Prepared, not delivered

Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

Subcommittee on Oversight and Investigations
Hearing on "Oversight of the Federal Deposit Insurance Corporation"

March 4, 2004

Thank you, Chairwoman Kelly, for convening the first in a series of oversight hearings that the Committee will hold in the coming year on the agencies within our jurisdiction. While this Committee has an enviable record of legislative accomplishment over the past three years – including the far-reaching corporate reforms of the Sarbanes-Oxley Act, the anti-terrorist financing provisions of the USA PATRIOT Act, and last year's reauthorization of the Fair Credit Reporting Act – an equally important part of our responsibilities as legislators is exercising rigorous oversight of Federal programs and regulations and the agencies that carry them out.

In that regard, I can think of no better agency to start with than the Federal Deposit Insurance Corporation, which, for the past 70 years, has played a critical role in ensuring the safety and soundness of the banking system and instilling confidence in that system among America's depositors and savers. I am particularly pleased to welcome back FDIC Chairman Don Powell, who has been a good friend to this Committee since assuming his responsibilities in 2001. We always appreciate his wise counsel on issues affecting the banking industry, as well as the cooperative spirit in which he and his staff have worked with the Committee on issues from deposit insurance reform to financial literacy to banking the unbanked.

As a Texas community banker for 30 years who saw his share of boom-and-bust cycles, Chairman Powell brings a "real world" perspective to his responsibilities at the FDIC that is all too often missing in our public policy debates here in Washington. This common-sense regulatory approach was most recently on display in the revisions that the FDIC and the other Federal banking agencies proposed to the regulations implementing the Community Reinvestment Act.

Among other reforms, this proposal would increase the asset size limit for banks to qualify for streamlined CRA examinations from its current level of $250 million to $500 million. I commend Chairman Powell and his fellow regulators for this long overdue update to CRA, which will help to ensure that the law serves its intended purpose of encouraging investments in banks' local services areas, while not choking America's small community banks in the kind of red tape that hampers their efforts to meet the credit needs of their customers. I urge the regulators to continue to study this issue, and to consider making a further upward adjustment to the CRA small bank exam threshold in their final regulation.

The last time Chairman Powell was before us, he presented the FDIC's views on the Basel II capital accord, which is currently being negotiated by U.S. regulators and their international counterparts and has been the subject of extensive oversight by this Committee. We have insisted – and we will continue to insist – that these complex new rules do nothing to upset the competitive balance of our domestic or global banking systems, and that U.S. regulators develop a unified approach to the accord's implementation. Chairman Powell has been at the forefront of the Basel II debate, recently weighing in on the need to "clean up" the definition of capital applied to U.S. banks to exclude certain hybrid instruments from Tier I capital.

The Committee will continue to work with the FDIC and the other banking agencies to make sure that Basel II is implemented in a manner that is entirely consistent with the safety and soundness and continued competitive strength of the U.S. banking system.

Finally, I want to once again thank Chairman Powell for all of his efforts on behalf of deposit insurance reform, which remains one of this Committee's highest legislative priorities. Having passed a strong package out of the House with well over 400 votes last April, we are hopeful that our Senate counterparts will act this year and allow us to get a bill to the President's desk that makes needed structural reforms to a system that has served America's consumers and economy well for some seven decades.

As Chairman Powell has repeatedly reminded us, the time to make these reforms – almost all of which enjoy broad bipartisan support – is now, while the banking industry is experiencing record profitability and the insurance funds are well capitalized, **not** when conditions have deteriorated and we find ourselves legislating in the midst of a crisis.

I yield back the balance of my time.

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