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SEIDMAN URGES INDEPENDENT BANKERS TO WORK FOR A HOUSE BANKING BILL THAT PRESERVES THE DUAL BANKING SYSTEM

Bankers should oppose challenges to the dual banking system found in the Senate Bill when the House Banking Committee takes up financial reform legislation, FDIC Chairman L. William Seidman today told the leadership of the Independent Bankers Association.

The FDIC head said that while a bill passed by the Senate is a start, it contains two significant shortcomings. If they are corrected, independent bankers may find the banking bill is legislation they can support.

First, noted Mr. Seidman, the Senate bill would restrict the ability of state-chartered banks to pursue state-authorized insurance activities. "That's a strike against the dual banking system," he said.

Second, Mr. Seidman continued, "it would require new securities activities to be conducted through the holding company and would prohibit state banks and their subsidiaries from conducting such activities now permitted by the states. That's strike two against the dual banking system."

Chairman Seidman said, "The third strike could come if the same pattern is followed in the House bill with respect to real estate activities. And as we are all aware during this baseball season, three strikes and you're out!"

Noting that the House Banking Committee soon will be taking up banking legislation, Mr. Seidman said: "It is critical that any legislation that emerges from this process not undermine the authority of state-chartered banks to exercise powers permitted by the states, such as insurance and real estate activities."

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Chairman Seidman observed that Congressman Gerald D. Kleczka of Wisconsin has proposed an amendment "that gives you a horse to ride." Mr. Kleczka's proposal would permit state banks and their subsidiaries to engage, within their respective states, in any insurance activities permitted by state law no matter where the holding company is located.

"We think this is a sound idea," said Chairman Seidman, "and in fact this goal of preserving the dual banking system should apply to all activities permitted by the states whether in a bank or its subsidiary and whether it's part of a holding company or not."

"Of course," Mr. Seidman noted, "safety and soundness, enforced through strict supervision of insured institutions, would be an integral part of permitting such powers."

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