

FDIC News

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Annual Bank Research Conference Celebrates its 20th Anniversary Virtually

By Haelim Anderson, Luke Watson, and Julieta Yung
Division of Insurance and Research

The 20th Annual Bank Research Conference, jointly sponsored by the FDIC's Center for Financial Research and the Journal of Financial Services Research, was held virtually from December 1-3, 2021 – for the first time in its 20-year history!

Chairman's Remarks and the 20-Year Retrospective:

Former Chairman McWilliams (who was Chairman at the time of the Conference) opened the Conference's second day by emphasizing that its original purpose was to discuss research informing the regulatory policy-making process. The Conference was designed to facilitate discussions on both fundamental and emerging risks in the banking industry, starting with traditional topics such as bank capital and liquidity, but also adapting to showcase a variety of new topics each year.

During a retrospective on "Twenty Years of the FDIC/JFSR Bank Re-

search Conference," Troy Kravitz, FDIC Senior Financial Economist, discussed the evolution of the Conference from its humble origins to becoming the premier banking research conference it is today. He displayed how Conference topics have changed over time and highlighted that the Conference contributes to the policy-making process by discussing key aspects of regulatory and supervisory rules prior to and following rulemakings. It's clear the Conference has contributed to former Chairman Donald Powell's vision of "original, focused research leading to sound policy decisions."

"20 Years of Banking: Lessons Learned" and "20 Years of Banking: Going Forward" Panel Discussions:

The first discussion panel, "20 Years of Banking: Lessons Learned," focused on the changes that have characterized the industry following the Global Financial Crisis; in particular, the growth in shadow-banking due to financial

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innovations and regulatory arbitrage. The panelists discussed how regulation leading up to the COVID-19 pandemic helped strengthen the stability of the banking sector, in conjunction with rapid and large-scale interventions from policy makers. Yet, our panelists concluded that the shadow banking system currently lacks appropriate regulatory frameworks, arguing that continued resiliency is a fundamental charge that regulators and policy makers must address in light of an ever-changing landscape and unexpected crises ahead. Mark Flannery (University of Florida) moderated this engaging discussion, featuring Robert DeYoung (University of Kansas), Linda Goldberg (Federal Reserve Bank of New York), and Philip Strahan (Boston College) as panelists.

In contrast, the panel discussion on “20 Years of Banking: Going Forward” looked towards the future of financial intermediation. The panelists discussed competition between banks and non-banks (including FinTechs), the use of “digital footprints” by lenders as a new screening tool, the changing role of traditional banks, and how regulation of financial innovation will shape the future of financial intermediation. This panel was moderated by Christine ParLOUR (University of California, Berkeley), featuring Zhiguo He (University of Chicago), Gregor Matvos (Northwestern

University), and Manju Puri (Duke University) as panelists.

Paper Sessions:

The first paper session included three presentations analyzing fundamental trade-offs of liquidity generation and regulation in banking. The first paper showed the existence of a “doom loop” of bank bailouts and that bank holdings of sovereign debt affect optimal order of bailouts and pose a challenge to regulators. The second paper found that exiting the SEC Disclosure System increased deposit growth and illiquid asset growth for bank holding companies. The third paper, by FDIC Economist George Shoukry, used a difference in risk-based insurance pricing systems to test theories of moral hazard and the efficacy of deposit insurance on reducing bank risk taking.

The second paper session focused on the complexity of deposits and their role in the propagation of shocks. The first paper explored the role of bank balance sheets’ maturity structure when exposed to monetary policy shocks. The second paper investigated the impact of market discipline on the riskiness of loan portfolios. The third paper examined whether the geography of bank deposits increases financial fragility by accounting for aggregate fluctuations in the economy.

The third paper session had two papers on how FinTech lending affects both workers and firms in the real economy. The first paper showed that occupations

most disrupted by FinTechs saw fewer job openings and greater spatial concentration, while firm sales and innovation remained constant albeit with fewer employees. The second paper found that the rise of non-bank lenders to over 60% of small business loans was matched by an almost one-for-one decrease in traditional bank lending, with no adverse effect on firms.

The fourth paper session featured two presentations related to financial contagion during COVID-19. The first paper used the COVID-19 pandemic to study adverse selection dynamics in the collateralized loan obligations market (securitized loans to below investment-grade firms), whereas the second paper explored the lending implications of banks’ unwillingness to use their capital buffers during the pandemic.

The fifth paper session’s three papers focused on effects of market competition and concentration on borrowing behavior. The first paper found that for sub-prime borrowers, greater competition leads to higher interest rates because lenders do not realize gains from costly screening. The second paper discussed how capital regulation pushes banks to unload deteriorating commercial loans to hedge and mutual funds and how concentration in the secondary market promotes greater incentive to aid borrowers. The third paper estimated new measures of bank markups and adverse selection, finding that greater bank competition exacerbates adverse selection of borrowers and markups over firms.

The sixth paper session’s three papers centered on systemic risk and bank regulation. The first paper discussed the welfare implications of competition in the banking industry. The second paper investigated the consequences of an imprecise risk-assessment of banks and its overall effect on welfare and bank behavior. The final paper explored whether existing systemic tail risk exposure measures have predictive power beyond traditional market measures.

The seventh session’s three papers analyzed the impact of regulations on bank behavior. The first paper showed that delayed loss accounting allows banks to

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RESEARCH
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December 2-3, 2021

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take on more risk than allowed by regulation. The second paper investigated whether regulatory ratio requirements that were imposed at group or business levels affected bank asset risk. The last paper showed that an aging population can affect financial stability because banks more exposed to aging areas tend to take more risk.

The final session included two papers focusing on climate change. The first paper explored whether banks incorporate firm-specific climate publicity into their lending contracts, and the second paper

posited that climate change-related disasters increase firm borrowing costs.

The Conference also featured an original PhD poster session of six prerecorded discussions. Posters ranged from the effect of deregulation on small business credit supply, the role that creditors play in disciplining corporate environmental behavior, the measurement of scale and scope economies in banking, the role of industry specialization in bank lending, the effect of bank concentration on monetary policy transmission, and the estimation of regulatory costs imposed by the Dodd-Frank Act.

Collectively, the three-day conference

consisted of 41 presenters discussing their research across eight paper sessions, a fast track session, and a PhD poster session. These items covered a wide range of topics in banking research, including regulatory impacts on bank behavior, climate change, systemic risk, new financing platforms, and the effect of the COVID-19 pandemic on banking. Conference organizers put the sessions together by selecting from more than 400 submitted papers.

The Conference schedule & agenda, along with links to papers and video presentations, can be found on FDIC.gov's 20th Annual Bank Research Conference page. 🏠

MOVING ON

Name: Annette M. Warren

Most recent position: Sr. Financial Resource Planning Specialist

Division: Legal Division

Location: Headquarters (VASQ)

When and where joined the FDIC: I joined the FDIC in August 1983. I worked in the Wang Center as a word processor operator. I was recruited for this position prior to my high school graduation. I worked in this position for two years before attending college. After graduating from college, I was fortunate to return to the agency's Legal Division where I have worked my entire career.

Other experience: During my 35 years with the FDIC, I've had the following roles in Legal: Clerk-Typist, Financial Planning Specialist, and Sr. Financial Resource Planning Specialist.

Career Highlights:

- *Sr. Financial Resource Planning Specialist:* As a Sr. Financial Planning Specialist, I had the pleasure of presenting Legal's budget each year to the General Counsel, Sr. Deputy General Counsel, and Deputy General Counsels. A role that was definitely outside my comfort zone; however, with the unconditional support of my Sr. Deputy and the management team, presenting became easier.
- *Mentoring Program:* I had the pleasure to participate in the program as a Mentee and Mentor.

I view mentoring as giving away what you know. As a Mentee, someone gave wisdom or advice to me that I modified and made it my own. In return, I became a Mentor to pass along this wisdom and advice.

- *Crisis:* I worked through two significant national crises, which was something few people get to experience in a career. It was demanding but satisfying, both in the impact of the work and the positive results that played out over the long term. I am grateful for having worked with some incredibly smart and dedicated FDIC employees.

Retirement Date: February 26, 2022

Plans for retirement: I will spend more time with my mother as her caregiver, who is in the late stages of dementia, volunteering and working at my church, taking some time for self-reflection and introspection, and to just "breathe." My husband retired last year and we are planning to enjoy so many exciting things like a three week trip to Greece (island hopping) and the Amalfi Coast, spending more time with our daughters, preparing for our oldest daughter's wedding, and the birth of our first granddaughter.

Comments and thoughts: The FDIC is a great place to work. To the folks who are just starting out or are in the early years of their career, only you can make



Annette M. Warren

your career what it is. Search out what you want to do, try something different, and most importantly, be happy with your decisions. What I know for sure is the opportunities, experiences, and the benefits are countless. I am blessed to have met so many wonderful, professional individuals that have inspired, encouraged, helped, and even nudged me along in my career journey, many of whom, I have developed personal friendships. I am excited about "moving on" and I am leaving with great memories of my FDIC family. As Dr. Seuss would say, "Oh, the Places You'll Go!" 🏠

IN MEMORIAM

Susie Witenberg

Former Risk Examiner, RMS

Susie Witenberg, who spent her entire 31-year FDIC career in the Los Angeles North field office (formerly Los Angeles East) as a Risk Examiner in the Division of Risk Management Supervision, passed away January 9, 2022.

Susie's FDIC colleagues in RMS had much to say about her life and work:

Robert McGibbon, Field Office Supervisor, RMS, writes that "Susie was really one of those examiners that everyone wanted on their exam. No one ever released her early from an exam and that is a testament to her awesome personality and her thorough examination skills. I loved how she would ask me the tough questions at field office meetings. I suspect from time to time on behalf of her quieter peers. She will be missed by me and by everyone in the office – truly missed."

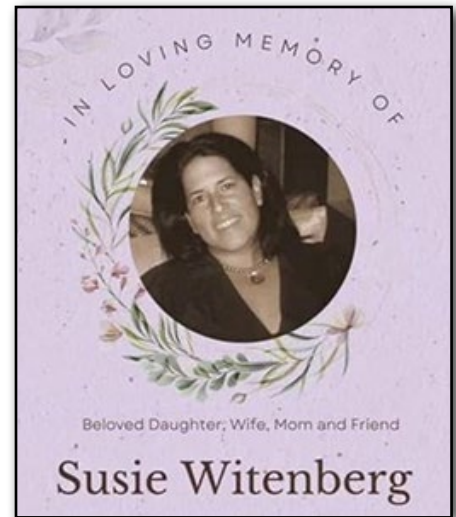
Debbie Lewin, Risk Examiner, RMS, writes, "Susie was an incredible examiner and more than that, a wonderful friend. She was a true bright light in this world and had the best smile! She was so kind and supportive and really cared. She was a true example to live life to the fullest. She'd say - take the trip, take the time, it's important. She is so right! I feel so blessed to have shared so many life milestones with her. She always said to me – we are going to walk out of here together for retirement! She will be with me in spirit on that day. I will miss her dearly. I already do."

Julie Hoyle, Senior Large Financial Institution Specialist, RMS, also writes, "words are inadequate to express the shock and sorrow we feel at Susie's passing. If I had to describe her in a few words, I would say Susie was Strong, Sassy, Smart, and Sympathetic. But the most important word is Special. I knew from the first time I met her in 1991, that she was a unique woman that I definitely wanted in my corner! Susie was the very rare kind of person who makes you stop and really THINK about life and what is important. She respected folks and

also insisted on being respected herself, and she was. Anyone who knew Susie, knew she wasn't going to put up with any nonsense! Susie was also an excellent traveling partner and I have so many laugh-out-loud memories of the fun we had on the road! Outside of work, she was part of a tight-knit group of FDIC women. It was usually Susie who gathered us together for fun outings and to provide much-needed support for each other. I trust that God needed Susie and has big plans for her. I fully expect her to have everything arranged, planned, and completely organized for when we meet her again. Until then, I will think about Susie often and try to honor her by really living everyday. She would expect nothing less."

Melissa Young, Senior Examiner - Large Financial Institutions, RMS, describes Susie as "an amazing person that was full of life. She was a mother, a coworker, but most of all - Susie was a good friend. Susie welcomed everyone into her life and would help anyone in need. She was extremely smart and so well organized. Everyone wanted her on their exam because you knew she would do a great job and it would be done on time, but most of all – because she brought joy to the exam. She had a warm and welcoming smile – and a great laugh. Susie took her work very seriously and took pride in her work. However, her priority was always her family. She had a great work/life balance – something we should all learn from her. She took great care of her family as well as her friends. She always took time to ask how you are doing, listened to you, and gave great advice. She trained many of the new hires and everyone appreciated the time she took to teach them how to examine banks. Everyone who knew her has great memories of her. She will be missed by so many people. I miss her terribly. Rest in peace and God bless you Susie."

Karen Luu, Senior Examiner - Large Financial Institutions, RMS, writes that she "met Susie almost 30 years ago when I joined the FDIC. Susie was like a wise,



older sister that one can call and ask for advice on just about anything. Susie was smart, funny, witty, helpful, and kind to everyone. She was a great examiner, but more importantly a great friend. Susie mastered the art of conversation. She could strike up a conversation with a stranger anytime and anywhere, and I especially witnessed her conversational skills during our work trips. She would talk to and listen to anyone she comes in contact with, from the waiter/waitress, janitors, housekeepers, hotel clerk, etc. She listened with interest and compassion, and by the end of the conversation, they would've told Susie their life stories. In this chaotic pandemic, I learned from Susie to connect with people in my everyday life through open and genuine conversations. Susie also loved to travel, and she made it a point to live life in the present and not wait until retirement. I will miss having conversations with Susie about family, travel, and parties. I will also miss her infectious laugh and her calling me Lulu (like a younger sister). Although Susie left us unexpectedly and way too soon, I am grateful to have her as a trusted friend and colleague for all these years."

Susie is survived by her husband Noam Witenberg. She was the daughter of Maty Marciano, sister of David, and mother of Miki and Maya. 🕊

IN MEMORIAM

Arthur L. Beamon

*Former Associate General Counsel,
Legal*

Arthur Leon Beamon of Washington, DC, passed away on Thursday, February 10, 2022 at the age of 79. He was born in North Carolina.

Arthur attended the Air Force Academy, graduating in 1965. He then attended George Washington University, graduating with a MA. Arthur later attended the University of Chicago Law School, where he obtained his J.D. degree.

He began his career with the FDIC and remained for more than 28 years, before

retiring as Associate General Counsel within the Legal Division in 1999. Arthur is remembered by colleagues and friends as being an extremely kind, loving, and patient man, who always put other people first. His calming personality was contagious to everyone he met.

Arthur is survived by his loving wife, Joan Beamon; his brother, Nolvie Lee; his sister-in-law, Linda; daughters, Tanika (Juan Diego) and Alexis; and nephews, Nolvie, Jr. and Kelvin. Arthur is also survived by many other relatives and friends. 🕊

