

**WELCOMING REMARKS**  
**By Robert P. Forrester**  
**President and Chief Executive Officer**  
**Federal Reserve Bank of Atlanta**  
**International Conference on Deposit Insurance**  
**Institute for East-West Studies**  
**December 14, 1995**

Good evening! I am extremely pleased to welcome you to Atlanta for what I think will be an important exchange of ideas and presentations on the topic of deposit insurance in the emerging market economies of central and eastern Europe.

When the Institute for East-West Studies asked us at the Federal Reserve Bank of Atlanta to become involved in the conference, we readily offered our facility and our support for this substantive conference.

Many countries use deposit insurance plans to alleviate the strain of individual bank failures, but the costs to governments can be extremely high. In many of your nations--Bulgaria, Croatia, Estonia, Poland, Romania, and Slovakia to name just a few--your newborn governments and economies are grappling with the best course for handling bank failures. You can take heart to know that even the United States, the European Union, and East Asia still struggle with some of these questions. Nonetheless, we think we have some lessons to offer while at the same time we can learn from the insights of your debate. Indeed, we in the United States know all too well about the costs of deposit insurance after American taxpayers were forced to pay for numerous thrift industry failures. By sharing experiences and comparing those with the latest scholarly research, we hope the same mistakes can be

avoided.

In the next two days, we intend to analyze different policy options and debate the difficult questions: What sort of deposit insurance system is needed to protect the financial system? How should public liability for the safety net be limited? Can this limit be enforced simply by ex ante promises? What regulatory measures are necessary to prevent problems from arising in the first place?

There are more immediate issues as well, pertaining to the profound changes in banks--from being subsidiaries of the government to becoming true financial intermediaries that critically gauge credit risks and returns and put savings to their most productive use. As banks undergo this change, the legacy of problem loans on many of their books makes the issue of setting credible limits on future government bailouts of problem banks even more difficult.

In the long run, there is also the matter of avoiding new problems in portfolios and demands for public bailout. I hope that these kinds of underlying issues will enter into our deliberations as well.

The format for the next two days is intended to be candid, informal and productive, and we hope to have enlightening and interesting discussions.

Thank you all for coming to what I think is going to be an exceptional exercise in policy discussion.

Now let me turn to our speaker.

Andrew C. Hove Jr. is the first vice chairman of the Federal Deposit Insurance Corporation and is currently serving his second term on the board as vice chairman. He also served as acting chairman of the FDIC from August 1992 to October 1994.

Mr. Hove comes to us with a wealth of international experience, having recently returned from a series of meetings with the deputy president of the National Deposit Insurance Fund of Hungary to discuss lending technical assistance. It is also worth noting that Mr. Hove's office manages the FDIC's international relations.

Mr. Hove is the former chairman and chief executive officer of the Minden Exchange Bank & Trust Co. in Minden, Nebraska, where he worked for 30 years.

He has served as president of the Nebraska Bankers Association, and at the American Bankers Association he was a delegate to the leadership conference, a banking adviser and vice president representing Nebraska.

Other banking organizations in which Mr. Hove has been active include the Nebraska Electronic Transfer System, where he was president from 1982 to 1983, and the Kansas/Nebraska Schools of Banking, where he also served as president from 1988 to 1989.

Although a highly successful banker, Andrew Hove has made the time to serve his communities in various ways--in the local Chamber of Commerce, at the University of Nebraska, and as treasurer and mayor of his city.

Mr. Hove earned a bachelor's degree at the University of Nebraska at Lincoln and is a graduate of the University of Wisconsin-Madison Graduate School of Banking. He received a Distinguished Service Award from the University of Nebraska at Lincoln in 1984.

Please help me in welcoming Skip Hove.