

- **Good Morning and Welcome**
- **Importance of continuous learning:** A casual look at the conference agenda makes 2 things clear. First that even in the best of economic times we don't need to look far to find areas of risk in the banking system that deserve our close study and attention. Second, either you are all tired of hearing about, or Mike Malone is tired of talking about, Y2K!
- **Seriously, the ever accelerating pace of change in the industry, particularly in our larger companies, has made it even more difficult for banking supervisors to develop and maintain the expertise necessary to critically evaluate how well banks are managing both traditional and emerging businesses. Investments in learning, like the time you are spending meeting this week, are crucial to ensuring that the Federal Reserve System remains well-positioned to carry out the responsibilities entrusted to us by the public.**
- **Future of the Fed in supervision:** The industry's rapid evolution has created extreme pressure to update our country's banking laws and this has created a fair amount of uncertainty affecting regulators. There is a policy debate raging, both in the press and in Congress, regarding what corporate structures should be used to facilitate the future integration of the

financial services industry. I'm sure you are all familiar with the Chairman's consistently and convincingly articulated view that the bank holding company structure is the optimal way of balancing the legitimate expansionary interests of the industry with the need to ensure the efficient functioning of competitive markets. Regardless of how the political debate is resolved, it is important to recognize that no one is even suggesting that the Fed should not be involved in supervision. There remains a strong consensus that the Federal Reserve, by virtue of our role as the Central Bank, needs to be intimately involved in the supervision of the largest companies. While none of us can rest long on our laurels, we should feel good about the prospects for our being long-term participants in the supervision of the country's banking industry.

- **Challenges:** We will continue to face many challenges as banking supervisors and we have to make sure that we are preparing ourselves appropriately. We've already touched on the importance of continuous development of technical expertise through training like this and by other means such as out-of district assignments. We need also to think creatively about ways to share our expertise so the System as a whole benefits from the strengths of individual Reserve Banks. We need to be active in the ongoing debate about how to best supervise the largest and most complex banking organizations.

In any period of uncertainty or change, tremendous opportunities for individual contributions are created. Having watched your collective work over the years, I'm sure many of you will be making the most of those opportunities.

- Appreciation of examiners' efforts, reference to annual evaluation?
- Have a good conference.