



SENIOR U.S. AND INTERNATIONAL GOVERNMENT OFFICIALS ADDRESS INSTITUTE'S BREAKFAST DIALOGUE DURING THE IMF/WORLD BANK MEETINGS

A distinguished group of senior U.S. and international policy makers addressed the Institute's 15th Annual Breakfast Dialogue with Government Officials on issues ranging from concerns over the extraterritorial reach of the Sarbanes-Oxley Act to the latest developments regarding the new Basel capital standards. Speaking at this year's event, held on Monday, September 30th in conjunction with the IMF/World Bank meetings in Washington, D.C., were: **Senator Richard C. Shelby**, a senior member of the Senate Banking Committee; **Peter R. Fisher**, Under Secretary of the Treasury for Domestic Finance; **Howard Davies**, Chairman of the Financial Services Authority in the U.K.; and **William J. McDonough**, President of the Federal Reserve Bank of New York and Chairman of the Basel Committee on Banking Supervision.

Senator Shelby, who next year will become either Chairman or Ranking Republican Member of the Senate Banking Committee, depending on the outcome of the fall elections, focused his remarks on issues relating to the Sarbanes-Oxley Act and the USA Patriot Act. Senator Shelby said the most important measure in Sarbanes-Oxley was the provision

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From left: Robert B. Mills, Managing Director, Chief Financial Officer and Regional Operating Officer, Americas, UBS Warburg, and Institute Chairman; Senator Richard C. Shelby, Member of the Senate Banking Committee; Peter R. Fisher, Under Secretary of the Treasury for Domestic Finance; Howard Davies, Chairman of the Financial Services Authority in the U.K.; William J. McDonough, President of the Federal Reserve Bank of New York and Chairman of the Basel Committee on Banking Supervision; and Lawrence R. Uhlick, Executive Director and General Counsel of the Institute.

ANNUAL REGULATORY EXAMINATION AND COMPLIANCE SEMINAR TO FEATURE TOP REGULATORS, PRIVATE SECTOR EXPERTS

Arrangements are being completed for the Institute's annual seminar on regulatory examination and compliance issues affecting international banks on Wednesday, November 20th and Thursday, November 21st (until noon) at the Grand Hyatt New York (Park Avenue at Grand Central Station).

This once-a-year program is recognized by the regulatory community as facilitating the compliance efforts of our member banks by providing them with definitive and timely information or critical examination and supervision issues as well as best practices. No bank can afford to fall behind in this important area.

The seminar will include presentations by top bank regulators on new policy initiatives and developments in the

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FDIC CHAIRMAN POWELL SPEAKS AT SEPT 9TH MEMBERSHIP LUNCHEON

Donald E. Powell, Chairman of the Federal Deposit Insurance Corporation, addressed the current condition of the banking industry, business continuity and other issues arising from the September 11th terrorist attacks, and deposit insurance reform at the Institute's membership luncheon on September 9th at the Waldorf-Astoria Hotel.

In his remarks, Chairman Powell also discussed his efforts

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From left: Robert C. O'Brien, Managing Director, Credit Suisse First Boston, and Chairman of the Institute's Strategic Planning Committee; Donald E. Powell, Chairman of the Federal Deposit Insurance Corporation; and Robert B. Mills, Managing Director, Chief Financial Officer and Regional Operating Officer, Americas, UBS Warburg, and Institute Chairman.

The Institute's mission is to solve the many special legislative, regulatory and tax issues confronting internationally headquartered financial institutions that engage in banking, securities and/or insurance activities in the United States.

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Robert B. Mills, Chairman Lawrence R. Uhlick, Executive Director

BREAKFAST DIALOGUE

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creating an accounting oversight board to “audit the auditors.” In response to a question regarding concerns about Section 402 of the Act, which exempts FDIC-insured American banks but not non-domestic banks from the prohibition on loans to directors and executive officers, Senator Shelby said he would bring up the issue at a meeting in his office later that morning with SEC Chairman Harvey Pitt.

Treasury Under Secretary Fisher discussed the need to reduce “regulatory arbitrage” and create a system of greater



From left: Lawrence R. Uhlick, Executive Director and General Counsel of the Institute; William J. McDonough, President of the Federal Reserve Bank of New York and Chairman of the Basel Committee on Banking Supervision; Howard Davies, Chairman of the Financial Services Authority in the U.K.; and Robert B. Mills, Managing Director, Chief Financial Officer and Regional Operating Officer, Americas, UBS Warburg and Institute Chairman.

MEMBERSHIP LUNCHEON

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to revitalize the FDIC’s policy-making role on banking issues, saying “we’re going to have a seat at the table.” On deposit insurance reform, Chairman Powell said he thought there was an 80 to 85 percent chance of enactment this year, but he also cautioned that Congress has “other things on its plate.”

In response to a question after his formal remarks, Chairman Powell warned that there was a 75 percent chance that deposit insurance premiums will have to be assessed in the next quarter.



Geoffrey Milton (left), General Manager, Arab Banking Corporation, and Chairman of the Institute’s Legislative and Regulatory Policy Committee, and William L. Rutledge, Executive Vice President, Federal Reserve Bank of New York.

coherence in the rule-writing process for financial services. In his remarks, Under Secretary Fisher drew a sharp distinction, however, between rule writing on the one hand and supervision of financial services on the other, adding that he does not think the U.S. “will go the way of London” with the creation of a single financial supervisory authority. “I’m a great believer in the dual banking system,” Under Secretary Fisher said later in response to a question, emphasizing that his proposal applied only to the federal level and not to the states.

Providing a European perspective, Mr. Davies discussed the underlying principles of international regulatory cooperation

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From left: Claudio Marchiori, Senior Vice President & Manager, IntesaBci, and Member of the Institute’s Executive Committee; Vincenzo Gallo, Head of International Banking Network, Wholesale Division, IntesaBci; and Dante Pasqualini, Senior Vice President and Manager, UniCredito Italiano SpA, and Institute Trustee.



From left: Troland S. Link, Senior Counsel, Davis Polk & Wardwell; P. Vincent Conlon, Deputy Superintendent, New York State Banking Department; and Sara Kelsey, Deputy Superintendent and Counsel, New York State Banking Department.



Theodore D. Itzkowitz (left), Chief Counsel, Israel Discount Bank, and Michael Volpe, First Senior Vice President and Comptroller, Israel Discount Bank.

INSTITUTE PUBLISHES 15TH ANNUAL GLOBAL SURVEY OF REGULATORY AND MARKET DEVELOPMENTS IN BANKING, SECURITIES AND INSURANCE

The Institute has published its 15th annual *Global Survey of Regulatory and Market Developments in Banking, Securities and Insurance*, which this year covers 43 countries and the European Union during the period from July 1, 2001 to June 30, 2002. The document is available in its entirety on the Institute's web site at www.iib.org/gs2002.pdf.

The *Global Survey* provides timely information to assist policy makers to better understand trends and developments around the world. Among the highlights of this year's *Global Survey* are the following:

- Many countries around the world, from the U.S., Germany and Japan to Egypt, Israel and Bahrain, have taken further action to combat money laundering and the financing of terrorism in response to the terrorist attacks on New York and Washington on September 11, 2001.
- The *Survey* discusses the ramifications of the collapse of Enron and other corporate scandals, including concerns with the extraterritorial reach of the Sarbanes-Oxley Act and the lack of an exemption for non-U.S. banks – comparable to the exemption for FDIC-insured American banks –



from the prohibition on loans to their directors and executive officers.

- A number of countries implemented or were in the process of undertaking reforms of their domestic
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COMPLIANCE SEMINAR

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regulation and supervision of international banks as well as representatives from Institute member banks. Among the regulatory officials participating in the seminar are: Stephen C. Schemering, Deputy Director of Banking Supervision and Regulation at the Federal Reserve; Nancy Wentzler, Deputy Comptroller for Global Banking and Financial Analysis at the Office of the Comptroller of the Currency; William L. Rutledge, Executive Vice President of the Federal Reserve Bank of New York; Michael J. Lesser, Deputy Superintendent, Foreign Financial Services Division, at the New York State Banking Department; and Howard Pitkin, Administrator of Depository Institutions, Connecticut Department of Banking. Topics to be discussed include:

- the perspectives of banks and bank examiners on key issues being addressed in the examination process;
- key examination and compliance issues for international banks under the USA Patriot Act;
- emerging trends and best practices in

operational and market risk management, including issues dealing with structured finance as well as business continuity; and

- managing credit risk in an uncertain economic environment.

This comprehensive seminar provides an excellent opportunity for experienced officers to be thoroughly updated on new developments and gain practical insights in preparing for examinations. It also will offer new officers a solid introduction to the U.S. regulatory system and compliance requirements. Last year's seminar was attended by approximately 200 representatives from the U.S. and head offices of our member banks and was very well received.

The registration fee for those wishing to attend the entire seminar is \$950 per person for members (\$1,250 per person for non-members), which will also cover the luncheon program on Wednesday and continental breakfasts on both days. There is also the option of a transferable registration (at \$1,250) that will give member institutions the flexibility of sending up to three representatives to the seminar on a rotating basis (only one individual at a time may attend the seminar program).

BREAKFAST DIALOGUE

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and interaction. He observed that while it is reasonable for any country to wish to ensure that organizations meet its standards, difficulties arise when domestic rules “touch on the responsibilities of the home supervisor.” In a reference to the Sarbanes-Oxley Act and the USA Patriot Act at the opening of his remarks, Mr. Davies quipped, “They are in a sense a kind of free export of regulation to less fortunate countries.”

Mr. McDonough focused his remarks on the timetable for achieving a new Basel capital accord. He said the Basel Supervisory Committee was scheduled the next day (October 1st) to launch its third “quantitative impact study” of the proposed changes in international capital requirements. The field test is being undertaken to ensure the efficacy of the proposals and to assess whether further modifications are needed. Mr. McDonough said a final accord is expected in October 2003. In other comments later in the program, Mr. McDonough said the “constant worrying about Brazil is something that I think makes no sense whatsoever,” adding that the “ongoing lack of faith in Brazil is highly destructive” to the private-sector’s own interest.

GLOBAL SURVEY

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regulatory systems to meet the challenges posed by the formation of complex financial groups that engage in a diverse array of activities in their home markets and abroad. The global trend continued to be in the direction of consolidated oversight, with a number of European and other countries establishing single financial supervisory authorities.

- A subject selected for special attention is the approach different countries take to umbrella supervision of the operations of domestic and non-domestic financial groups. The survey found a variety of approaches to this issue around the world. At one end of the spectrum are the United States and 13 other countries that provide umbrella supervision to both branches and bank subsidiaries of non-domestic banking organizations as well as to their various affiliates. Other countries do not seek to provide umbrella supervision for either branches or bank subsidiaries of non-domestic financial groups as well as their various affiliates.

In addition to a new table on consolidated supervision, the Global Survey includes updated tables summarizing for each of the countries covered by the Survey (i) the applicability of

host country endowment/dotational capital requirements for branches of non-domestic banking organizations; (ii) the applicability of asset pledge requirements to branches of non-domestic banking organizations operating in a host country; (iii) the availability of central bank “daylight overdraft” credit; (iv) the permissibility of merchant banking activities; (v) host country supervision of non-domestic banks’ branches; (vi) market risk capital requirements; and (vii) permissible securities, insurance and real estate activities for banking organizations in each country.

SCHEDULE OF EVENTS THROUGH JUNE 2003

All interested officers of member institutions are urged to put these dates on their calendars. In particular, we encourage you to attend the Institute’s Annual Washington Conference at the Four Seasons Hotel in Washington on March 2-4, 2003.

Wednesday, November 20 to noon on Thursday, November 21, 2002	Annual Institute Seminar on Regulatory Examination and Compliance Issues Affecting International Banks, at the Grand Hyatt New York.
Thursday, January 16, 2003 12:00 noon	Institute Membership luncheon, at the Waldorf- Astoria Hotel.
Sunday evening - Tuesday afternoon March 2-4, 2003	Institute’s Annual Washington Conference.
Thursday, June 12, 2003 12:00 noon	Institute’s Annual General Meeting and Membership Luncheon, at the Waldorf-Astoria Hotel.
Wednesday, June 25 Thursday, June 26, 2003	Institute’s Annual Seminar on the U.S. Taxation of International Banks, at the Grand Hyatt New York.

Dates for additional seminars, workshops
and other events will be provided in the near future