



# PRESS RELEASE

Federal Deposit Insurance Corporation

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## FDIC Supports Regulatory Relief in House Testimony, Endorses Action by Congress to Help Banks in Hurricane Zone

*General Counsel urges including additional financial agency-endorsed proposals into H.R. 3505*

The FDIC strongly supports continuing efforts to eliminate unnecessary regulatory burden and to streamline and modernize laws and regulations for the financial industry, FDIC General Counsel William F. Kroener, III, today testified before the House Subcommittee on Financial Institutions and Consumer Credit of the Committee on Financial Services.

Reducing regulatory burden "is an important endeavor and our nation's insured financial institutions are counting on us to succeed in our efforts," he stated. In light of Hurricane Katrina, Kroener recommended that Congress consider lightening the regulatory burden on banks by temporarily relaxing Prompt Corrective Action (PCA) requirements for affected institutions, as it has in previous disasters. "Due to the widespread nature and the severity of the damage, as well as the dollar volume of relief funds that will be flowing to the area, we believe many banks would avail themselves of similar relief if it were offered by Congress in response to Katrina," he said.

Kroener noted that the banking agencies have exercised flexibility in the enforcement of regulatory requirements in order to help banks serve hurricane victims as best as possible. The FDIC has issued written guidance to banks to enable flexibility in offering check-cashing services and opening new accounts. The banking agencies, in conjunction with the Financial Crimes Enforcement Network (FinCEN), have also published a question-and-answer document to clarify how banks can comply with the Customer Identification rules for opening accounts even if customers have little or no written identification.



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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Kroener identified 12 regulatory relief proposals – all endorsed by the four federal bank regulatory agencies (the Federal Reserve, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the FDIC) that are the result of the agencies' work to identify outdated, unnecessary or unduly burdensome regulations in accordance with the requirements of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA). While six of those proposals are already contained in H.R. 3505, the Financial Services Regulatory Relief Act of 2005, Kroener testified that the FDIC joins its sister banking agencies in supporting their inclusion in the current regulatory relief legislation.

The six additional proposals he suggested including are:

- Shortening the post-approval waiting period on bank mergers and acquisitions where there are no adverse effects on competition;
- Exempting merger transactions between an insured depository institution and one or more of its affiliates from competitive factors review and post-approval waiting periods;
- Increasing flexibility for flood insurance;
- Authorizing the Federal Reserve to pay interest on reserves;
- Increasing the flexibility for the Federal Reserve Board to establish reserve requirements; and
- Authorizing member banks to use pass-through reserve accounts.

Kroener also endorsed eight additional provisions contained in H.R. 3505 that he said will help the FDIC regulate insured institutions more efficiently. He also discussed a few additional items the FDIC supports for inclusion in the bill, such as:

- Authority To Enforce Conditions on the Approval of Deposit Insurance;
- Clarification of Section 8 Enforcement Actions that Change-in-Control Conditions are Enforceable;
- Deposit Insurance Related to the Optional Conversion of Federal Savings Associations; and
- Bank Merger Act and Bank Holding Company Act amendments.

Kroener's entire testimony can be found at:

<http://www.fdic.gov/news/news/speeches/archives/2005/others/spsept2205.html>