

Joint News Release

Federal Deposit Insurance Corporation

Conference of State Bank Supervisors

FOR IMMEDIATE RELEASE

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FDIC AND STATE SUPERVISORS TO COORDINATE BANK EXAMINATIONS

The Federal Deposit Insurance Corporation and the Conference of State Bank Supervisors (CSBS) have signed an agreement that specifies how cooperative examinations will be undertaken between state authorities and the FDIC. This agreement will significantly ease the regulatory burden for the nation's 7,200 state-chartered nonmember banks.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) mandates annual full-scope examinations for all banks over \$100 million in assets and permits the FDIC to accept state examinations on an alternating year basis.

Using this model as a base, each state will enter into individual agreements with the FDIC. This will allow states and the FDIC to take full account of local economic and industry conditions as they plan their examinations.

The model agreement provides that the states and the FDIC would examine highly rated banks (those rated 1 or 2 on the interagency CAMEL system for evaluating safe and sound operations) on an alternating 12- or 18-month basis, subject to local conditions and the current condition of the bank. The FDIC and state authorities would coordinate the timing of their examinations to the maximum extent possible.

For the other banks (those rated 3, 4 or 5 on the CAMEL system), examining authorities would confer regularly and agree on the most effective examination schedule in order to properly monitor the bank's

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safety and soundness. Examinations could be on an alternating, independent, joint or concurrent basis, depending on the severity of the bank's problems.

In announcing the agreement, FDIC Chairman William Taylor said that the formal agreement further enhances the historical cooperation between the CSBS and the FDIC in carrying out their supervisory duties regarding state-chartered commercial banks. "Strong effective supervision secures the depositor and the taxpayer and strengthens the foundation of the local and national economy," he said.

The CSBS Board of Directors approved the agreement at the organization's annual meeting last week in Charleston, South Carolina. CSBS Chairman Margie Muller, Bank Commissioner, State of Maryland, hailed the agreement as the beginning of a new and positive cooperative spirit in state bank regulation. "This agreement strengthens the commitment of the state banking system and the FDIC to reduce regulatory burden, and meet the demanding supervisory responsibilities contained in the FDICIA. We are looking forward to excellent cooperation between the states and the FDIC," she said.

The Conference of State Bank Supervisors is the professional organization of the state officials who charter, supervise and regulate banks and other financial institutions.

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