[The FDIC Board Needs State Supervisory Experience]

COMMENT LETTER

The FDIC Board Needs State Supervisory Experience

August 10, 2018
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The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader McConnell and Minority Leader Schumer:

On behalf of the Conference of State Bank Supervisors (CSBS), I am writing to stress the importance of existing legal requirements for members of the Federal Deposit Insurance Corporation (FDIC) Board of Directors in light of its present composition and current and anticipated vacancies.

About CSBS

CSBS is the nationwide organization of banking regulators from all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. State bank regulators charter and supervise more than 4,400 banks, representing nearly 79 percent of the nation's banks. The mission of CSBS is to support the leadership role of state banking supervisors in

- advancing the state banking system;
- ensuring a safe and sound financial services marketplace;
- promoting economic growth and consumer protection; and
- fostering innovative state regulation of the financial services industry.

Most state banking departments also license and regulate a variety of non-bank financial services providers such as mortgage lenders, consumer lenders, and money transmitters. State regulators' broad but local mandate provides them with a unique, holistic view of credit markets, hands-on experience with new and innovative financial products and services, and a tangible perspective on how financial regulation impacts the daily lives of consumers.

State Bank Regulator Representation on the FDIC Board

The United States has the most diverse and dynamic banking system in the world, made up of a wide variety of institutions such as global financial services firms, mid-sized and regional institutions, and local community banks. This robust banking market is made possible by our dual banking system – a system that allows for both state and federal chartering of banks, state and federal financial services industry oversight, and a balance between state and federal roles in financial regulation. Our financial system benefits from the respective expertise of state and federal regulators working together, and Congress has sought to ensure this coordination and balance by requiring that various federal regulatory agencies include individuals with state bank regulatory experience. Moreover, as locally accountable regulators, state bank supervisors have a unique understanding of the critical role state-chartered community banks play in local economic development, small business lending and job creation, and the financial well-being of consumers.

With respect to the FDIC Board, the Federal Deposit Insurance Act requires that at least one of its three independent directors have "State bank supervisory experience."[1] 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, and as Congress noted, someone with "state bank regulatory expertise and sensitivity to the issues confronting the dual banking system."[2]

The most recent appointment purporting to meet this statutory requirement did not in fact do so. However, current and potential vacancies on the FDIC Board provide Congress and the Administration with the opportunity to fulfill this legal obligation. Furthermore, meeting the FDI Act's 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. Michael Crapo, Chairman, Committee on Banking, Housing, and Urban Affairs The Hon. Sherrod Brown, Ranking Member, Committee on Banking, Housing, and Urban Affairs

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[1] 12 U.S.C. § 1812(a)(1).
[2] 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.

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