DAY 1

Managing the Crisis: The FDIC and RTC Experience April 29–30, 1998

Introduction

Kate McDermott
Symposium Hostess

It is my distinct pleasure to introduce to you John Bovenzi, Director of the FDIC's Division of Resolutions and Receiverships. In this position, John oversees the FDIC's closing and receivership management activities for insured banks and savings and loan associations, which includes making payments to insured depositors and disposing of the failed institutions' assets. John was appointed to his position in November 1992 by then-Acting Chairman Andrew Hove. Prior to that appointment, Mr. Bovenzi served as the Deputy to FDIC Chairman William Seidman and the late Chairman William Taylor, assisting them in the day-to-day operations of the FDIC and the Resolution Trust Corporation. John joined the FDIC in 1981 and so his career pretty much matches that of the banking crisis period. Hopefully, there is no correlation between the two. Ladies and gentlemen, John Bovenzi.

Welcoming Remarks

John Bovenzi, Director
Division of Resolutions and Receiverships, FDIC

Thank you, Kate, and good morning. It is my pleasure to welcome you to the FDIC's symposium "Managing the Crisis: The FDIC and RTC Experience." This is the second of three FDIC symposia to be held in 1998. The first symposium on deposit insurance reform issues was held in January. The third symposium, an international conference on deposit insurance issues, will be held in September. This symposium is a direct result of an initiative begun by former FDIC Chairman Ricki Helfer. She asked the FDIC staff to conduct a comprehensive review of the banking crisis of the 1980s and early 1990s. The first part of that review, as mentioned, culminated in a two-volume study that has been made available to you. That study dealt with the causes of the banking crisis and the supervisory and regulatory responses to that crisis. In January of last year, the FDIC held a symposium on those issues and the proceedings are in Volume 2 of the study being made available to you today. I think you will find it a useful and informative product.

The second part of the FDIC's review of the crisis of the 1980s and early 1990s focuses on how the FDIC and the RTC actually handled the banks and S&Ls that failed. A two-volume study titled "Managing the Crisis: The FDIC and RTC Experience" is in the final stages of editing. The study will provide a detailed review of the various strategies used by the FDIC and the RTC to resolve failures—how they protected insured depositors and how assets were disposed of. Hopefully, it will be a useful guide not only for those interested in studying the past, but also for those trying to better understand the present or prepare for the future.

Everyone here who would like a copy will receive one. In addition, the proceedings of this symposium will be sent to you as well.

A great many people spent a lot of time on the project. I don't have time to thank all of them individually, but they do all have my appreciation and I would like to take a minute to just mention a couple of people. First, Ricki Helfer for having the foresight to start the project; next, Craig Rice, for managing the project in its early stages; also, Martha Duncan-Hodge, Kate McDermott, Mike Spaid, Jim Gallagher, Shelby Heyn-Rigg, Mary Ledwin Bean, Steve Stockton, Hank Abbot, Ann Gay, Frank Willis, Henry Griffin and Barbara Taft, for their commitment to seeing the project through. I would especially like to thank Bill Ostermiller who managed the project through to completion without whom this study would not have been completed. Finally, I would like to thank Acting Chairman Skip Hove, who showed continued support throughout the life of the project. Skip is testifying before Congress this morning and will join us later in the day. He's on his third tour of duty as Acting Chairman of the FDIC, and while we anxiously await the confirmation of nominee Donna Tanoue, I think it is important to acknowledge the important role Skip Hove has played at the FDIC throughout the 1990s, first in helping to manage the crisis itself, and then in effectively dealing within the FDIC during the difficult transition period that followed.

As for today's symposium, it is easy to forget what happened just a few short years ago. Today, the U.S. economy is booming and the financial sector is stronger than ever. In 1997, only one bank failed. This symposium will remind us of what it was like. What steps were taken to handle not one, but nearly 3,000 banks and S&Ls that were closed or received financial assistance. How were nearly $1 trillion in failed bank and S&L assets managed? How were hundreds of billions of dollars in insured deposits protected? What steps were taken to maintain public confidence and financial stability during this difficult period? These are the subjects that are before us today and tomorrow morning.

At the time, for those of you actually managing the crisis, it may have seemed like a thankless task. Nobody likes problems, particularly big ones, particularly when they are going to cost a lot of money. There are people who are going to look for someone to blame and those involved in the clean-up were an easy target. They were an easy target because in an undertaking of that size, some things will go wrong, and some things did go wrong. Hindsight makes it easier to put things into perspective. History seems to be judging the clean-up effort as having been better than it was judged to be at the time, and it is important that we understand the past. Why? Because it can help us now and in the future. Perhaps there are useful lessons that can help other countries dealing with their financial sector problems. There may be lessons for the future as we look at our own rapidly evolving financial sector, a financial sector experiencing mega mergers, technological and product advances, and ongoing globalization. The better we understand the past, both what went right and what went wrong, the better we can prepare for the future.

Today's symposium should offer some provocative thoughts on the past, present and future. I would like to thank our panelists in advance for taking the time to share their thoughts with us. This morning, we will begin with a panel on the resolutions process. Jim Wigand, Deputy Director of the Division of Resolutions and Receiverships, is in charge of resolutions for the FDIC and will serve as moderator of that panel. The five members of the resolution panel each bring a different and interesting perspective to the topic. The resolutions panel will be followed by lunch. We are fortunate to have FDIC Director Joe Neely as our luncheon speaker. Joe Neely joined the FDIC as a member of the Board of Directors in January of 1996. During the 80s and early 90s, Joe's vantage point was as a banker who participated in the FDIC's resolution process as a bidder. I'm looking forward to hearing his remarks and I'm sure you'll find them interesting.

This afternoon, Sandra Thompson, Assistant Director responsible for asset sales, will moderate the panel on asset disposition. Each of the speakers on this panel was actively involved in some aspect of the asset disposition process. Wrapping up the first day, we're pleased to have John Heimann, Chairman of Global Financial Institutions for Merrill Lynch, as our featured speaker.

Tomorrow morning we continue with a look at related issues in other countries, and the final panel will reflect on what happened and look ahead.

As you can see, we have a distinguished group of commentators and participants for this symposium. I say commentators and participants because I hope all of you will participate over the next day and one-half. Many of you were actively involved in managing the crisis. In that regard, in addition to some of the names already mentioned, I will note the attendance of former director of OTS and member of the FDIC Board of Directors Jonathan Fiechter, and former acting CEO of the RTC, Jack Ryan. We're pleased that they will be in attendance with us. Also, in attendance is the person who probably knows more about managing the crisis than any other single individual, former FDIC and RTC Chairman, Bill Seidman. There are many other distinguished attendees here today, some currently or formerly from within the FDIC or the RTC, others were with other government agencies or with the private sector, advising, providing services, purchasing assets, or acquiring failed institutions. All of you deserve credit for your efforts in managing the crisis. All of you have a perspective and insights that can be shared. We look forward to hearing from each of you.

At this point, I would like to introduce the moderator for our first panel. Jim Wigand is the Deputy Director for Franchise and Asset Marketing in the FDIC's Division of Resolutions and Receiverships. In this role, Jim oversees the resolution of failing insured depository institutions and the sale of their assets. Jim worked at the RTC throughout its existence, holding senior positions primarily in the asset management and sales area. Jim is a graduate of the University of Maryland with an MBA from the University of Chicago's Graduate School of Business. Please join me in welcoming Jim Wigand.

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