

**Statement by FDIC Chairman Jelena McWilliams**

**on the**

**Notice of Proposed Rulemaking: Section 19 of the FDI Act**

**FDIC Board Meeting**

**November 19, 2019**

Section 19 of the Federal Deposit Insurance Act (FDI Act) prohibits, without the prior written consent of the Federal Deposit Insurance Corporation (FDIC), any person who has been convicted of certain types of crime from working at a bank. In 1998, the FDIC issued a Statement of Policy (SOP) providing guidance to the public regarding the application of Section 19. The SOP set forth a set of criteria for providing relief from Section 19 for individuals with convictions for certain low-risk crimes that constituted *de minimis* crimes, forgoing the need for an application for a waiver of Section 19.

The proposal before the Board today would (1) codify the SOP on Section 19 in the FDIC's regulations and (2) seek public comment on all aspects of the Section 19 SOP. Specifically, the proposal seeks comment on whether and how the FDIC should expand the criteria for what constitutes a *de minimis* offense.

The application of Section 19 should not be a barrier to entry for individuals who have committed minor crimes in the past, paid their debt to society, reformed their conduct, and are now seeking to gain employment with a financial institution. Since joining the FDIC, I have heard a number of stories about individuals that committed minor criminal violations when they were young and have been barred from banking. Civil rights organizations, financial institutions, civic organizations, faith based organizations, and numerous individuals have come forward to discuss the need to reform Section 19. At the same time, the rulemaking will not undermine the intent of the statute – which is to ensure that individuals convicted of certain types of crimes related to dishonesty, breach of trust, or money laundering should not be employed in the banking industry.

This proposal also supports the ongoing initiative among the federal financial regulators to address the appropriate role of supervisory guidance compared to notice and comment rulemakings. Given the consequences surrounding Section 19 barring individuals from participating in the banking industry, it is sound public policy to codify this SOP through a formal rulemaking.

I support this proposal. I look forward to reviewing comments on this proposal and thank the staff for their hard work.

Thank you.