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[Current Banking Issues]

REMARKS BY

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FEDERAL DEPOSIT INSURANCE
CORPORATION

I am pleased and honored for this opportunity to have a short talk with you today. Though I have been in this business for only about 48 hours, I feel comfortable with old friends like Don Ogilvie, with whom I worked in the Ford Administration and any number of practitioners of the art who have held my note at one time or another. As a former regional Federal Reserve Board member, I see many old friends from Grand Rapids, Michigan. Also, Jim Simmons, my former chairman, and C. C. Hope, my new old friend, are here, and my mentor and Board Member, Irv Sprague.

However, since I have had a relatively short time to become familiar in depth with the FDIC, I hope you will not expect any major statement of policy from me at this early date. Instead, I would like to give you some first impressions for your reaction.

These will be in three areas which I hope will be of interest to those in the world of finance: (1) the FDIC operations; (2) key issues for the banking system and the FDIC; and (3) the FDIC relationship to the banking industry.

Remember, these are first impressions and somewhere in the last 40 years I have learned that I may not always be right the first time.

FDIC Operations

It is my firm conviction that my predecessor Bill Isaac and his deputy Meg Egginton, the Management Group, and others have done an outstanding job in very troubled times. I believe the industry has been fortunate to have an insurer/regulator of this caliber during these difficult times. I

applaud their performance and the thousands of other dedicated employees. I will try to live up to Bill Isaac's level of competence, but what I lack in experience I will attempt to compensate with humility.

A fine job done is not to say that there are not operational problems to be solved and opportunities for improvement to be grasped. There are delays that need to be eliminated and uniformity that needs to be enhanced. There may be opportunities to use private sector help to improve performances in auditing, disposition of assets and computer operations.

We will, I am sure, welcome all suggestions you may have.

Key Issues for the Financial System

It is near Halloween and the financial system does not have to spend a lot of time seeking out ghosts and hobgoblins, these are easily discernible to all.

The problems to the U.S. system and the world financial structure are real. Because the FDIC is the insurer of the U.S. system, these problems are an obvious concern. The five most troublesome problems in my view (but in no particular order) are:

- (1) international debt
- (2) agricultural loans
- (3) the status of the thrift system
- (4) energy credit
- (5) an emerging real estate problem.

The FDIC has a duty to be a participant in suggesting action to meet these and other interrelated problem areas. We shall try to be a constructive voice, and one particularly close to the banking industry in the effort to assure a sound financial system.

On a less global basis, the FDIC must seek ways to assure that its own operation is soundly based and operates fairly among all its constituents.

This means that the perceived difference between the treatment of depositors of large and small banks when a bank fails must be addressed. This perception becomes more important, and less acceptable, as the industry moves toward regional and interstate banking.

It also means the effort to achieve better market discipline through some form of increased capital, risk-based premiums, or risk-based capital requirements should be finalized with agreement among the regulators and the banks.

The coordination of the various banking regulators, whether under the Bush report suggestions, or some alternative, would be of meaningful help to U.S. banks. Uncertainty in these areas does not help the system.

There are other substantive areas which the FDIC has currently under study from mergers to brokered deposits. There will be no shortage of position papers or proposals on which you will be asked to comment.

The FDIC and the Banking Industry

It impresses me that of the many governmental agencies that have a safety and soundness responsibility with respect to the banking system, the insurer should be the most likely representative of the industry interests.

The Treasury, and thus the Comptroller, must look first to its primary duty as the fiscal officer of the U.S. Those obligations may at times require a different view than that of any one industry. The

Federal Reserve's primary concern is U.S. and world monetary policy, and this great responsibility may require positions that are different from those held by financial institutions.

Don't get me wrong. These institutions have a vital interest in the health of the banking system, but they have a few other "little matters" to keep in mind and the responsibility to do so.

The FDIC's primary concern, as insurer and regulator, is the health of the banking industry, and its operation in a sound manner. We should surely be your strong voice in governmental affairs on most issues, and most surely you will need one.

The recent tax proposals affecting the treatment of reserves seems to me to be a good example of a place for the FDIC to stand with the industry for the good of the system.

Well, that is the way it looks to me on first impression. Perhaps experience with unhappy constituents or regulatees will make a change -- I hope not.

Finally, permit me to congratulate you, as bankers, on the way you have weathered some difficult times, including deplorable national economic policies, and exogenous events of unprecedented magnitude. In fact, you have more than survived, by and large, you have prospered. It is a tribute to your talents and also to the ability of a free and competitive system to work wonders under the most difficult circumstances. Let us all protect it.

It has been enjoyable to be with you. I hope you'll see fit to invite me back.

Thank you.

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