NEWS RELEASE

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

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FDIC CHAIRMAN ENDORSES LEGISLATION TO ENHANCE BANK SUPERVISORY PROGRAMS

Federal Deposit Insurance Corporation Chairman L. William Seidman today endorsed proposed legislation which would affirm the independence of federal bank regulators and enhance their ability to recruit, train and retain examination employees.

Testifying before the House Banking Subcommittee on Financial Institutions Supervision, Regulation and Insurance, Chairman Seidman called the revised Depository Institution Examination Improvement Act of 1986 "a major step in the right direction for bank regulation." The bill "would give us real flexibility to hire employees, set benefits and establish our own retirement system," he added.

Mr. Seidman supported the proposed legislation's emphasis on establishment of a coordinated training program for all federal bank regulators. He noted that the federal bank regulatory agencies are working now on cooperative training within the Federal Financial Institutions Examination Council.

One key section of the legislation would reaffirm the FDIC's status as an independent regulatory agency that is not subject to either the Office of Management and Budget's directives or the automatic budget reduction system established by the Gramm-Rudman-Hollings Act. Seidman noted that the FDIC is not funded by taxpayers. "We have long operated at a substantial surplus under our own independent status and this is a desirable result not always achieved in government," he commented.

Chairman Seidman cautioned that the combination of OMB-mandated budget restrictions and the budget reductions called for by the Gramm-Rudman-Hollings

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Act represents a bad prescription for the banking industry. OMB imposed budget apportionment requirements "could prevent us from responding flexibly to banking sector problems," and lead to a reduction in the FDIC's efforts to supervise healthy and problem banking institutions, he said.

The FDIC Chairman also testified on the proposed Truth in Savings Act (H.R. 2282). He noted that interest rate deregulation has brought benefits to consumers, but there is some confusion in the marketplace which is being addressed by regulators. "Truth in savings is necessary, but it may be premature to legislate in this area," he said.

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