



Shadow Financial Regulatory Committee

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Statement of the Shadow Financial Regulatory Committee

on

Disclosure by Regulated Financial Institutions

June 9, 1986

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The Office of the Comptroller of the Currency (OCC) has proposed regulations that would significantly increase the disclosure requirements to which all national banks are subject. We oppose these regulations for several reasons.

First, there is no reason to require banks to report to their shareholders differently from other corporations. The OCC's regulations would apply to banks that have relatively few shareholders, and, therefore, like any corporation, are not subject to the securities acts' requirements. The OCC would impose excessive costs on these institutions.

Second, the regulations would not benefit customers with \$100,000 or less in a deposit account because they already are protected by deposit insurance. Uninsured depositors and other bank creditors might benefit from increased disclosure if they believed that their funds were at risk. In this case, however, banks themselves would have a greater incentive to disclose more information voluntarily. Thus additional disclosure regulations will impose costs on banks in excess of benefits.

Consumers also would not benefit from banks being required to report their charges for services in their annual reports. The ordinary bank customer does not receive such reports. There are more effective and less costly ways of improving disclosure of bank service prices. Competition among banks and other providers of financial services assures that consumers are informed about prices and services. Furthermore, the required reporting would not be current and would impose costs on banks that consumers eventually would have to pay.

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