From: Thomas, Ken [mailto:khthomas@wharton.upenn.edu]
Sent: Friday, March 06, 2009 5:11 PM
To: Comments
Cc: Bair, Sheila C.
Subject: 2000 comments on Special Assessment, Ken Thomas (Wharton)

My comments TODAY on deposit insurance reform are essentially the same as they were in 1995 and 2000 when I testified before the FDIC and Congress on this issue (see below for FDIC 2000 link). With all due respect, had the FDIC adopted my recommendations below instead of those of the industry, the Fund would not be on the verge of insolvency requiring a massive Treasury backstop. Thank you, Ken Thomas

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STATEMENT OF
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(KHThomas@wharton.upenn.edu<mailto:KHThomas@wharton.upenn.edu>)
before the
FDIC ROUNDTABLE
on
DEPOSIT INSURANCE REFORM
April 25, 2000
Washington, D.C.

EXECUTIVE SUMMARY OF RECOMMENDATIONS

The following are my deposit insurance reform recommendations for the three broad areas identified in the FDIC Roundtable agenda:

I. PRICING

1. Revision of the current risk–based assessment structure to better differentiate among risk profiles, with a provision for "special risk" assessments for de novo institutions, very rapidly growing ones, and other that pose special risks to the deposit insurance funds.
2. Explicit recognition of the "Too Big To Fail" (TBTF) policy in the form of a special assessment for TBTF banks.
3. Significantly expanded market discipline, beginning with the public disclosure of some essential safety and soundness information on banks and thrifts such as CAMELS ratings and a portion of the safety and soundness exam.
4. Significantly improved bank regulatory and supervisory discipline so there are better risk management procedures, earlier identification of problem banks, and a reduction in the cost of failed ones.

5. Merging of the OTS into the OCC as the first step towards a more effective and efficient federal financial institution regulatory structure.

II. MAINTAINING THE FUNDS
1. Merging of the BIF and SAIF insurance funds ASAP.
2. Increasing the 1.25% statutory designated reserve ratio (DRR) to 1.50%.
3. NO cap on the size of the merged fund.
4. NO rebates should be paid.

III. COVERAGE
1. NO increase in the $100,000 deposit insurance limit.
2. Significantly improved disclosure of non–FDIC insured bank products.