading Corporation (CFTC), and NASD Regulation (NASDR).

The third database we utilize is the Suspicious Activity Reports (SAR) database, which the OTS contributes to, along with the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board (FRB), National Credit Union Administration (NCUA) and the Financial Crimes Enforcement Network (FinCEN). This system contains reports that banks, thrifts and credit unions are required by federal statute to file whenever they have information concerning suspected violations of certain criminal statutes, such as bank fraud, theft and money laundering. An example would be when a depository institution notes that an individual has made

several cash withdrawals from an account, all of which are close to but just below the level at which the bank must file a Currency Transaction Report (CTR).

Because the SAR database contains highly confidential information of known or suspected criminal activities, on-line access to the database is restricted to the banking regulatory agencies, certain other federal agencies, and to law enforcement agencies, such as the Federal Bureau of Investigation (FBI) and the Secret Service. Unauthorized access to this information could substantially jeopardize law enforcement investigations. It could also cause unnecessary harm to individuals whose names are included in SARs as possibly involved in suspicious activities, but where the matter has not been investigated and which may prove to be not true. Banks and thrifts are prohibited from disclosing a SAR or its contents, and bank regulatory agencies do not share SAR information with non-SAR users.

In addition to coordinating on the SAR database, the banking agencies participate with the SEC, Internal Revenue Service (IRS), U.S. Customs Service, and law enforcement agencies, including the FBI and Secret Service, in the national Bank Fraud Working Group. This forum enables these agencies to share information on and cooperate in identifying individuals engaged in fraud and trends involving fraudulent activities. Important interagency information sharing activity also occurs outside of Washington. Many U.S. Attorney offices convene several meetings each year to discuss bank and financial fraud issues and activities. Participating agencies usually include the federal banking agencies and state insurance and bank regulators. NCUA representatives may

also attend. These meetings provide an opportunity for the U.S. Attorney offices to discuss ongoing bank fraud cases, to the extent the information is disclosable, and to alert regulators about recent patterns of criminal activity. The regulators also exchange information about possible criminal activities within their jurisdiction, including information brought to their attention by SAR filings.

IV. POSSIBLE APPROACHES TO INTERAGENCY INFORMATION SHARING

The possible approaches to interagency information sharing vary depending on the type and sensitivity of the information to be shared, the availability and quality of the information on existing agency databases, and the ability to control access to and use of information. Also important are confidentiality and liability protections for shared information, and avoiding over reliance on shared information by users.

Among the range of available options, a practical first step is linking or aggregating the existing public databases of financial regulators. This, of course, assumes that all relevant financial regulators maintain similar types of information and make it publicly available. This option could be accomplished by creating a software link that permits each agency to operate their individual databases separately, but that makes the databases accessible simultaneously via a common search engine or able to be viewed from the same site. This is largely a software solution that improves efficiency by minimizing the number of times a user must search multiple places for the same information. Since the information is public, issues regarding liability and confidentiality should not be

problematic. While access to the linked data could be limited to the financial regulators, it would not have to be, and information that is distributed beyond the linked network should not raise concerns since the information is already public.

While a software link is likely the most efficient approach because it is easiest to implement and poses the fewest potential problems, a centralized coordinator of public database information could also be established. This option is worth considering if there is an overall plan ultimately to expand or modify the system to include non public information.

Expanding the system to include nonpublic information, of course, raises a series of far more difficult issues, and would probably require a more centralized approach. Either a new or existing governmental entity could be charged to coordinate a type of centralized clearinghouse for the collection and dissemination of regulatory database information, and be made responsible for limiting access to the information, defining the parameters for the types and quality of information to be fed into the system, and providing liability and confidentiality protections. This raises obvious, but no less compelling logistical issues, such as how to coordinate the information, who should do so, how to eliminate obstacles about the governmental status of entities that participate in the system (i.e., in order to avoid issues raised about breaches of confidentiality and liability protections), and how to keep the system current. More important are issues involving protecting the integrity of system information—ensuring the information is complete and correct—and ensuring that otherwise non-public information does not fall into the wrong hands.

Variations of this approach include a system in which different levels of “security clearance” are provided to various users for accessing different strata of information. For example, all could access publicly available information, but more sensitive information on current or ongoing agency actions would be made available on a more select basis, with criminal investigatory information carrying the most protections. Also worth considering is whether more than one entity could serve as the aggregator of regulatory information. For example, three separate entities could be charged with collecting information—one each for securities, insurance, and banking information—and could then coordinate in establishing, feeding, and maintaining a centralized system.

A point worth emphasizing that is relevant to all of the variations and permutations described above is that for any type of database sharing system to be useful, particularly with respect to tracking the comings and goings of questionable individuals in the various financial services industries, the quality and integrity of the information fed into the system must be reliable.

Currently, the federal banking agencies are not routinely provided information regarding the addition of new directors and senior officers to a depository institution. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) required a 30-day prior notice to the appropriate banking agency upon the addition of a director or senior officer at a recently chartered depository institution, an institution or holding company that underwent a change in control within the preceding two years, and an

institution or holding company not in compliance with minimum capital requirements or otherwise troubled. As part of the regulatory burden reduction provisions of the Economic Growth and Regulatory Paperwork Reduction Act of 1996, the prior notice requirement was narrowed to cover only troubled institutions and holding companies, capital-impaired institutions, and certain institutions operating under a capital restoration plan.

Although we do not advocate restoring FIRREA's original requirements, it would be beneficial to consider requiring a streamlined, after the fact notice to the appropriate banking agency of all new directors and senior officers of depository institutions.

Consideration should also be given to including an appropriate mechanism for the prompt removal of a new director or senior officer where the banking agency determines that the individual has a past history of serious disciplinary problems in the financial industry.

This would ensure that, as new directors and senior officers begin to serve at an institution, the agency has the information to conduct a background check and the ability to remove the individual where there is such past history. In addition, the agency would then be able to make the information immediately available to all other financial regulators. Currently, this information is not likely to be obtained until the next regularly scheduled examination of the institution, which could be up to 18 months from the time of the addition.

Another tool worth considering in addressing the problem of identifying and weeding out perpetrators of financial fraud is a corporate governance self-help provision that an institution could include in its bylaws. OTS will soon adopt a regulation that permits, but does not require, federal savings associations to adopt a bylaw amendment precluding persons who are under indictment for, or have been convicted of certain crimes, or are subject to a cease and desist order for fiduciary violations entered by any of the federal banking agencies, from being a member of the institution's board of directors. This affords an institution a certain degree of self defense from perpetrators of financial fraud.

V. Conclusion

Fraud in the financial services industry is not new. What is new are the technological developments and innovations that have dramatically raised the stakes in identifying and weeding out fraudulent activities and bad actors. Each new advance that facilitates the potential for fraud compromises the integrity of our financial system and exposes Americans to greater risks in their financial dealings. The tools that new technologies provide can also be harnessed to help us fight fraud. And it is incumbent upon us to utilize these resources to preserve and maintain control of our financial systems.

All financial regulators spend considerable resources in tracking down fraudulent activities and the perpetrators of financial fraud. To the extent we can combine and leverage our collective experiences and information, our efforts will be that much more effective. As I noted at the outset, there is a delicate balance between effective

information sharing and protecting sensitive database information. No one can refute that access to more, high quality information will improve our ability to fight fraud; but what do we give up to get there? Striking the proper balance is the key.

Thank you. I will be pleased to take any questions.

**REGULATORY COOPERATION AGREEMENT BETWEEN
THE OFFICE OF THRIFT SUPERVISION AND
THE [State Insurance Department]**

The Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, is the primary federal regulator of all federal and state-chartered savings associations. The [Name of State Insurance Department] (DOI) regulates the business of insurance in the State of _____ and serves as the primary regulator for all insurance entities domiciled in the State.

The OTS and the DOI each possess financial, consumer complaint, enforcement and other information that may help the other party to more effectively carry out its regulatory responsibilities. To encourage the exchange of such information, the OTS and DOI agree to communicate and cooperate in the manner described below, subject to the conditions, obligations, and responsibilities set forth in this Agreement.

1. Definitions

Agency or Agencies means the OTS and the DOI, individually or together.

Confidential Information: a) *OTS Confidential Information* is information contained in, derived from or related to examination, operating, or condition reports prepared by, on behalf of, or for use by the OTS for the regulation, examination or supervision of a Regulated Entity, complaints received by the OTS, communications between the Agencies or with any other state or federal government entity that the OTS determines to be of a non-public nature, and any other information that the OTS determines to be of a non-public nature and b) *DOI Confidential Information* is information confidential by law or privilege, including examination work papers, analysis of financial condition, draft examination reports, reports of potential fraudulent activity, [_____] _____ insert additional categories recognized under specific State laws], and any other information that the DOI determines to be of a non-public nature.

Regulated Entity or Entities means a savings association, a savings and loan holding company, an insurer, or any other related entity that either of the Agencies have the authority to examine and where an affiliation (i.e., any person that controls, is controlled by, or is under common control with a Regulated Entity) exists or is proposed between the savings association and the insurer.

Requesting Agency means the Agency seeking information.

Responding Agency means the Agency responding to a request for information.

2. Information Sharing

- a) To the extent required or permitted by applicable law, regulation, or practice, the Requesting Agency may request information regarding: (i) the financial solvency of a Regulated Entity, (ii) the insurance activities of a Regulated Entity, and (iii) the thrift activities of a Regulated Entity, provided that the requested information is material to the Requesting Agency's exercise of its lawful jurisdiction over that Regulated Entity or a subsidiary or an affiliate of that Regulated Entity.
- b) Requests for information shall be in writing. In submitting a request, the Requesting Agency shall provide a specific description, indicating the time period and general subject matter, of the information desired. Neither Agency intends that a separate request be filed for each document. The Responding Agency shall reply to the Requesting Agency as soon as practicable upon receipt of the request.
- c) The Agencies may exchange other information relating to the activities of Regulated Entities in order to ensure general awareness of the respective positions taken by the Agencies.
- d) The Requesting Agency expressly agrees to limit its use of any information it receives under this Agreement to functions directly related to the exercise of its appropriate regulatory authority.

3. Complaints and Consumer Inquiries

- a) To the extent required or permitted by applicable law, regulation, or practice, and by the terms of this Agreement, the OTS shall forward to the DOI a copy of any complaint and consumer inquiries that it receives relating to the insurance activities of a Regulated Entity, and the DOI shall forward a copy of any complaint and consumer inquiries that it receives relating to thrift activities of a Regulated Entity to the designated official at the Agencies, as appropriate. Complaints and consumer inquiries shall be forwarded as soon as practicable upon receipt of the complaint and consumer inquiries.
- b) With respect to all complaints and consumer inquiries received in writing by either Agency relating to the insurance activities of the Regulated Entities, each Agency will provide copies of such complaints, consumer inquiries and related correspondence to the other Agency and will advise the other Agency of the ultimate resolution of the complaint and consumer inquiries, subject to Section 5 hereof and in accordance with applicable state and federal law.

4. Enforcement Actions

The DOI and the OTS shall notify one another of any enforcement action taken against a Regulated Entity. Whenever practicable, such notification may be given in advance of any enforcement action.

5. Confidentiality

- a) The Requesting Agency shall take all actions reasonably necessary to preserve, protect and maintain all privileges and claims of confidentiality related to Confidential Information received pursuant to this Agreement, in accordance with applicable state and federal law. The Requesting Agency shall treat as confidential all information identified as Confidential Information received pursuant to this Agreement.
- b) The Requesting Agency shall restrict access to all Confidential Information solely to those persons at the Requesting Agency and their agents under the Requesting Agency's supervision and control (including, but not limited to outside counsel, consultants or experts) actively involved in the matter or proceeding described in the Requesting Agency's request for information. The Requesting Agency shall maintain all Confidential Information in a manner designed to protect the confidentiality and ownership of the material, and shall train all persons given access in the appropriate procedures for maintaining confidentiality.
- c) The Requesting Agency acknowledges that all Confidential Information, in whatever form, furnished by the Responding Agency remains the property of the Responding Agency and agrees to take no action the effect of which would be to limit, waive or jeopardize any privilege or claim of confidentiality, including the disclosure of such information to any other state, local, or federal agency, court or legislative body, or any other agency, instrumentality, entity, or person without the express written permission of the Responding Agency. In the event of termination of this Agreement, the Requesting Agency agrees that the Confidential Information received remains confidential and will continue to be protected under the terms of this Agreement.
- d) In the event that the Requesting Agency receives from a third party a request for Confidential Information furnished by the Responding Agency, or in the event the Requesting Agency is served with a subpoena, order, or other process requiring production of such Confidential Information or testimony related thereto, the Requesting Agency shall:
 - (i) immediately notify the Responding Agency that production is being sought, and afford the Responding Agency the opportunity to take whatever action it deems appropriate to protect the confidential and/or privileged nature of the Confidential Information, and cooperate fully in preserving and protecting the full scope of all privileges and claims of confidentiality which may apply to such Confidential Information;

- (ii) notify the party seeking production of the Confidential Information that it belongs to the Responding Agency and that requests for release of such information must be made directly to the Responding Agency, pursuant to any applicable laws and regulations (12 C.F.R § 510.5 for OTS Information; _____ for DOI information);
- (iii) resist production of the Confidential Information pending written permission of the Responding Agency, subject to subsection 5(e); and
- (iv) consent to any application by the Responding Agency to intervene in any action for the purpose of asserting and preserving any privilege(s) and/or claims of confidentiality with respect to the Confidential Information.

- e) It is expressly agreed and understood that in the event any court of competent jurisdiction issues an order to compel the Requesting Agency to produce the Confidential Information covered by this Agreement, the Requesting Agency may comply with such order. The Requesting Agency agrees to advise the Responding Agency as promptly as is reasonably possible of such action.
- f) No sharing of information under this Agreement or compulsory disclosure to third parties of Confidential Information exchanged under this Agreement shall be deemed a waiver of any privilege or claim of confidentiality, except as expressly found by a court or judicial authority of competent jurisdiction.
- g) No waiver by either party of any breach of any provision of this Agreement shall be deemed to be a continuing waiver of similar breaches in the future or a waiver of breach of any other provision hereof.

6. Preservation of Existing Statutory Authority and Obligations

- a) This Agreement shall in no way limit the discretion of the Responding Agency to deny requests for information, in whole or part, for any reason consistent with Responding Agency's own supervisory interest and obligations, or where prohibited by state or federal law.
- b) Nothing in this Agreement restricts, enlarges, or otherwise modifies the respective jurisdictions of the Agencies. Neither this Agreement, nor its termination, shall affect the rights and obligations of either Agency under applicable statutes or regulations, or be deemed an interpretation of such statutes or regulations.
- c) Neither Agency is liable to the other for the accuracy or timeliness of information provided pursuant to this Agreement, nor for obtaining, maintaining, or updating any such information.

7. Miscellaneous

- a) **Authority to Enter Agreement.** Each of the Agencies hereto gives express assurance that under applicable laws, regulations, and judicial rulings, it has the authority to comply fully with the use and disclosure limitations and conditions of the Agreement and that it will provide written notification to the other Agency within ten (10) days of any material change to this authority or any violation of this Agreement.
- b) **Termination.** This Agreement may be terminated by either Agency upon thirty (30) days written notice, *provided, however,* that such termination shall not affect the rights and obligations of either Agency with respect to Confidential Information shared pursuant to this Agreement.
- c) **Entire Agreement.** This Agreement supersedes all other agreements or representations either oral or written between the Agencies regarding regulatory cooperation. No waiver, alteration or modification of provisions in this Agreement shall be binding unless subsequently made in writing and signed by duly authorized representatives of the OTS and DOI.
- d) **Designation of Official.** As soon as practicable after signing this Agreement, the Agencies will advise one another of the appropriate officials to contact for purposes of notices and exchanges of information covered by this Agreement and will update such information as appropriate.

OFFICE OF THRIFT SUPERVISION [STATE DEPARTMENT OF INSURANCE]

Name:
Title:

Date:

Name:
Title:

Date:

STATES WITH SIGNED OTS REGULATORY COOPERATION AGREEMENTS

3/1/01

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
District of Columbia
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Michigan
Mississippi
Montana
Nebraska
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Oklahoma
Pennsylvania
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming

Agreement in Principle
Between the
Board of Governors of the Federal Reserve System
Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation
Office of Thrift Supervision
and the
National Association of Securities Dealers

Background

In recent years, depository institutions have become increasingly involved in selling uninsured nondeposit investment products, such as mutual funds, to retail customers on their premises. In response to this development, on February 15, 1994, four federal financial institutions regulators (the banking agencies) issued an Interagency Statement on the Retail Sale of Nondeposit Investment Products (Interagency Statement). The Interagency Statement contains guidelines for sales of nondeposit investment products on depository institution premises designed to enhance protection and lessen the potential for customers confusing such products with insured deposits.

The Interagency Statement's guidelines apply to recommendations and sales of nondeposit investment products by employees of depository institutions as well employees of affiliated or unaffiliated third parties located on depository premises. When such third parties are broker dealers registered with the Securities Commission and are members of the National Association of Securities Dealers (NASD), the NASD has regulatory and examining authority with respect to requirements adopted under the federal securities laws applicable to sales of nondeposit investment products. Broker dealers that are affiliated with a depository institution also are subject to the supervisory authority of a banking agency.

The banking agencies and the NASD share a common interest in the supervision of broker dealers selling nondeposit investment products on depository institution premises and, in particular, the supervision of broker dealers affiliated with a banking organization or thrift association, i.e., an affiliate, subsidiary or service corporation of a depository institution that is supervised by one or more of the undersigned banking agencies. To ensure that this common interest is addressed with a minimum of duplication of efforts by the respective regulatory organizations and to promote regulatory consistency and reduce unnecessary burdens, the banking agencies and the NASD agree in principle to cooperate in the manner described below in order to facilitate the coordination, and enhance the effectiveness, of examination efforts by the banking agencies and by the NASD.

Sharing of Examination Schedules and Examination Information

1. Sharing of examination schedules between the NASD and the banking agencies for depository institutions with affiliated broker dealers.

The banking agencies shall share their respective examination schedules for investment product sales programs at depository institutions with affiliated broker dealers with the Director of the appropriate NASD district office as early in the scheduling process as practicable. To the extent practicable, the Director of the appropriate NASD district office also should be contacted when a depository institution, that has a broker dealer affiliate located on bank premises, is given notice of an examination of its investment product sales program by a banking agency. In addition, to the extent practicable, the NASD shall provide the appropriate banking agency with an examination schedule for broker dealers affiliated

with depository institutions subject to the agency's supervision and shall notify the banking agency when it initiates an examination of such a broker dealer.

If a banking agency or the NASD believes, for whatever reason, that it would be appropriate for the two to coordinate their respective examinations of a bank affiliated broker dealer, it shall contact the appropriate NASD or banking agency district office to request such coordination. A banking agency or the NASD may request that one or more of its examiners act as an observer during the other's examination of an affiliated broker dealer. Unless specifically agreed otherwise, the presence of an observer will not be viewed as a joint examination by the banking agency and the NASD, and will not result in the issuance of joint examination findings. In addition, while observers normally will not perform an examination on behalf of their agency or association, the banking agency or the NASD may pursue any observations made by its personnel as a result of such an arrangement.

2. Access to NASD examination findings and workpapers pertaining to the most recent examination of an affiliated broker dealer.

Banking agencies should have access to the results of the most recent NASD examination pertaining to an affiliated broker dealer from the depository institution or directly from the broker dealer. In instances in which such results, for whatever reason, cannot be obtained from the depository institution or its affiliated broker dealer, a banking agency may obtain information on the examination from the appropriate NASD district office. In instances in which a banking agency has questions about the NASD's findings or the status of any corrective actions taken by the broker dealer, it may contact the NASD district office that initiated the action and obtain the requested information.

If it is deemed necessary to obtain more detailed examination information concerning the affiliated broker dealer, a banking agency may contact the appropriate NASD official to arrange to review examination work papers at the NASD's district office.

3. Banking agency referrals to the NASD regarding affiliated broker dealer examination findings.

In the event that a banking agency concludes that apparent violations that fall under the regulatory jurisdiction of the NASD have occurred at a broker dealer selling nondeposit products on the premises of a depository institution, the agency shall promptly notify the NASD and cooperate to the extent permitted under applicable law.

4. NASD communications to banking agencies regarding examination results pertaining to affiliated broker dealers.

In the event that the NASD concludes that apparent violations that fall within the jurisdiction of a banking agency have occurred at a broker dealer affiliated with a depository institution, it shall promptly notify the appropriate banking agency for the depository institution affiliated with the broker dealer to the extent permitted under applicable law.

In the event the NASD has determined to initiate a formal disciplinary action against a bank affiliated broker dealer, or an individual associated with the broker dealer, alleging significant violations of NASD requirements or federal securities laws, the NASD shall promptly communicate this information to the appropriate banking agency for the depository institution affiliated with the broker dealer.

5. Communications between the banking agencies and the NASD pertaining to broker dealers not affiliated with a depository institution.

A banking agency, in connection with its examination of a depository institution, that has reasonable concerns about the activities of a broker dealer selling nondeposit investment products on the premises of an unaffiliated depository institution may request from the NASD information concerning the most recent

examination results pertaining to those activities of the broker dealer if it believes that such information may facilitate the banking agency's supervision of the depository institution. The NASD will provide such information upon confirmation of the existence of an agreement between the depository institution and the broker dealer to make such information available to the institution and the appropriate banking agency and a representation that the institution/agency has been unable to obtain information notwithstanding such agreement. If it is deemed necessary to obtain more detailed examination information concerning the unaffiliated broker dealer, a banking agency may contact the appropriate NASD official to arrange for a review of the relevant examination work papers at the NASD's district office. The banking agency will use information obtained under this paragraph in connection with its oversight of the depository institution and not for the purpose of examining the unaffiliated broker dealer.

In the event the NASD has determined to initiate a formal disciplinary action alleging significant violations of NASD requirements or federal securities laws against a broker dealer, or an associated person of such broker dealer, that sells nondeposit investment products on depository institution premises but is not affiliated with the institution, the NASD shall promptly communicate this information to the appropriate banking agency for the depository institution.

6. Communications pertaining to issues of common interest.

The banking agencies and the NASD will communicate with each other to the fullest extent possible on matters of common interest, such as regulatory and policy initiatives and educational efforts, pertaining to sales of nondeposit investment products on depository institution premises in order to assure a general awareness of the respective interpretative positions taken by the banking agencies, the NASD and by other securities regulators.

7. Confidentiality of Information Exchanged Between the NASD and the Banking Agencies.

Any information exchanged between the NASD and a banking agency must be for a legitimate regulatory or supervisory purpose. The confidentiality of information relating to examination reports or other confidential supervisory information exchanged must be maintained to the fullest extent possible and may not be released to any third party or to the public without the prior written agreement of the furnishing party. Each banking agency and the NASD agree to notify the furnishing party promptly of any requests for information and to assert any applicable legal exemptions or privileges on behalf of the furnishing party as that party may request.

8. Existing Jurisdictions and Interagency Agreements.

Nothing in this Agreement in Principle restricts, enlarges, or otherwise modifies the respective jurisdictions of the banking agencies or the NASD. Moreover, nothing in this Agreement in Principle supersedes or modifies any existing agreement between the banking agencies concerning coordination of examination efforts or the sharing of examination information.

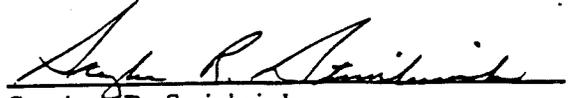
9. Designation of Officials for Purposes of Exchanging Information.

As soon as practicable after signing this Agreement in Principle, the banking agencies and the NASD will advise one another of the appropriate officials to contact for making exchanges of information covered by this Agreement in Principle, and will update such information as appropriate.

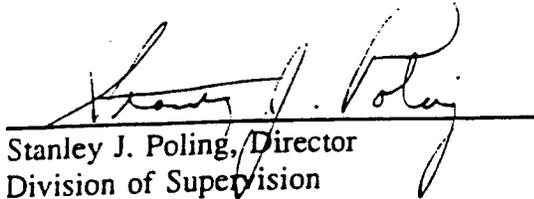
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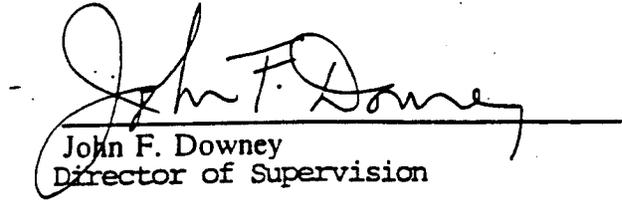
Richard Spillenkothen, Director
Division of Banking Supervision
for: Board of Governors for the
Federal Reserve System



Stephen R. Steinbrink,
Senior Deputy Comptroller
for: Office of the Comptroller of the
Currency



Stanley J. Poling, Director
Division of Supervision
for: Federal Deposit Insurance
Corporation



John F. Downey
Director of Supervision
for: Office of Thrift Supervision



John E. Pinto, Executive Vice President
for: National Association of
Securities Dealers

This Agreement is effective January 3, 1995.

NASD District Directors and Addresses

(as of 3/99)

District No. 1 District Director - Elizabeth Owens

(California (the counties of Monterey, San Benito, Fresno and Inyo and the remainder of the state north and west of these counties)
Nevada (counties of Esmeralda and Nye and the remainder of the state north or west of these counties) and Hawaii)
525 Market Street, Suite 300
San Francisco, CA 94105
415/882-1200

District No. 2 District Director - Lani Woltmann

(California (the remainder of the state not in District 1) and Nevada (the remainder of the state not in District 1))
300 South Grand Avenue, 16th Floor
Los Angeles, CA 90071
213/627-2122

District No. 3 District Director - Frank J. Birgfeld

(Arizona, Colorado, New Mexico, Utah and Wyoming)
Republic Plaza Building
370 17th Street, Suite 2900
Denver, CO 80202-5629
303/446-3100

Associate Director - James G. Dawson

(Alaska, Idaho, Montana, Oregon and Washington)
Two Union Square
601 Union Street, Suite 1616
Seattle, WA 98101
206/624-0790

District No. 4 District Director - Jack Rosenfield

(Iowa, Kansas, Minnesota, Nebraska, North Dakota, South Dakota)
120 W. 12th Street, Suite 900
Kansas City, MO 64105
816/421-5700

District No. 5 District Director - Warren A. Butler, Jr.

(Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Tennessee)
Energy Centre, Suite 850
1100 Poydras Suite
New Orleans, LA 70163-0850
504/522-6527

District No. 6 District Director - Bernard Young

(Texas)
12801 N. Central Expressway, Suite 1050
Dallas, TX 75243
972/701-8554

District No. 7 District Director - Alan M. Wolper

(Florida, Georgia, North Carolina, South Carolina, Puerto Rico, Canal Zone, U.S. Virgin Islands)
One Securities Center, Suite 500
3490 Piedmont Road, N.E., Atlanta, GA 30305
404/239-6100

District No. 8 District Director - Carlotta A. Romano

(Illinois, Indiana, Michigan and Wisconsin)
10 LaSalle, 20th Floor
Chicago, IL 60603-1002
312/899-4400

District Director - William H. Jackson, Jr.
(Ohio, New York (the counties of Monroe, Livingston, Steuben and the remainder of the state west of these counties))
Renaissance on Playhouse Square
1350 Euclid Avenue, Suite 900
Cleveland, OH 44115
216/694-4545

District No. 9 District Director - Gary K. Liebowitz
New Jersey (except southern New Jersey in the immediate Philadelphia vicinity)
581 Main Street, 7th floor
Woodbridge, NJ 07095
732/596-2000

District Director - John P. Nocella
Delaware, Pennsylvania, West Virginia, District of Columbia, Maryland, and the part of southern New Jersey in the immediate Philadelphia vicinity)
1835 Market Street, 19th Floor
Philadelphia, PA 19103
215/665-1180

District No. 10 District Director - David A. Leibowitz
(the five boroughs of New York City)
33 Whitehall Street
New York, NY 10004
212/858-4000

District No. 11 District Director - Willis H. Riccio
(Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New York (except for the counties of Monroe, Livingston, and Steuben; and the five boroughs of New York City))
260 Franklin Street, 16th floor
Boston, MA 02110
617/261-0800