

Remarks by

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Introduction

Good afternoon.

Today, I'm going to talk to you about steps the FDIC is taking to strengthen the trust between the agency, other regulators, the public, and banks through transparency and accountability.

I have been in my role as chairman of the FDIC for just about four months now. My journey to the FDIC began as a child in the former Yugoslavia, under a system of government that was more opaque than transparent – and where those in power could not be challenged.

Today, I am blessed to live and work in an open, democratic system built upon the public's trust. We, as Americans, entrust in our government the power to lead. In return, we expect the government to be fair and open, and to work to advance the public good.

When we trust the system, we feel a part of it. It is *our* government. On the other hand, distrust breaks down relationships, whether it is between a business entity and its customers, manager and employee, or government and citizen. When taken to the extreme, it can lead to the breakdown of institutions.

Like any asset, trust must be earned and then preserved. In my view, the best way to maintain a trusting relationship is to be accessible, understandable, and responsive — to provide your stakeholders with the information and means to hold you accountable.

And it is these principles that form the foundation for a new initiative at the FDIC that we are calling "Trust through Transparency."

The Need to Focus on Trust

In recent years, there have been signs of declining trust in public institutions. Surveys by the Pew Research Center show public trust in government at near historic lows. Over the past decade, roughly 20 percent of Americans said they could trust the federal government to do what is right "always" or "most of the time."¹

Fixing the broken trust felt by the other 80 percent of Americans will not be easy, but, like any solution, it begins with recognizing that trust is a two-way street.

Abraham Lincoln is credited with saying: "The people, when rightly and fully trusted, will return the trust." And research on transparency and accountability at all levels of government bears this out. Among the positive outcomes of transparency and accountability are increased public participation,^{2,3} more stable economic growth, positive development, and less conflict.⁴ A study

¹ Pew Research Center. "Public Trust in Government: 1958–2017." Available at: <http://www.people-press.org/2017/12/14/public-trust-in-government-1958-2017>.

² Vanessa Williamson and Norman Eisen. (2016) *The Impact of Open Government: Assessing the Evidence*. Brookings Institution Center for Effective Public Management Working Paper. Available at: https://www.brookings.edu/wp-content/uploads/2016/12/gs_20161208_opengovernment_report.pdf.

of 41 member countries of the Organisation for Economic Co-operation and Development found that increased transparency in the budget process contributed to national fiscal balance.⁵

Trust and Transparency Lay at the Heart of the FDIC's Mission

With those benefits in mind, there is no better place to promote trust through transparency than the FDIC. Since 1933, the FDIC has protected depositors with the core mission of maintaining stability and public confidence in the nation's financial system—a duty that would be impossible to fulfill without trust.

- Trust in the FDIC as insurer has kept consumers from fleeing with their bank deposits at the first sign of trouble, including during the recent financial crisis. In our 85-year history, which includes more than 3,500 bank failures, depositors have never lost a penny of their insured money. And we have learned that when depositors understand how the FDIC operates, and how their deposits are protected, trust in deposit insurance grows.
- Trust in the FDIC as a supervisor means that banks are confident that our examination process is fair and free of outside influence. The trust between bank and examiner is unlikely to survive a process that is opaque, poorly communicated, and riddled with inconsistencies. On the other hand, open and responsive communication with supervised institutions helps them understand what is expected so they can decide how best to comply given their unique circumstances.

This is especially important in the case of smaller, community banks. If the chief compliance officer is also the CFO, the chief loan officer, and a bank teller in her spare time, she needs to be able to allocate her limited time effectively. Understanding clearly what the institution's supervisory obligations are makes this possible.

- As the receiver of failed banks, trust in the FDIC encourages participation in fair asset sales that return maximum value to the private sector as quickly as possible.

Beyond individual institutions, transparency is pivotal to maintaining trust in the safety and soundness of the entire banking system. It helps to bridge information gaps and allow analysts and investors to monitor the buildup of risk and limit it to acceptable levels through market discipline.

³ Maria Cucciniello, Gregory A. Porumbescu, Stephan Grimmelikhuijsen. (2016) 25 Years of Transparency Research: Evidence and Future Directions, *Public Administration Review*, vol. 4, no. 1.

⁴ Joseph Siegle. (2012) Building Democratic Accountability in Areas of Limited Statehood, presented at the International Studies Association Annual Meeting, "Power, Principles, and Participation in the Global Information Age," San Diego, CA, April 1-4, 2012. Available at: <https://africacenter.org/wp-content/uploads/2016/02/Building-Democratic-Accountability-in-Areas-of-Limited-Statehood-Siegle.pdf>.

⁵ Bernardino Benito, Francisco Bastida. (2009) Budget transparency, fiscal performance, and political turnout: An international approach, *Public Administration Review*, vol. 69, no. 3.

During times of economic or financial stress, transparency becomes even more important as the FDIC undertakes stronger and more visible actions to deal with problem banks and resolve failed banks. The stronger the actions, the greater the need to be transparent, not only with respect to *what* action is being undertaken, but *who* will benefit, *who* will pay for it, *how* will it affect banks and consumers, and *why* it is the best possible course. Communications that are absent, misunderstood, or nonresponsive, will only serve to heighten misperceptions that undermine trust and the recovery process.

One last point regarding the importance of transparency to the FDIC's mission: Because we are an independent agency, the FDIC is keenly aware of the need for transparency and accountability to the public, and that we must work even harder to promote the public's trust.

Trust through Transparency Initiative

Recognizing the vital role of trust in our ability to accomplish our mission, the FDIC currently strives to provide useful information, data, and resources to help banks, consumers, and the public understand what the FDIC does. For instance, we currently provide information on how we conduct examinations, process applications, calculate deposit insurance assessments, and resolve failed banks.

As chairman, I want to build upon this foundation by promoting consistency across business areas and fostering a deeper culture of openness. As a first important step in that process, today I am pleased to announce a new "Trust through Transparency" initiative that unites each business area across the FDIC behind the goals of being accessible, understandable, responsive, and accountable. Over the coming months you will see progress in a number of areas, a few of which I will share today.

First, we launched a new section of our public website where we will publish new FDIC performance metrics. Quantifiable measurements of performance, such as turnaround times for examinations and applications, including *de novo* applications, will be regularly published, providing transparency to the banking industry and the public on our performance. We will also provide metrics on our call center usage and timely response rates. The site also contains guidelines and decisions related to appeals of material supervisory determinations and deposit insurance assessments. By making these metrics available for comment and criticism by the public, we are holding ourselves publicly accountable to high standards.

In the same place on our website, you will be able to find policies and procedures for how we conduct our work, including extensive detail on how we process and evaluate applications, including *de novo* applications. You also can find information on how case managers and examiners implement the risk-focused supervision program. And we will add to this section over time.

The FDIC also will reevaluate the proper balance between protecting confidential information and providing public access. The agency has already begun a systematic review of the information it has deemed confidential, which includes reviewing our FOIA process and how we apply exemptions.

A related effort of mine is a nationwide listening tour, which I recently launched. I intend to meet with stakeholders, including many of the banks we regulate, their customers, and consumers in each of the 50 states. My goal is to reverse the long-standing trend of having those affected by our regulations come to Washington to be heard. It is long overdue that we come to them instead.

Conclusion

To promote real trust, we cannot simply make data available, publish performance measures, and consider the job complete. That is not transparency or accountability. Instead, we must strive to be accessible to financial institutions, consumers, and the general public; understandable to most audiences; and responsive to new ideas and demands.

We designed the “Trust through Transparency” initiative to do just that. The FDIC will provide more data and make it easier to find. We will provide information that anyone – not just technical experts – can understand. We will solicit and respond to public feedback. We will provide real, quantifiable performance measures and set goals to surpass them.

I believe this initiative will accomplish the goals of true transparency and accountability, and I am proud that “Trust through Transparency” is my first public initiative as chairman of the FDIC. My ultimate hope is that the “Trust through Transparency” initiative will strengthen the bond of trust between consumers, banks, and the FDIC, while best positioning the FDIC to fulfill its mission of maintaining stability and confidence in the nation’s financial system.

Thank you.