FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

FOR IMMEDIATE RELEASE PR-17-85 (2-11-85)

FDIC PROPOSES TO DISCLOSE ENFORCEMENT ACTIONS

The Board of Directors of the Federal Deposit Insurance Corporation today proposed to disclose the names of all banks and bank officials who are subject to statutory enforcement actions initiated by the FDIC on or after the date this proposed policy is issued for comment.

The FDIC would publish information involving directives to increase a bank's capital as well as notices and final orders relating to: insurance termination; cease-and-desist actions; suspension, removal or prohibition from further participation of bank officers, directors, employees and agents; and civil money penalties. The FDIC also would disclose termination of orders in these areas.

The FDIC believes that market discipline is preferable to the creation of more extensive regulations as a means of controlling unsafe banking activities in a deregulated environment. To achieve such discipline, the banking public needs information in order to evaluate the level of risk involved in dealing with specific banks. The proposed disclosure policy would increase market discipline by subjecting banks and their managements to greater public scrutiny, and help to assure that banks have the caliber of management necessary for their safe and sound operation. The policy also would encourage the flow of funds to the vast majority of banks that are prudently operated, rather than to the marginal banks that tend to pay the highest rates.

The first publication of enforcement actions would include notices and orders associated with actions initiated between the date the proposed policy

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is issued for comment and the date that it becomes effective, if adopted. Enforcement actions already in process on the date of the proposal that subsequently result in the issuance of notices and final orders would not be disclosed. However, the FDIC is soliciting public comment on whether and to what extent the proposed policy should apply to enforcement actions in progress. In addition, the FDIC asked for comments on whether the text of final orders resulting from formal actions begun before the date of the proposed policy should be released to the public upon request with only limited deletions of identifying information. The FDIC's practice has been to delete such information from the text of a final order before releasing it under a Freedom of Information Act request.

Adoption of the proposed policy should directly affect only a relatively small number of banks. In 1984, the FDIC initiated 226 enforcement actions and issued 125 final cease-and-desist orders, 13 final suspension or removal orders and 13 civil money penalty orders. The number of insured state nonmember banks at year-end 1984 totalled approximately 8,850.

The FDIC believes that the release of the names of banks and other parties subject to notices and final orders is an appropriate supervisory measure in a deregulated environment. This disclosure will provide the market with an indication of the institutions that the FDIC has found to be operating in a less than acceptable manner or with more than normal risk. Adoption of this policy should have the long-range effect of strengthening the industry.

Individuals wishing to comment on the proposed policy must submit comments no later than 30 days from the date of publication of the proposal in the Federal Register. Comments may be sent to Hoyle L. Robinson, Executive Secretary, FDIC, 550 17th Street, N.W., Room 6108, Washington, D.C. 20429.

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