



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Comptroller Hawke Urges Senate to Reform FDIC Insurance Fund

WASHINGTON – Comptroller of the Currency John D. Hawke, Jr., in testimony today before the Senate Committee on Banking, Housing and Urban Affairs, said Congress should address a number of flaws in the deposit insurance system, including several introduced in the last two decades.

“Legislation adopted in response to the banking and thrift crises of the 1980s and early 1990s has had the effect of preventing the FDIC from taking what it had reason to believe were sensible and necessary actions,” Mr. Hawke said. “Due in large part to these statutory restrictions, the FDIC cannot price deposit insurance in a way that accurately reflects the risks posed by different depository institutions and that avoids the need for sharp increases in premiums if a fund experiences significant losses.”

The Comptroller told the Senate panel that:

- The FDIC should be given authority to implement a risk-based deposit insurance premium system for all banks;
- The fixed designated reserve ratio (DRR) should be replaced with a range to provide the FDIC more flexibility in administering the deposit insurance premium structure over the business cycle;
- While the FDIC should be authorized to pay rebates or grant credits if the insurance fund exceeds the upper range of its DRR, it would be “unconscionable” to do so without taking into account the subsidy the FDIC provides to state-chartered banks, which is funded in large part by deposit insurance premiums paid by national banks.
- The FDIC’s Bank Insurance Fund and Savings Association Insurance Fund should be merged; and
- The coverage limits on deposits should not be increased.

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