Witness: Joseph Smith, Jr., North Carolina Commissioner of Banks (on behalf of the Conference of State Bank Supervisors)
Hearing: Regulatory Perspectives on the Obama Administration's Financial Regulatory Reform Proposals – Part II
Date: July 24, 2009
Link: http://www.house.gov/apps/list/hearing/financialsvcs_dem/joseph_a_smith_jr.pdf

Dual Banking System
Smith agrees with the proposal to retain the dual banking system.

Consumer Financial Protection Agency (CFPA)
Smith agrees with the proposed CFPA's emphasis on state authority in consumer protection.

- However, he is concerned about separating consumer protection from safety and soundness regulation.
- Smith believes that the CFPA should receive input from state authorities when creating consumer protection standards.
- Smith is concerned that the institutions overseen by the CFPA will be hit with financial burdens to help fund the agency.

Financial Services Oversight Council
Smith agrees with the need for the Financial Services Oversight Council but believes that it should include representatives of state financial regulators.

Resolution Authority
Smith believes that a resolution authority for systemically significant institutions must allow firms that are unsafe and unsound to fail.

- Smith recommends that the FDIC be the receiver of institutions that fall into the resolution regime.

Systemic Risk Regulation
Smith believes that the Fed is the best institution to be a systemic risk regulator. Smith does not believe that any firm should be allowed to become "too big to fail."

- Smith believes that Tier 1 FHCs should meet the following requirements:
  - Minimum capital and leverage requirements.
  - Creation of a liquidity risk management plan that is approved annually.
  - Higher prompt corrective action standards than for non-systemic firms.
  - Creation of a liquidation plan that is approved annually.
  - Payment of fees into a fund for resolving Tier 1 FHCs.

Retained Economic Interest
Smith is not convinced that requiring loan originators to retain a percentage of their credit risk will reduce risks.

- An alternative would be to limit the originator's initial earnings potential by spreading income over the time of the loan.