

STATEMENT OF THE HONORABLE WM. LACY CLAY
Before
The Subcommittee on Financial Institutions
“ILCs – A Review of Charter, Ownership, and Supervision Issues”
July 12, 2006

Good morning Chairman Bachus, Ranking Member Kanjorski, Members of the Committee, and Witnesses.

Mr. Chairman, I thank you for holding this hearing. This hearing is necessary in that we have no consistent policy in dealing with ILCs. I have concerns when we have financial institutions that have FDIC insurance, but do not have to submit to oversight by the Federal Reserve. While I find the acquisition and possession of ILCs by financial service firms acceptable, I have reservations about commercial entities owning ILCs. Financial institutions should own financial institutions. Banking and commerce should be left as Gramm, Leach, Bliley originally intended – separate.

We need to be consistent in awarding ILC charters. I, at this time, am not advocating support or nonsupport for either of the companies that I am mentioning. However, I find it disconcerting that Target can be awarded an ILC and Wal Mart cannot. I have read the reasons for this seemingly ambiguous decision and am still not convinced that there is any consistency involved.

We, as a Congressional body, cannot allow loopholes in this legislation. If depository establishment are to exist, they must exist and operate by unambiguously instituted terms. These depository establishments must exist wholly by our policy of keeping separate the arenas of commerce and banking.

I do support the Gilmor – Frank legislation. The bill states specific dates retro-actively negating the legitimacy of ILCs chartered after June 1, 2006. I am in general agreement with the thrust of the bill.

Mr. Chairman, I look forward to hearing the testimony of the witnesses and their responses to the various questions that must and will be asked. I yield back the balance of my time and ask unanimous consent to submit my statement to the record.