



## Key Takeaways From Former FDIC Chair McWilliams

regulatory cryptocurrencies de novo

**Summary:** Outgoing FDIC Madam Chairman Jelena McWilliams recently discussed several milestones from her time at the FDIC on a webcast with the Bipartisan Policy Center. A few of her reflections were related to redefining loan modifications during the pandemic and establishing FDITECH. Let's explore this progress and several other areas too.

Have you ever heard of a goldfish driving a vehicle? Dr. Ronen Segev, a neuroscientist, recently tweeted a video that went viral of a goldfish driving a "*water-tank-equipped robotic vehicle*." Dr. Segev has been studying fish cognition for 16Ys and wanted to prove that even goldfish brains are "*flexible enough to adapt to new situations*." While we don't expect you to try this experiment at home, it is interesting to contemplate, as our environment seems to be changing regularly these days.

One recent change in the regulatory environment is the departure of FDIC Madam Chairman Jelena McWilliams. On the eve of her departure, she offered a wide-ranging review of her time at the agency through a webcast by the Bipartisan Policy Center. Of course, the pandemic was a primary area of discussion. McWilliams noted that regulators came together during the pandemic to address the major challenges facing banks and their customers. For instance, loan modifications were redefined to allow flexibility for profitable businesses pre-COVID. The pandemic created an urgent need for technological advancements as well, so innovation was a key initiative for the FDIC. While many banks did their best to pivot to a focus on online banking, long-term solutions were needed. The [FDITECH](#) was created to come up with creative solutions to meet the ongoing technology needs of banks of all sizes.

In addition, here are **three key areas of achievement** from McWilliams' discussion that are likely of particular interest to community banks.

1. **De novo banks.** When McWilliams took over as chairman of the FDIC in 2018, de novo bank launches were nearly at a standstill. The FDIC had approved only 10 de novo bank applications from January 2011 until her arrival. But, that changed with McWilliams. From the time of her arrival in June 2018 to her departure, the FDIC approved 49 applications.

While there is no single reason for the increase, McWilliams noted that during her tenure, the agency streamlined the de novo application and approval process. The FDIC began offering pre-submission reviews, giving applicants early feedback to help them submit stronger applications and improve their management of the approval process. With many banks merging and being acquired, the increase in de novos has been welcome news for the industry at large. For more information on the increasing number of de novos, feel free to read our past article, [De Novos Are on the Rise Again](#).

2. **Fintech partnerships.** McWilliams stressed the importance of technological innovation in banking, but noted the difficulty smaller banks faced in trying to keep up. She felt [fintech partnerships](#) offered a way to quickly make tech gains, but finding and selecting the right ones could be a challenge. Not only that, but it can also be expensive and time-consuming.

To help community banks with the review and selection process, the FDIC began the development of fintech standards with the goal of creating a fintech certification. Community banks shopping for fintech partners could use this FDIC certificate to help screen potential partners. The process was not completed during her tenure, but she said she hoped the work would be carried on. McWilliams expects the flexibility and innovation during COVID that banks and regulators alike tapped into will continue.

3. **Cryptocurrency.** Cryptocurrencies and stablecoins also had McWilliams' attention. She noted that they could make payments more efficient and that *"regulatory agencies need to be more open and not throw the baby out with the bathwater."*

The FDIC was exploring whether stablecoin would meet the *"definition of deposits under the FDIC Act and if they would be eligible for deposit insurance."* Regulatory clarity is still needed, and she stressed that those regulations need to be tailored to bank size and cryptocurrency usage. From a regulatory standpoint, a stablecoin issued by a large bank should be treated differently than a stablecoin issued by a small community bank, she said. Also, regulations need to consider how a stablecoin fits into the overall financial institution. A bank with a tiny stake in cryptocurrency probably doesn't need the same sort of supervision as a financial institution whose main business is using cryptocurrency. In November 2021, [a joint statement on crypto by several regulatory agencies was issued with a roadmap for 2022.](#)

As McWilliams stated, *"The only constant is change and change necessitates agility."* That is where community banks have proven themselves and where they continue to differentiate themselves from their competitors. It will continue to serve you well.

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## ECONOMY & RATES

Rates As Of: 02/24/2022 12:48PM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.34	0.12	0.28
6M	0.74	0.25	0.55
1Y	1.06	0.28	0.68
2Y	1.53	0.36	0.80
5Y	1.84	0.24	0.58
10Y	1.95	0.18	0.45
30Y	2.27	0.17	0.37
FF Market	FF Disc	IORR	
0.08	0.25	0.15	
SOFR	Prime	ORER	
0.05	3.25	0.07	

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