

**CHAIRMAN DONALD E. POWELL
FEDERAL DEPOSIT INSURANCE CORPORATION
REMARKS BEFORE
THE COUNCIL FOR EXCELLENCE IN GOVERNMENT
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Good afternoon.

It's an honor to be here with you. The work of this Council is addressing the most critical issues facing government today. By encouraging discussions like the ones held today, you are advancing your goal of improving the performance of government for the benefit of the American people.

I came to Washington two years ago after 32 years in the private sector. I was a community banker all my life. But even though I found myself facing a completely different set of challenges in public service, many of the principles that allowed me to build a successful banking business - and survive difficult times -- in West Texas have helped me to lead a team in restructuring the FDIC to improve performance and operate more efficiently.

I'd like to talk a little bit today about some of the changes we have made at the FDIC, what we have managed to achieve and how these things dovetail not only with the goals of this Council but also with President Bush's Management Agenda for Government. I'd like to begin my remarks by talking about some recent developments in financial reporting.

Promoting e-government to reduce reporting burdens on businesses and to share information more quickly and conveniently should be a priority for all of us. At the FDIC, we have made significant advances in the wise and creative use of technology to accomplish our mission of promoting safety and soundness in the banking system, protecting the consumers' insured deposits, and quickly resolving any bank failures that occur.

To reduce paperwork and regulatory burden for banks, we have developed web-based alternatives for doing business with the FDIC, allowing all banks to file certain applications and requests and to receive a variety of FDIC products and supervisory notices via the Internet.

We have also improved our examination processes by developing software used by Federal and state examiners to analyze loan portfolios electronically, and to reduce the amount of time necessary to assimilate, analyze, and prepare the information in reports

of examination. These systems are allowing examiners to operate more efficiently by working with electronic information rather than paper-based information that is difficult to analyze in bulk. And as the reports of examination are reviewed within the organization, new web-based systems allow staff to efficiently analyze a much broader set of statistics all in one place than was previously possible.

We also have developed web-based tools to market the assets and liabilities of failing insured institutions. Through the use of secure web sites, potential bidders can view financial information, perform due diligence, and submit bids on a failing bank or thrift and on asset pools not sold within the franchise at the time of failure. This system has proved invaluable in reaching larger pools of bidders and resolving bank failures as swiftly and efficiently as possible.

One of the initiatives that will greatly benefit both the government and the private sector is the modernization of our Call Report system.

A Call Report is a set of data that helps us monitor the health and activity of institutions between regularly scheduled exams and is what we use to report on the vitality of the banking industry in our Quarterly Banking Profile. This capability is absolutely vital in helping us fulfill our Congressional mandate and our role in maintaining the stability of our economy.

Call Reports serve a variety of functions. As a banker, I was a provider of Call Report data, which allowed me to communicate the strength and stability of my institution on a quarterly basis to many constituents: my board of directors, my regulator, my investors, and the public. Now, as a regulator, I use Call Report data as a window into the workings of the industry. It lets me assess current and emerging risks at both the institutional level and industry-wide.

The biggest problem up until now has been that by the time Call Report data is collected, compiled, "scrubbed," corrected, and analyzed, the data is on average 60 days old. By today's marketplace standards, where decisions have to be made quickly, that's practically prehistoric. This is an issue not only for the FDIC, but for all the bank regulators who rely on Call Report data.

That's why the FDIC has been spearheading efforts to improve the way in which we collect and use Call Report data. In part, the lag in making the data publicly available is due to the fact that the largest banks have 45 days after the end of the quarter to file their reports. We'd like to see that deadline moved back to 30 days for all banks. Our goal, and the vision of the FFIEC, is to have more timely - and thus more - useful data to work with.

Today I'd like to announce a first big step toward realizing that goal. The Federal Financial Institutions Examination Council has awarded a \$39 million dollar contract to the Unisys Corporation to consolidate the collection, editing, and access of quarterly bank financial reports into a central data repository that will be accessible to regulators,

financial institutions, and the public. This will replace the current process for which the banking agencies together would expect to spend about \$65 million over the next 10 years.

Over the next 18 months, the Unisys development team will be developing an initial system and pilot projects that incorporate Internet delivery using promising new innovations like the XBRL business reporting language that was discussed in the last panel.

During this time period the FDIC, the Federal Reserve Board, and the Office of the Comptroller of the Currency will work with the industry to define data standards, streamline the collection and validation of the data, and prepare for the rollout of the new central data repository. The first reports are expected to be filed under the new system effective with the September 2004 Call Report.

I am very excited about this project. We are aiming for the best - the best information, the best processes, the best services. And, we are doing it in a climate of inclusiveness, demonstrating how partnerships among regulators, financial institutions and software vendors can shape solutions to real business needs today - and tomorrow.

Now I'd like to talk briefly about other ways in which the FDIC is striving for excellence in government.

A famous Texan, Audie Murphy, once said that in life, quality is what counts, not quantity.

That's true not just for life but for government as well.

When I arrived at the FDIC, I found top-notch quality. The men and women at the FDIC are some of the smartest and most dedicated people I have run across. But as the banking industry has changed, in many ways the structure at the corporation lagged behind. I knew we needed to be leaner, better positioned, and more nimble if we were to serve as we were meant to in the coming years.

So we accepted the challenge of the President's Management Agenda and began to simplify, reform, and provide incentives in an effort to build a highly functioning model of government service.

The President's Management Agenda asked government to focus on four key areas:

One, to make government citizen-centered.

Two, to develop managerial flexibility to acquire and develop leadership.

Three, to integrate performance review with budget divisions.

And four, to advance e-government.

I've already addressed the fourth key area.

Very briefly, here's what we have accomplished in the other three areas.

As an organization, we have streamlined by merging four divisions into two and by reducing the number of executive-level positions by 20 percent. We also addressed supervisory skill imbalances by offering a targeted buyout program, which largely eliminated surpluses and opened up opportunity for upward mobility. We realigned staff and delegated more authority in order to reduce the time it takes to make decisions, so that most decisions affecting customers will now be made by the offices they deal with most frequently

We developed new performance-oriented compensation programs for all staff that rewards achievement - a meritocracy. And we developed a Corporate University to cross-train employees and develop their leadership potential.

Finally, we've taken a hard look at our cost outlays and have implemented major initiatives to make sure that our capital and corporate investments are cost effective.

I'm proud of what we have accomplished in a relatively short time. But as President Bush said, "good beginnings are not the measure of success. What matters in the end is completion. Performance. Results."

We at the FDIC are committed to staying the course and achieving our goals. I feel privileged to be leading the FDIC in these efforts and to be joining you in the pursuit of excellence in government.

Thank you.

SUMMARY OF FDIC ACHIEVEMENTS IN MEETING THE PRESIDENT'S MANAGEMENT AGENDA

Last year, President Bush asked all government agencies to simplify, reform, and provide incentives in an effort to build a highly functioning model of government service. The Management Agenda wanted these efforts to focus on four key areas: First, to make government citizen-centered; second, to develop managerial flexibility to acquire and develop leadership; third, to integrate performance review with budget divisions; and fourth, to advance e-government.

Here's more detail on what we have achieved so far:

We have developed web-based technology to improve our examination processes, reduce paperwork and regulatory burden for banks, and market the assets and liabilities of failing institutions.

We took the lead among the financial regulatory agencies in the initiative to improve the way we collect and use financial data from banks.

We have reduced organizational layers and reduced the number of managers by streamlining the organization along major business lines by merging four divisions into two and by reducing the number of executive-level positions by 20 percent.

We have reduced the time it takes to make decisions by realigning staff and delegating more authority to front-line staff. Most decisions affecting customers will now be made by offices that have the first and most frequent interaction with those customers.

We reduced the number of second- and third-level reviews of examination reports in the Regional offices.

We delegated more decision-making authority to resolutions and receiverships staff and to lower levels in the personnel and administrative areas.

We also centralized the management of the consumer affairs function to improve the quality and consistency of our responses to consumer complaints and inquiries through the formation of a national consumer response center.

We have increased span of control for field supervisors by updating field territory boundaries to better reflect bank asset concentrations which reduced the number of needed supervisors by 40 percent.

We have addressed supervisory skill imbalances in the streamlined organization using a variety of tools:

We offered a targeted buyout program (coupled with early retirement authority) to about 3,000 employees in areas affected by the reorganization.

Almost 700 employees left the agency under the buyout-largely eliminating surpluses and opening up opportunity for upward mobility.

While the buyout was in effect, we selected 43 executive and 82 field supervisory positions through a competitive selection process.

We developed new performance-oriented compensation programs to create a culture that rewards achievement-a meritocracy.

We instituted a "pay at risk" program for all executives that tied 2003 pay increases and bonuses to collective and individual accomplishments.

We negotiated a new pay and benefits agreement with the employee union (NTEU) that established a Corporate Success Award to provide a special annual raise in basic pay for top contributors. In 2004 and 2005, all employees will receive a regular annual pay raise; but only those recognized as top contributors will receive an additional 3 percent - with at least one-third of employees receiving the additional pay raise.

We developed a Corporate University as a tool to cross train employees and build leaders for the organization.

We implemented major initiatives for more closely integrating cost outlays with performance and results. We established a Capital Investment Review process and invested in a New Financial Environment to ensure that our capital and corporate investments are cost effective, and advance FDIC objectives.

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