



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC CHAIRMAN ANNOUNCES COMPREHENSIVE REVIEW OF DEPOSIT INSURANCE SYSTEM; WILL SOLICIT VIEWS FROM INDUSTRY AND CONSUMER GROUPS

The FDIC is undertaking a comprehensive review of the nation's deposit insurance system, Chairman Donna Tanoue announced in a speech today. She also said that the FDIC will hold meetings to solicit feedback from industry officials, consumer groups and other interested parties, starting with a roundtable discussion of deposit insurance reform in April.

"Bank customers in the United States know that their bank deposits are insured -- they can rest assured that their insured savings are safe." Chairman Tanoue told the annual convention of the Independent Community Bankers of America (ICBA), meeting in San Antonio. However, she added, "Given the changes underway in our financial system...a reexamination of deposit insurance has never been more timely."

Chairman Tanoue said one issue the FDIC would take a hard look at is the pricing of deposit insurance. For example, is the premium system fair in its treatment of different types of institutions, including large vs. small banks? Is it "sufficiently forward-looking" to address excessive risk-taking? And, does the system unnecessarily allow some banks to increase risks to the insurance funds without paying additional costs?

Also, the FDIC will review whether the \$100,000 deposit insurance limit should be increased. "Certainly, in terms of purchasing power, \$100,000 isn't what it was in 1980 when the current level of coverage was set," Chairman Tanoue said. However, she stressed that policymakers must consider how raising the insurance coverage could affect the behavior of depositors as well as institutions.

"We must be mindful of incentives and the potential for unintended consequences whenever we consider significant changes to the deposit insurance system," she



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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continued. "In the end, the question of higher coverage limits boils down to what we consider to be good public policy."

To gather additional facts and feedback before making recommendations, Chairman Tanoue announced that the FDIC will invite leaders of major national and state trade associations, and other organizations, to a roundtable discussion of deposit insurance reform in April. The FDIC also will work with consumer groups that have views on deposit insurance reform. In addition, the agency plans to hold outreach meetings with bank chief executive officers in late May and in June. Based on these meetings and additional staff analysis, she said, the FDIC expects to publish for comment a set of policy options in mid-July.

"At the FDIC, we are proud of the certainty and stability that we have provided the nation for three generations of Americans," Chairman Tanoue concluded. "By refining some of the elements in our system - by eliminating inequities - and by addressing unintended consequences in our system, we can improve the service we provide the public."

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Attachment: FDIC Chairman Tanoue speaks before the Annual Convention Of the Independent Community Bankers of America