FDIC Board Seat Letter to Senate Leadership

Statements & Comments

Dear Majority Leader Schumer and Republican Leader McConnell:

On behalf of the Conference of State Bank Supervisors (CSBS)[1], I am writing to stress the importance of confirming a member of the Federal Deposit Insurance Corporation (FDIC) Board of Directors with state bank supervisory experience, in accordance with the federal statute. We ask that Congress uphold its commitment to the dual banking system, and we stand ready to provide expertise or assistance to any extent it could benefit the Senate's proceedings.

State Bank Regulators, the FDIC Board, and Congress

In 1996, with overwhelming support, Congress amended the Federal Deposit Insurance Act to require that one of the positions on the FDIC Board be held by someone with "State bank supervisory experience."[2] Further, the letter and the spirit of the law, as well as its legislative history, all indicate that this requirement is only met by a person who has worked in state government as a supervisor of state-chartered banks.[3] As Congress noted, "state bank regulatory expertise and sensitivity to the issues confronting the dual banking system."[4]

Because the Comptroller of the Currency's seat on the Board represents the national banking system, Congress wanted to ensure a state bank commissioner would also serve on the FDIC Board to provide the state banking system's perspective.

However, no one has met the state bank regulatory expertise requirement on the FDIC board since former Massachusetts State Bank Commissioner Thomas Curry finished his term in 2012. That means the FDIC Board has not had anyone with state regulatory experience, and thus failed to comply with the statutes established by Congress, for nine years. This is despite the support of past FDIC Chair Ricki Tigert Helfer for "assuring State banking regulatory experience on the Board"[5] in addition to the legal mandate provided by Congress.

Importance of State-Chartered Community Banks and State-Federal Coordination

The United States has the most diverse and dynamic banking system in the world. This robust banking market, spanning from local community banks to the largest global banks, is made possible by our dual banking system – a system that allows for both state and federal bank chartering, oversight, and regulation. During the pandemic, we saw first-hand the benefits of our diverse system. While both large and small banks provided Paycheck Protection Program loans to small businesses, loan data showed the outsized role of state-chartered community banks. More than 50 percent of the 66+ million jobs saved by the PPP can be attributed to community bank loans.

Technology is another driver of our diverse system. As regulators of both banks and fintechs, state regulators have unique insight into emerging technologies and their impact on the financial services ecosystem. The FDIC Board would benefit tremendously from state regulators' practical, real-life experience with innovation. 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.

The current vacancies on the FDIC Board provide Congress and the Administration with the opportunity to fulfill this legal obligation. Furthermore, meeting the FDI Act's Board membership requirements will reinforce the notion that state-federal regulatory coordination and collaboration are essential to ensuring a healthy, vibrant, and stable banking system. We look forward to working with Congress and the Administration to fill this important position.

Sincerely,

John W. Ryan
President and CEO

cc: The Hon. Sherrod Brown, Chairman, Committee on Banking, Housing, and Urban Affairs
The Hon. Pat Toomey, Ranking Member, Committee on Banking, Housing, and Urban Affairs

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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 roughly three-quarters 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)

[3] https://www.csbs.org/newsroom/understanding-how-congress-included-state-bank-supervisors-fdic-board

[4] S. Rept. 104-185, Report of the Committee on Banking, Housing, and Urban Affairs to Accompany S. 650, The Economic Growth and Regulatory Paperwork Reduction Act, beginning at p. 13.

[5] Hearing on S. 650 Before the Subcommittee on Financial Institutions and Regulatory Relief of the Committee on Banking, Housing, and Urban Affairs, 1995 (Ricki Tigert Helfer, Chair, FDIC).
http://openlibrary.org/books/OL13492868M/The_Economic_Growth_and_Regulatory_Paperwork_
S._650.

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