CSBS

Letter to Senate on FDIC Board Seat Nominations

Statements & Comments

The Honorable Sherrod Brown
Chairman
Banking, Housing, and Urban Affairs Committee
United States Senate
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member
Banking, Housing, and Urban Affairs Committee
United States Senate
Washington, DC 20510

Dear Chairman Brown and Ranking Member Toomey:

On behalf of the Conference of State Bank Supervisors (CSBS)1, I write to express my disappointment with the slate of nominees to the Federal Deposit Insurance Corporation (FDIC) Board of Directors currently before the Senate. Despite the requirement in federal statute that at least one member of the FDIC Board have state bank supervisory experience and despite the value this experience brings to the FDIC and our banking system, none of the nominees to these positions meet this standard.

Congress intentionally designed the FDIC Board to ensure a diverse group of bank supervisory experts would set regulatory and supervisory standards for financial institutions with access to the Deposit Insurance Fund. This is achieved by convening representatives from across the financial regulatory spectrum, including the Comptroller of the Currency, Director of the Consumer Financial Protection Bureau, and three independent Board members, one of whom must have “State bank supervisory experience.”[2]

Federal statute rightly acknowledges that effective bank regulation cannot take place without collaboration with state banking regulators, who charter and oversee 79% of all banks in the country. Moreover, with the Comptroller of the Currency seated on the FDIC

Board representing the national banking system, Congress wanted to ensure a state bank commissioner served on the Board to provide the state banking system’s perspective. If federal regulatory experience alone were sufficient, Congress would not have deemed it necessary to change the law. By amending the FDI Act in 1996, Congress established the requirement that one of the FDIC Board members shall have "state bank supervisory experience." This can only be met by a person who has worked in state government as a supervisor of state-chartered banks, and as the legislative history notes, someone with "state bank regulatory expertise and sensitivity to the issues confronting the dual banking system."

The U.S. dual banking system is the most diverse and dynamic in the world, allowing for state and federal bank chartering, oversight and regulation. State regulators spend countless hours visiting banks across their states, from institutions in bustling cities to those in small towns. They charter banks that serve historically underserved populations and ones with unique needs such as farmers and local entrepreneurs. These institutions are the building blocks of their local economies, and state regulators are on the ground every day ensuring these banks are providing safe and effective products to their customers.

Simply, state bank regulators have the invaluable perspective of sitting closer to the citizens and the banks meeting the needs of local economies in their states. At a time when our nation is experiencing economic uncertainty and accelerated change, state and federal partnership is critical to ensure a well- functioning banking system for every American. This diversity of input is essential in oversight of the banking industry.

The current vacancies on the Board provide Congress with the opportunity to not only meet its legal obligation but also to ensure diversity of representation from both state and federal supervisors of our dual banking system. The nominees before the Senate may otherwise be qualified for the positions to which they have been nominated. However, they do not possess the perspective that only an individual with state bank supervisory experience can bring to meet this fundamental statutory obligation. We ask that the Senate only confirm a slate of nominees that includes at least one individual who meets this requirement. We look forward to working with Congress to fill this important role.

Sincerely,

James M. Cooper
President and CEO

CC: Members of the Senate Banking Committee

Footnotes

[1] The Conference of State Bank Supervisors (CSBS) is the national organization of bank regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico and U.S. Virgin Islands. State regulators supervise 79% of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance and debt industries.

[2] 12 USC 1812 (a)(1)(C)

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