

## Press Releases

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### OTS 10-011 - Bowman Urges New, Dedicated Regulator for Community Banks

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**Washington, D.C.** — John E. Bowman, Acting Director of the Office of Thrift Supervision (OTS), today called for a new federal agency to supervise the nation's thousands of community banks and thrifts.

"Whether a community bank holds a state charter, a national bank charter or a federal thrift charter, that institution should not be supervised by the same agency that oversees complex commercial banks," Bowman said in a speech at the 2010 National Convention of the Independent Community Bankers Association in Orlando, Fla.

"The one-size-fits-all regulator, by necessity, will pay the greatest attention to the complex commercial banks, because they pose the greatest potential risks to the financial system," he said. "As a result, the community banks and thrifts that – by far – make up the largest number of institutions will receive 'afterthought' supervision, rather than a regulatory approach tailored to their unique business model."

Bowman proposed that, instead of the current four federal banking regulators, there should be two, one for community-based banks and thrifts, and one for complex commercial banks. In addition, holding companies would be supervised on a consolidated basis by the primary federal functional regulator of the underlying financial institution.

Because the new agency would be dedicated to consumers and communities, it would also be the best location for a consumer protection division, led by a presidential appointee, with input from an interagency council of regulators, Bowman proposed.

The Federal Deposit Insurance Corporation should not conduct prudential bank supervision, because those duties can conflict with its mission as deposit insurer, he said. Nor should the Federal Reserve supervise community banks, because its chief focus is on monetary policy.

Most of the more than 8,000 insured depository institutions in America are community banks. Yet, none of the regulatory reform proposals on Capitol Hill would grant community-based institutions a dedicated regulator, Bowman pointed out.

"In the rush to fix what caused this financial crisis, we must ensure that changes to the financial regulatory system address real problems," he said. "Neither the bill that passed the

House, nor the proposal pending in the Senate, pass that test. For true regulatory reform, it is time to start over – with a clean slate – and get it right.”

The full text of Bowman’s speech is on the OTS website at <http://www.ots.treas.gov/?p=Speeches>.