



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-159-86 (10-3-86)

FDIC CHAIRMAN LAUDS ARIZONA FOR INTERSTATE BANKING PROGRESS

FDIC Chairman L. William Seidman today commended Arizona legislators for taking a leading role and determining what type of banking system is best for the citizens of Arizona. "An interstate banking environment developed by a state with the consent of its resident bankers is, in the long run, far preferable to the establishment of a nationwide banking policy in Washington," Mr. Seidman told the members of the Arizona Bankers Association. He added that: "A state is best equipped to determine what types of banking activities and operating restrictions are best for the people and the businesses within its boundaries."

Mr. Seidman pointed out that 37 states now provide for regional or national full-service banking. "Six of these jurisdictions have unconditional nationwide banking laws and 12 more permit nationwide banking on a reciprocal basis. Nineteen states have joined in regional arrangements and do not plan to go nationwide. In addition, one state has agreed to entry from anywhere in the nation on an emergency basis," Mr. Seidman said.

"The innovative search for business opportunities, the press of competition and the cost savings flowing from new technology explain the expansion of interstate banking. Market forces are driving this phenomenon," Mr. Seidman told the Arizona bankers.

For those who might fear that geographic expansion will stifle competition, Mr. Seidman recounted some of the findings of a recent study published by the Federal Reserve Bank of Chicago. These conclusions include:

. Anti-trust law enforcement has been relatively effective in preventing

-more-

anti-competitive banking behavior.

- . The existence of broader markets and the increase in competitors serve to discourage collusion among institutions in a given area.

Turning to the national scene, Chairman Seidman praised the wisdom of the House of Representatives in passing by a 342 to 49 vote the Depository Institutions Examinations Improvement Act of 1986, which is informally called the Carper-Lundine Bill.

"This legislation, if enacted, would provide for an improved federal bank examination force. Moreover, it would ensure that the insurance assessments are not used to achieve the image of a smaller federal deficit," Mr. Seidman said.

Mr. Seidman told the Arizona bankers the improvement would be achieved by:

- . Providing regulatory agencies increased flexibility to establish compensation programs which would attract and retain good examiners.
- . Directing the regulatory agencies to consider consolidating and enhancing examiner training programs.

Directing the agencies to develop minimum requirements for state examinations and require the federal regulators to accept state examinations of satisfactorily rated banks if the states are deemed to have adequate programs.

- . Specifying that the FDIC, as well as the other regulatory agencies, is exempt from the apportionment provisions of the Antideficiency Act and Gramm-Rudman-Hollings Act reductions.

"Simply put, the House recognizes the growing demands on the regulatory agencies, as well as the fact that our budgets are solely paid for by the banking industry," Mr. Seidman said.

In addition he urged the Arizona Bankers to actively support passage of

Senate Bill S. 2752 and other banking legislation expanding the ability of the FDIC to deal effectively with mounting bank failures. Mr. Seidman said S. 2752 would continue and expand the FDIC's authority to arrange emergency interstate mergers, as well as allow the agency to own and operate failed banks as "bridge banks" until permanent solutions can be found. The bill also would reaffirm the independence of the FDIC from the Office of Management and Budget's control. The chairman stressed the importance to the FDIC of maintaining flexibility to deal swiftly with problems in the banking industry, and encouraged the Congress to act swiftly on these important measures.

###