



PRESS RELEASE

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FDIC TO STUDY FUTURE OF BANKING

Federal Deposit Insurance Corporation Chairman Don Powell today announced his agency will conduct a major study on the future of banking in America.

"Over the next year," Chairman Powell told the American Bankers Association, "we will study the underlying trends in the economy and the industry. We will look at what this suggests for the future, and identify emerging policy questions likely to confront both regulators and the industry over the next decade."

He told the bankers: "You cannot assume that your proprietary franchise - while certainly valuable and at the center of our country's financial structure - will last forever in its present form."

And he added, "The last time the FDIC undertook a study of this magnitude was 15 years ago - when the Corporation called for many of the legislative changes that have occurred in the intervening years."

The regulatory debate over banking and commerce is one of the questions driving the study, Chairman Powell said.

"We all know we are ultimately going to have to deal with the question of banking and commerce - even though the governor of California has taken the issue off the table for the time being. We have heard from very experienced and thoughtful people about the hazards of this model, but it is worth noting the FDIC has not traditionally been as opposed as some to the question of bank ownership by commercial firms," Chairman Powell said.

The FDIC Chairman also noted a number of statistics that had reshaped banking over the past 20 years:



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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- In 1980, 93 percent of Americans' money was held in insured depository accounts, while money-market funds and mutual fund shares accounted for the remaining seven percent. By 2001, the share held by insured financial institutions had dropped to 45 percent of the total.
- In 1980, about 45 percent of all credit market liabilities were held by depository institutions. By 2001, this figure had declined to about 25 percent.
- Twenty years ago, there were 14,396 insured commercial banks. Today, there are 7,966 - a net reduction of 45 percent.

Chairman Powell told the bankers, "Remember: your share of the pie has never been richer - but it has never been smaller, either."

The text of Chairman Powell's speech is attached.

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Attachment: Remarks by Chairman Donald E. Powell Federal Deposit Insurance Corporation before the American Bankers Association Annual Meeting. Phoenix, Arizona, October 8, 2002