



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC CHAIRMAN ADDRESSES BANK STRUCTURE CONFERENCE

The premiums banks pay for deposit insurance should better reflect the risks they pose, Federal Deposit Insurance Corporation Chairman Donna Tanoue said Thursday.

Speaking to the Federal Reserve Bank of Chicago's Bank Structure Conference, Chairman Tanoue warned that "we may see the banking industry paying - through the insurance funds - for the failures of banks that never paid an FDIC premium."

Chairman Tanoue also warned that both new and existing institutions can grow rapidly, eroding the insurance funds that banks and thrifts had taken years to build.

Noting that the safest, most conservative banks are in the same premium category as banks with large appetites for risk and large risk exposures, Chairman Tanoue stressed that "the premium cost of financing the system should fall to the extent possible on banks that elect to assume the greatest risk."

The FDIC last year experienced its first annual loss in the Bank Insurance Fund since 1991, a result of an uptick in the incidence of unanticipated and high-cost failures. Chairman Tanoue noted that the banks that accounted for most of that loss were not paying premiums two years or less prior to their failure.

"It is important to address deposit insurance reform now, before the long economic expansion we have all enjoyed turns," Chairman Tanoue said.

Attachment: FDIC Chairman Tanoue speaks before the Federal Reserve Bank of Chicago Conference on Bank Structure and Competition



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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