

Bair Led by Listening



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By John Ducrest

Next week, Sheila Bair will step down as chairman of the Federal Deposit Insurance Corporation. She was a tireless player in the government's efforts to stabilize the banking industry, ensuring stability measures were made available to institutions of all sizes. In her final year in office, she has worked to ensure meaningful implementation of the provisions of the Dodd-Frank Act to provide a more stable and prosperous financial system, with a constant eye on the impact the regulation will have on the future of community banking.

In my years as a state bank regulator and in my current tenure as Conference of State Bank Supervisors chairman, I have had the opportunity to work closely with Chairman Bair on a variety of supervisory issues. In fact, one of her first trips as chairman was to New Orleans to witness firsthand the devastation caused by hurricane Katrina and to understand the issues and challenges facing the institutions impacted by the storm. I have come to know her as a trusted colleague and as a pragmatic regulator who is passionate not only about protecting consumers, but also about ensuring the ongoing success of the community banking system.

Perhaps more than any other federal regulator in this time of uncertainty and crisis, she has pursued initiatives to end "too big to fail" and ensure the long-term health of our entire financial system, and has demonstrated a willingness to listen to the voices of those who reside in areas outside of the confines of Washington, D.C.

Under Chairman Bair's leadership, the FDIC implemented the Temporary Liquidity Guarantee Program, which in my estimation, did more than any other government program to stabilize the banking industry and enhance public confidence.

As the economic environment became challenging and banks began to fail, the FDIC's loss-sharing provisions did much to ensure community banks were able to purchase failed banks. This allowed the community banking system to heal itself as the system was designed.

Chairman Bair has vigorously embraced mandates put forth by the Dodd-Frank Act that will hopefully end the "too big to fail" problem by providing the FDIC with tools to conduct an

orderly resolution of an institution, regardless of its size or complexity. By requiring the largest institutions to have a resolution plan, or a "living will," and by providing a mechanism for the appointment of the FDIC as receiver of a failing institution, it is my hope that no taxpayers will ever again be called upon to bail out a financial institution in times of crisis.

Her dedicated implementation of Dodd-Frank gives me confidence that the FDIC will be prepared to perform an orderly resolution if necessary. The FDIC's insightful and thoughtful report on how such a resolution of Lehman Brothers would have occurred is certainly encouraging and worth a read.

During her tenure, she has also remained committed to receiving input from interested parties or shareholders from outside of the Beltway. By forming the Advisory Committee on Systemic Resolution and the Advisory Committee on Community Banking, Chairman Bair has created a forum for the FDIC to receive insight and information from a variety of sources. Further, the FDIC has hosted an array of roundtables and symposiums on supervisory issues that impact the financial system and its supervision. Topics covered in these roundtables and forums include deposit insurance assessments, brokered deposits, and the potential for a future bubble in agriculture.

Such commitment to receiving varied opinions on multiple issues perfectly illustrates her dedication to finding solutions to problems that work for the financial system as a whole, not just a narrow market segment with a powerful and well-funded lobby.

The relationship between state regulators and the FDIC is a special one. We are supervisory partners and work hand-in-hand on a daily basis. I commend her for her steadfast focus on the long-term health and success of the financial system as a whole. During her tenure, FDIC observed its 75th anniversary. Her strong and vigorous leadership has resulted in the FDIC being viewed as a leader during the crisis. Chairman Bair, congratulations on completing such a successful tenure as chairman, which has been characterized by your unwavering commitment and resolve, even in the face of unprecedented challenges.

John Ducrest is the commissioner of the Louisiana Office of Financial Institutions and chairman of the Conference of State Bank Supervisors.