

Opening Statement

Congressman Paul E. Gillmor (R-OH)

Subcommittee on Financial Institutions and Consumer Credit

July 12, 2006

Hearing entitled: "ILCs—A Review of Charter, Ownership, and Supervision Issues"

I'd like to thank Chairman Bachus for calling this important hearing today and for his interest in taking steps to address this complicated policy area. We could not be having this oversight hearing at a more critical time. Currently the FDIC has 14 pending ILC applications for deposit insurance, including applications from some of the largest commercial companies in America. All in the past year or so, such diverse commercial firms as Cargill, DaimlerChrysler, Wal-Mart, and Home-Depot have come to the conclusion that they should own and operate a bank.

The problem is that they want different and more lenient rules than other companies that own banks.

There are many important policy questions at work here, but it is my belief that Congress is at a crossroad in financial services regulation. Do we choose to eliminate the historic separation between banking and commerce which has allowed us to avoid the economic pitfalls of Japan and Germany? And if Congress chooses to make that decision, should we make it openly and explicitly rather than simply allowing a loophole in bank law to continue?

Logically you cannot support use of the ILC loophole without repealing the Bank Holding Company Act that applies to other banks. Hardly anyone would support that position due to the dangers it poses to our financial system.

My friend and colleague Barney Frank and I have worked on this issue for several years and know that there is no silver bullet or clean fix. But, we believe there is a sensible approach to begin to answer this question.

Earlier this week, Ranking Member Frank and I introduced a comprehensive ILC reform bill. H.R. 5746 would allow the FDIC to act as a consolidated regulator of ILC parent companies, give the FDIC examination tools similar to the Federal Reserve, limit the business activities of certain commercially-owned ILCs, and most importantly, establish a cut-off date for commercially-owned ILCs so that Congress can evaluate whether or not to explicitly permit the world's largest retailers to operate full-service national banks.

It is my hope that the future of this charter option will be closely examined by my colleagues on this Committee and I look forward to continuing my work with Chairman Oxley, Chairman Bachus, Ranking Member Frank and others to make prudent decisions at this fork in the road.