

THE WHITE HOUSE
WASHINGTON

July 15, 1991

MEMORANDUM FOR C. BOYDEN GRAY

FROM: GENE C. SCHAERR *GCS*

SUBJECT: Call to Senator Garn Re Banking Bill

Attached are the talking points prepared by Treasury for your conversation today with Senator Garn. I have added a couple of thoughts of my own.

I have crossed out the one point I would not make to Garn, i.e., the criticism of the FHLBB. I am told by one of my Utah friends (who managed Garn's last campaign and remains close to the Senator) that Garn is still very close to Danny Wall. As you know, Wall was Garn's chief banking aide before becoming a regulator. Wall may be behind Garn's "independent agency" proposal: he may see it as an opportunity to get revenge on Treasury for its criticism of Wall and his former agency.

**OPPOSE SENATE PROPOSAL TO STRIP ADMINISTRATION OF ALL
AUTHORITY OVER BANKING REGULATION**

(Treasury talking points for call to Sen. Garn)

- o The Senate Committee Print would remove the OCC and the OTS from the Treasury Department, stripping the President of all authority over banking regulation. *The proposal would transfer the functions of OTS and OCC to a 5-member, independent*
- o These agencies are the only way the President and the Secretary of the Treasury have any input into the nation's banking policy. *Commission*

-- The OCC has been part of the Treasury for 128 years.

-- It directly regulates over sixty percent of the banking assets in this country.

- o Banking policy is too important to the nation's economy to cut out the President and the Executive Branch from policy input.
- o Unlike other industries that are regulated by independent agencies, banks create direct exposure for the taxpayer through federal deposit insurance.
- o No other major country in the world leaves its banking policy to entirely independent regulators.

~~o Critics argue that banking regulation is too important to be "political," that it's too susceptible to industry influence.~~

~~-- But the "independent" Federal Home Loan Bank Board was often criticized for being too close to the industry.~~

~~-- In fact, it was this perception that caused Congress to put thrift regulation under the Treasury just two years ago.~~

o People argue that OMB cut back on bank examiners during the 1980s -- but so did the FDIC, which is entirely independent.

-- Besides, Congress has already taken away Executive authority over personnel decisions and examiner pay.

o As a general matter, the President is opposed to any transfer of authority to "independent" agencies.

o He opposed a proposal similar to this one ~~when it was proposed~~ during negotiations over the House bill.