PRESS RELEASE
Federal Deposit Insurance Corporation

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FDIC CHAIRMAN POWELL CALLS FOR NEW, STREAMLINED SUPERVISORY STRUCTURE TO OVERSEE FINANCIAL SERVICES

FDIC Chairman Don Powell today proposed a new federal supervisory structure for banking, securities and insurance that would eliminate inefficiencies and costs in the current system.

Under the proposal, the banking industry, the securities industry, and those companies that choose an optional federal insurance charter would each have its own regulator, which would meet regularly with the Treasury and the Federal Reserve to make decisions on policy, as well as on systemic risk, permissible activities and product regulation.

Describing the current system, Chairman Powell said: "All too often, when we engage in turf warfare, the ultimate losers are the industry and the marketplace. The price is paid in lost opportunities and lost competitiveness."

Chairman Powell added that there were three specific problems with the current system. One, it wastes time; two, it wastes money; and three, it is becoming less and less connected to the way the banking industry operates as a provider of a wide range of financial services.

"The commodity we already lack today - and will increasingly lack in the future - is time," Chairman Powell said. "We will no longer have the luxury of lengthy consideration, study, argument, debate, and delay. The industry - and the broader markets - will require answers from the regulators much faster than we can provide them today. In such a market, delay will be as good as denial."

On the issue of money, he noted that consolidation and reorganization of the regulators would result in savings, and he noted that the FDIC, the Office of Thrift Supervision and the Office of the Comptroller of the Currency currently spend at least $200 million to fund back-office operations that are often duplicative.

On the issue of the supervisory system reflecting the operations of the banking industry, Chairman Powell asked: "Why should three banks on the same street, offering the same products and services to the same customer base, be regulated by three distinctly different federal regulatory entities? Take the case of, say, a Fed-member institution and a national bank. What redeeming features separate them that would justify a completely separate and costly federal regulatory structure? And to what extent does our structure improperly set the shape of the financial marketplace and inhibit innovation and evolution?"

"The new structure should improve operating efficiencies, improve consumer and industry responsiveness, and increase regulatory sensitivity to developments in the marketplace," Chairman Powell said.

He recommended that the new structure should be financially and politically independent - as the FDIC and the Federal Reserve Board of Governors are now - and that it preserve the dual banking system of state and federal regulation for banks.

He added: "A streamlined structure like this would certainly make the functional regulation idea envisioned in the Gramm-Leach-Bliley law more accessible and user friendly. It would also ensure clear lines of authority and accountability. And the process would be efficient enough to ensure the timely delivery of policy and consumer protection decisions on a consistent basis across the entire financial sector."

A copy of Chairman Powell's speech is attached.